

## Quarterly Report

**PERIOD ENDING 31 December 2016**

**ASX Code: SHH**

This report covers Shree Minerals' (Shree or the Company) activities for the quarter ended 31<sup>st</sup> December 2016.

### Corporate

- Efforts to conserve cash continue.
- Business Development opportunities being pursued.

### Nelson Bay River Iron Project (NBR)

- A second shipment of Iron Ore was made for this Financial year in October 2016 for appx 21 k tonnes for an appx value of US\$ 0.91 million ( Total year to date appx 50 k tonnes ) .
- Iron Ore prices have continued to recover during the quarter.



- Prior to the Company considering recommencement of operations, it looks forward to new permit from the planning authority, which when granted, will replace the existing permit.
- Shree has lodged application for a new permit with the Circular Head Council in October 2016 & is awaiting EPA Guidelines for the preparation of DPEMP. Shree had lodged a draft NOI with the EPA in June 2016 & had during the previous quarter (ending Sept 2016) submitted a draft application with the council.

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## **Tenements**

- The mining tenements held at the end of quarter and their location.

<u>Mine Lease/ Exploration License</u>	<u>Locality</u>	<u>Remarks</u>
3M/2011	Nelson Bay River	100% Shree Minerals Ltd
EL41/2004	Nelson Bay River	100% Shree Minerals Ltd

- The mining tenements acquired and disposed of during the quarter and their location.

Exploration License EL42/2008 ( in the locality of Mt Sorell) expired on 17 November 2016. As the current focus is to conserve cash, the Board of the Company decided not to apply to extend the term of the licence.

- The beneficial percentage interests held in farm-in or farm-out agreements at the end of the quarter.

NIL

- The beneficial percentage interests in farm-in or farm-out agreements acquired or disposed of during the quarter.

NIL

## **About Shree Minerals**

Shree Minerals Limited is engaged in mining and production of iron ore & dense media magnetite at its core project; the Nelson Bay River Iron Project in the North West Tasmania and engaged in exploration of its other tenements in Tasmania.

## **ABOUT THE NBR PROJECT**

The NBR Project area is located about 6 km North East of the town of Temma and about 70 km South West of Smithton, in North West Tasmania.

The tenements contain a series of NW striking, strong amplitude magnetic anomalies. The iron mineralisation at NBR is hosted by a 10 to 28 meter wide mafic dyke, which crosses cuts the country rocks and increases in width with depth. Within this dyke is a magnetite-rich section and oxidation of the magnetite has generated goethite-hematite mineralisation to varying depths.

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The NBR project is being developed in a phased philosophy with the initial plan to mine the goethitic-hematite resource to export iron ore over the first couple of years at low capital expenditure to be followed by the magnetite resource to produce dense media magnetite (DMM) used for the coal washery industry.

The statutory approval process was unduly long which delayed the start-up of the project by about 2 years. The impact of the inordinate delayed approvals forced the project start-up into the bottom of the commodity price cycle causing the project to be suspended within 6 months of start-up and put under care and maintenance. As the NBR project has been planned for a phased development, a normal approval time frame would have had the project well placed to execute the DSO phase of the project at the right point in the price cycle which would underwrite the capital for the DMM phase.

Studies to-date have reflected a stable market and pricing for DMM as an industrial mineral in Eastern Seaboard of Australia with domestic production not being adequate to meet demand resulting in imports, thereby confirming the long-term value potential of the NBR project.

The Company has also worked relentlessly at cost rationalisation during the period to make the operations economically viable and the estimated C1 costs (US\$ per DMT CFR North China) are now estimated at appx US\$ 54 (compared to US\$ 88 as at year end June 2014) for Company's Iron Ore products (Fines & Lump). The company has also embarked on further studies to optimise the mine plan for stage 2 such that it may be commenced earlier.

The NBR project is currently awaiting a new permit to replace the existing permit consequent to the variation of the Environment permit in Nov'13 by EPA to allow a temporary PAF rock dump for DSO south pit being rendered invalid in a judicial review by Court in Dec'14. Our understanding is that the Court case ( to which the Company was not a party ) & decision thereof was on procedural legality relating to decision making of permit amendment rather than any environmental impact or issue. Shree in consultation with Tasmanian Government authorities has investigated various options including preparing a management plan for relocating the current PAF dump to within southern end of Southern DSO (SDSO) pit , making a new development application from the Circular Head Council for a Permit to construct a PAF Waste Rock Dump (WRD) within the SDSO pit boundaries and including the previously permitted WRD. In March 2016, the EPA advised that as the proposal is considered an integral aspect of the mine , Shree should apply for a new permit for the mine. The major reasons for a new permit is:

- I. because the SDSO pit is only 25% complete, there is insufficient space for the PAF WRD to be stored below surface and ultimate flood level of the pit; and

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- II. Moving the PAF WRD in the pit below ultimate flood level of the pit , prior to completion of mining of the pit , may result in contravention of the Mineral Resources Development Act .
- III. PAF storage above ground level in a safe environmental manner is universally practiced throughout the world by almost all open cut mines and with adequate procedures like truck dumping, compaction, alkali addition etc. will meet Best Practice Environmental Management (BEMP); and
- IV. While , there are no adverse effects on the surrounding environment by disposal of PAF rock in an above surface storage dump , under the current legislative framework in Tasmania there is no simple procedure / mechanism which applies to an application to amend an extant planning permit. In consequence , there is little choice but to make a new development application for precisely the same approved development and use, but which specifies a different methodology for disposal of the PAF rock.

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