# SHREE SHREE MINERALS LIMITED

29th October 2012

The Manager Companies
Company Announcements
Australian Securities Exchange
Exchange Centre
20 Bridge Street
SYDNEY NSW 2000
Dear Sir

**Nelson Bay River Iron Project: DSO Maiden Reserves & Mine plan**

Shree Minerals Ltd (ASX code: SHH) ("the Company") is pleased to advise the publication of Maiden DSO Reserves based on the Mine Plan for the first two of years of DSO operations at its Nelson Bay River Iron (NBR) Project.

**Reserves**

Minserve consultants as per the JORC code guidelines have carried out the estimation of Ore Reserves. Simon Tears of H&S Consultants Pty Ltd (H&S) has compiled the Resources used as the basis for these Reserves. (Copy annexed as Annexure 1)

Under the JORC Code, only Measured and Indicated Ore Resources can be considered for conversion to Ore Reserves after consideration of the "Modifying Factors" including mining, processing, economic, environmental, social, and government factors. The Reserve Statement applies solely to JORC resources in the Indicated Resource category.

The Southern pit DSO Iron Reserve Statement that conforms to the JORC Resources guidelines is shown in Table 1. The methodology & other details are in Annexure 2.

**Table 1: DSO Reserves Statement**

| Resource Category | Mass (Mt) | Grade (%) | | | | | |
|---|---|---|---|---|---|---|---|
| | | Fe | $Al_2O_3$ | P | S | $SiO_2$ | LOI |
| Proven | | | | | | | |
| Probable | 0.33 | 57.4 | 1.3 | 0.075 | 0.035 | 9.2 | 6.4 |
| Marketable | 0.33 | 57.4 | 1.3 | 0.075 | 0.035 | 9.2 | 6.4 |
| **Total** | **0.33** | **57.4** | **1.3** | **0.075** | **0.035** | **9.2** | **6.4** |

*Average density 3t/m$^3$; the use of significant figures does not imply precision; minor rounding errors. (DSO cut off based on a nominal 54% Fe)*

**Mine Plan for DSO Iron Ore**

The production schedule for the first two years comprise of mining DSO iron ore .The DSO requires no further beneficiation to produce a marketable product . It only requires crushing and screening. Two separate DSO pits are planned in the first two years (comprising DSO South Pit and DSO North Pit, which is within the BFO resources) with following total resultant pit quantities:

| **Ore Type** | **Tonnes (Mt)** | **Grade (Fe %)** |
|---|---|---|
| DSO Ore | 0.815 | 57.5 |

**Future work and Development Objectives**

The company has recently obtained Tasmanian State Government Approvals for the NBR project, which included the grant of Mining Lease & Development Permit (including EPA approval conditions). The Company is looking forward to receiving approval from the Australian Commonwealth Government under EPBC Act, for which the final EIS has been published following response to submission received as a result of public exhibition of Draft EIS. All departmental queries have been responded & the final decision is now expected soon.

The Company plans to mine the DSO first followed by BFO material, and then the magnetite resource. Shree has concentrated in recent times on work to support statutory approvals. A drilling campaign is now planned to commence next month with an objective to upgrade the hematite Resources to Measured & Indicated category to enable publication of entire DSO mine plan into Reserves as well as increase the extent of DSO resources to develop a mine plan for DSO beyond current production schedule of 2 years.

Yours sincerely

Sanjay Loyalka
Chairman

*The information in this report for the Direct Shipping Iron Reserve estimate for the Nelson Bay River Iron Project, was prepared under the direction of Alwyn Hyde-Page, director and member of The Minserve Group Pty Ltd. Alwyn Hyde-Page is a Fellow of the Australian Institute of Mining and Metallurgy (FAusIMM) with 40 years' experience and has the relevant experience in relation to the mineralisation being reported to qualify as a Competent Person as defined in the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (The JORC Code 2004 Edition)". Alwyn Hyde-Page does not have any material interest or entitlement, direct or indirect, in the securities of Shree Minerals Limited or associated companies. Fees for the preparation of the report are on a time and materials basis.*

*The information in this report that relates to Exploration Results, Minerals Resources or Ore Resources is based on information compiled by Mr Mahendra Pal who is a Fellow of the Australasian Institution of Mining and Metallurgy, Australia and a Member of the Society of Geoscientists and Allied Technologists, India. Mr Pal is a member of the Shree Minerals Board 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.*

## Annexure 1 Resource Statements

### Resources

From geological model drawn based on drilling from inception to 2011, the following three types (DSO, BFO and Magnetite) of resources were estimated (Tables 2-4) by H&S Consultants Pty Ltd in accordance with the JORC Code and Guidelines on 27 April 2012.

### Table 2: NBR Magnetite Resources

Magnetite Resource Estimate - April 2012 (20% DTR Cut off)

| Resource Category | Tonnes (Mt) | Magnetite | |
|---|---|---|---|
| | | (%) | (Kt) |
| Indicated | 1.7 | 38.5 | 667 |
| Inferred | 6.1 | 38.2 | 2,324 |
| **Total** | **7.8** | **38.3** | **2,991** |

*Average density 3.71t/m$^3$.*

A cap of oxide resource covers the magnetite resource and extends southwards for a further 600m of strike. The oxide resource is composed of goethitic-hematite (Direct Shipping Ore (DSO) and magnetic goethitic-hematite material amenable to beneficiation (BFO) to generate marketable products (Table 3 & 4).

### Table 3: NBR Hematite (DSO South pit) Resources

| Resource Category | Mass (Mt) | Grade (%) | | | | | |
|---|---|---|---|---|---|---|---|
| | | Fe | $Al_2O_3$ | P | S | $SiO_2$ | LOI |
| Indicated | 0.33 | 57.4 | 1.3 | 0.075 | 0.035 | 9.2 | 6.4 |
| Inferred | 0.37 | 58.7 | 1.3 | 0.094 | 0.029 | 6.9 | 6.8 |
| **Total** | **0.70** | **58.1** | **1.3** | **0.085** | **0.032** | **8.0** | **6.6** |

*Average density 3t/m$^3$; the use of significant figures does not imply precision; minor rounding errors. (DSO cut off based on a nominal 54% Fe)*

### Table 4: NBR Hematite Resources

| Deposit | Resource Category | Tonnes (Mt) | Grade (%) | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | | Fe | $Al_2O_3$ | P | S | $SiO_2$ | LOI |
| DSO Sth & BFO | Indicated | 0.33 | 57.4 | 1.3 | 0.075 | 0.035 | 9.2 | 6.4 |
| | Inferred | 1.10 | 50.8 | 2.2 | 0.044 | 0.055 | 18.1 | 5.5 |
| | **Total** | **1.43** | **52.3** | **2.0** | **0.051** | **0.050** | **16.0** | **5.6** |

*Average density 3t/m$^3$; the use of significant figures does not imply precision; minor rounding errors. DSO cut off based on a nominal 54% Fe. Beneficiable Ore (BFO) cut off based on a nominal 30% Fe.*

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## Annexure 2 Reserves Estimation

### METHODOLOGY

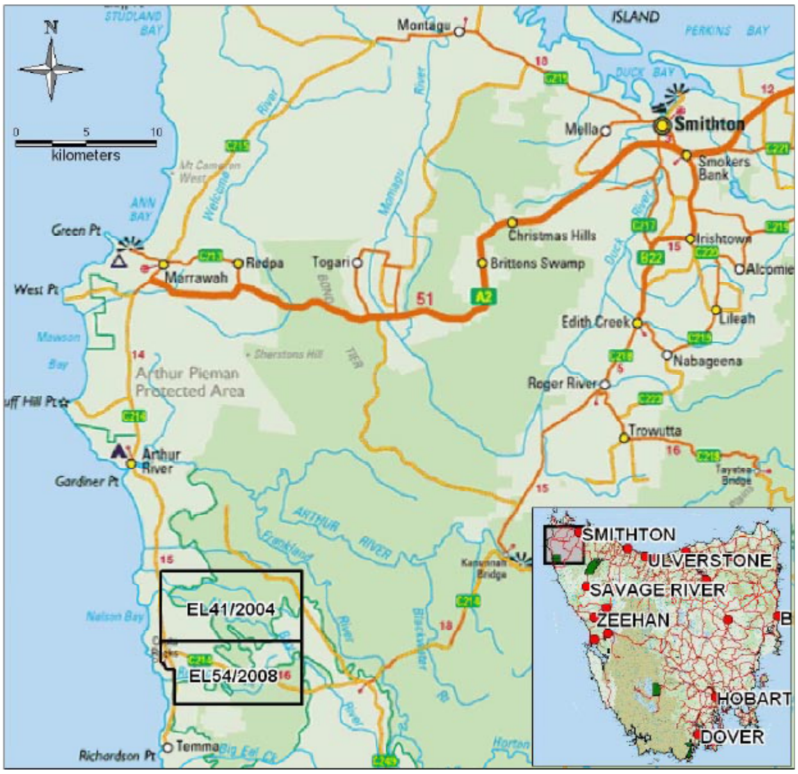
The methodology that was used in the preparation of the Reserves model comprised:

1. Validation of the resource model provided by H&S.
2. Economic modelling and analysis of surface constraints, mining leases and other modifying factors to determine the ultimate mining limits.
3. Adjustment of the existing pit layout and mining sequence to conform to the ultimate mining limits.
4. Reserves generation and Reserves reporting.
5. Further assessment of the modifying factors to classify the Reserves.

### LOCATION OF ORE DEPOSIT

The Nelson Bay Iron Project includes two contiguous licences, EL41/2004 and EL54/2008 (Figure 1). The ore deposit covered by the Reserve Statement is the DSO South pit included in Exploration Licence EL41/2004. The statement applies to that portion of the resource in the Indicated category (Table 4 of Annexure 1) contained within the pit shell.

**Figure 1: Location of Nelson Bay River, EL41/2004 and EL54/2008**

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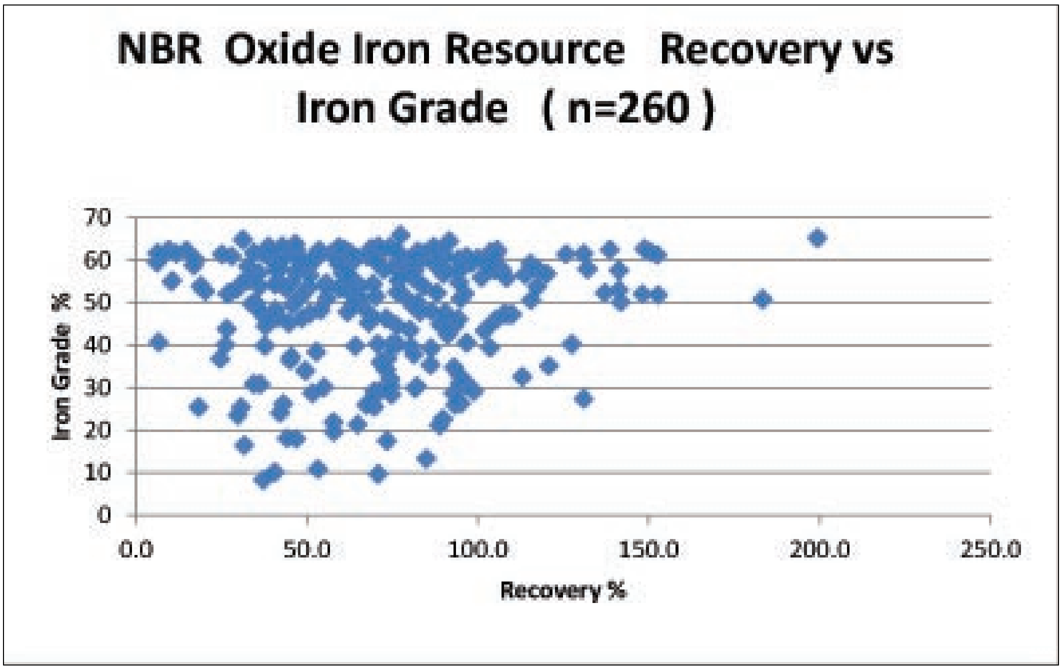
**THE SOUTHERN DSO OXIDE RESOURCE DATA**

Following the Mineral Resource Estimate in the December 2011 Pre-feasibility report Shree drilled a further 17 reverse circulation (RC) holes that intersected the DSO South mineralisation over a strike length of 600m. Drill spacing was approximately 20m to 30m on section and 50m to 200m between sections.
Figure 2 shows the comparison of recovery versus the iron grade for the RC drill samples. The graph indicates no bias of iron grade with recovery in the RC drilling data.

**Figure 2: Gossan Zone - RC Drilling - Comparison of Recovery vs Iron Grade**




An initial geological interpretation for the Oxide Iron mineralisation was based on a combination of drillhole iron grades, sulphur grades and geological logging. An all-encompassing gossan zone was completed within which two sub zones of high grade mineralisation were delineated. A review of the 1m composites for the Gossan Zone indicates a polymodal distribution for the iron grade (Figure 3). A significant break in the data occurs around the 54% Fe mark and thus a nominal cut off of 54% iron was used in conjunction with geological sense and mineral coherency to create the high grade wireframes.

The northern oxide BFO area was not covered by RC drilling in 2011. However, it was subject to three PQ diamond drill holes (DDH) for metallurgical testing of BFO material. No 1m assay samples were collected for this drilling and hence there is no new data for a revised resource estimate for the north area.

A comparison of the diamond core and RC composites for the Gossan Zone (Table 5) indicated no significant difference between the two data sets and thus justifies the combination of both data sources for modelling purposes.

**Figure 3: Gossan Zone Composite Grades**

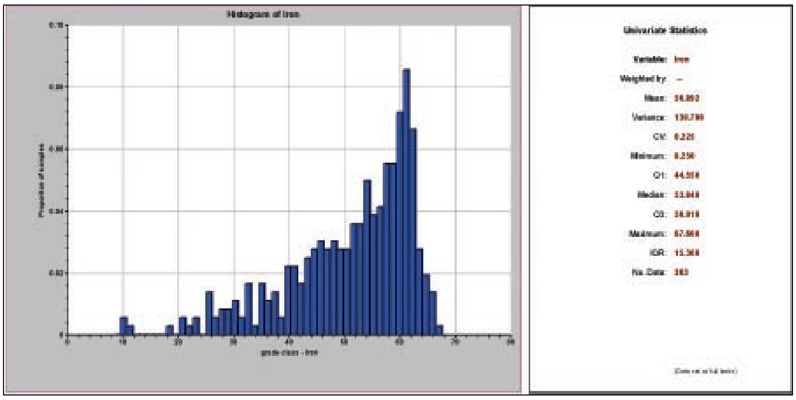



**Table 5: Comparison of Composite Samples DDH vs RC**

| | DDH Iron | RC Iron |
|---|---|---|
| Mean | 44.84 | 41.86 |
| Median | 48.77 | 47.795 |
| Mode | 46.7 | 52.97 |
| Standard Deviation | 18.01 | 18.40 |
| Sample Variance | 324.41 | 338.72 |
| Coeff or Variation | 0.40 | 0.44 |
| Kurtosis | -0.317 | -1.039 |
| Skewness | -0.859 | -0.589 |
| Range | 65.30 | 64.56 |
| Minimum | 2.30 | 1.23 |
| Maximum | 67.6 | 65.79 |
| Count | 106 | 344 |

A summary of the intercepts used for the DSO resource estimation is included as Table 6.

**Table 6: DSO - Mineral Intervals**

| Hole Id | Depth (m) | | Hole Id | Depth (m) | |
|---|---|---|---|---|---|
| | From | To | | From | To |
| NBR006 | 11 | 18 | NRC07 | 30 | 46 |
| NBR009 | 36 | 47 | NRC08 | 56 | 66 |
| NBR010 | 5 | 13 | NRC09 | 20 | 33 |
| NBR016 | 21 | 31 | NRC10 | 66 | 75 |
| NBR019 | 15.7 | 24.7 | NRC11 | 7 | 15 |
| NBR022 | 31.15 | 39.7 | NRC12 | 34 | 46 |
| NRC01 | 14 | 19 | NRC13 | 58 | 64 |
| NRC02 | 37 | 41 | NRC14 | 67.02 | 71 |
| NRC04 | 29 | 46 | NRC15 | 7 | 27 |
| NRC05 | 51.08 | 60 | NRC16 | 76 | 78 |
| NRC06 | 7 | 25 | NRC17 | 46.06 | 48.02 |
| | | | NRC18 | 12.04 | 24.01 |

A total of 217 one metre composites were extracted from the drillhole database using the DSO high grade wireframe. Summary statistics for the DSO composites are shown as Table 7.

**Table 7: DSO - Summary Statistics of Composites**

| Stat | Fe (%) | $Al_2O_3$ (%) | P ppm | S ppm | $SiO_2$ (%) | LOI (%) |
|---|---|---|---|---|---|---|
| Mean | 57.55 | 1.37 | 783.70 | 345.25 | 9.05 | 6.57 |
| Median | 58.74 | 0.79 | 630.0 | 220.00 | 6.22 | 6.71 |
| Mode | 61.5 | 0.54 | 570 | 120 | 3.9 | 7.01 |
| Standard Deviation | 5.31 | 1.96 | 509.10 | 410.20 | 7.09 | 1.91 |
| Sample Variance | 28.17 | 3.86 | 259180.48 | 168265.37 | 50.29 | 3.66 |
| Coeff of Variation | 0.09 | 1.44 | 0.65 | 1.19 | 0.78 | 0.29 |
| Kurtosis | 1.65 | 19.47 | 5.83 | 14.66 | 2.46 | -0.29 |
| Skewness | -1.09 | 4.04 | 2.09 | 3.37 | 1.43 | 0.14 |
| Range | 30.68 | 14.81 | 3010 | 3010 | 41.22 | 10.09 |
| Minimum | 36.92 | 0.09 | 60 | 0 | 0.68 | 2.07 |
| Maximum | 67.6 | 14.9 | 3070 | 3010 | 41.9 | 12.16 |
| Count | 217 | 217 | 217 | 217 | 217 | 217 |

**SOUTHERN DSO RESOURCE MODELLING**

Modelling used the Ordinary Kriging technique on the constrained composite data. A two search strategy, each with 3 passes, was employed with details of the search ellipses used included in Table 8.

**Table 8: DSO South - Search Ellipse Details**

| DSO South | Search 1 | | | |
|---|---|---|---|---|
| | Phase 1 | Phase 2 | Phase 3 | Rotations |
| X | 10 | 15 | 15 | 10 |
| Y | 50 | 75 | 75 | 10 |
| Z | 20 | 30 | 30 | -20 |
| Min Data | 8 | 8 | 4 | |
| Max Data | 32 | 32 | 32 | |
| Min Octants | 4 | 4 | 2 | |
| DSO South | | Search 2 | | |
| Search | | Pass 5 | Pass 6 | Rotations |
| X | | 22.5 | 22.5 | 10 |
| Y | | 112.5 | 112.5 | 10 |
| Z | | 45 | 45 | 20 |
| Min Data | | 4 | 2 | |
| Max Data | | 32 | 32 | |
| Min Octants | | 2 | 1 | |

*(Rotations use the trigonometry convention)*

An additional pass (Pass 7) was used to register blocks within the high grade wireframe that had no modelled grade.

The following geological features and additional geological interpretation were completed as part of the DSO resource modelling:

- Gossan
- Skarn Dyke
- Sulphide lode
- DSO; and
- BFO.

Volumes and quantities of these materials were required to be defined for geological purposes or for mining.

The modelled data was inserted into a newly created block model with dimensions listed in Table 9. This block model has different parameters to the original 2010 model to take into account the more specific nature of the oxide mineralisation.

**Table 9: DSO South - Block Model Details**

| Nelson Bay Oxide Block Model | nbr_oxide_working_31011 | | |
|---|---|---|---|
| | X | Y | Z |
| origin | 9807.5 | 20312.5 | -27.5 |
| Block Size | 5 | 25 | 5 |

Based on previous work by H&S, an average density of 3t/m3 was used for the resource estimates.

Classification for the resources is based on the search passes required to allocate block grade details as listed below.

| H&S Search Pass | Resources Classification |
|---|---|
| 1 & 2 | Indicated |
| 3,5,6, & 7 | Inferred |

The estimates for the DSO South material are reported in Table 10 using the high grade wireframe with a volume adjustment for blocks partly within the wireframe. No cut-off grade was used as essentially the wireframe is a 54% Fe cut off. Small sets of blocks at the north and south margins of the high grade wireframe had no modelled grade and were assigned the average grade of the overall resource. This material amounted to approximately 26,000 tonnes i.e. <4% of the total.

**Table 10: DSO South - Resource Estimates**

| **Resource Category** | **Volume** | **Tonnes** | **Grade (%)** | | | | | |
|---|---|---|---|---|---|---|---|---|
| | **$m^3$** | **Mt** | **Fe (%)** | **$Al_2O_3$ (%)** | **P ppm** | **S ppm** | **$SiO_2$ (%)** | **LOI (%)** |
| Indicated | 111,875 | 335,626 | 57.44 | 1.30 | 748 | 351 | 9.16 | 6.44 |
| Inferred | 122,429 | 367,284 | 58.68 | 1.27 | 941 | 294 | 6.91 | 6.79 |
| **Total** | **234,304** | **702,909** | **58.09** | **1.28** | **849** | **322** | **7.98** | **6.62** |

## SOUTHERN DSO RESOURCE STATEMENT

A Mineral Resource Estimate update for the Nelson Bay Iron Project was prepared by Simon Tear of H&S Consultants Pty Ltd in accordance with the 2004 JORC Code and Guidelines on 27 April 2012. Oxide and magnetite iron resources were estimated.

The following Mineral Resource Estimate update for the DSO South Resource (Table 11) was prepared as of this update.

**Table 11: Resource Statement Oxide Iron - DSO South Resource Estimate – April 2012**

| Resource Category | Tonnes | Grade (%) | | | | | |
|---|---|---|---|---|---|---|---|
| | Mt | Fe | $Al_2O_3$ | P | S | $SiO_2$ | LOI |
| Indicated | 0.33 | 57.4 | 1.3 | 0.075 | 0.035 | 9.2 | 6.4 |
| Inferred | 0.37 | 58.7 | 1.3 | 0.094 | 0.029 | 6.9 | 6.8 |
| **Total** | **0.70** | **58.1** | **1.3** | **0.085** | **0.032** | **8.00** | **6.6** |

*Average density 3t/m$^3$; the use of significant figures does not imply precision; minor rounding errors. (DSO cut off based on a nominal 54% Fe)*

## OPENCUT RESERVES CALCULATION

## VALIDATION OF THE GEOLOGICAL MODEL

Minserve imported the geological wireframe model into the VULCAN software system, which was used to create mining block quantities and qualities based on the geological model inputs. As part of the process VULCAN pitshell quantities were reconciled with the equivalent geological quantities. Mining block quantities generated formed the database for the spreadsheet used to develop the Production Schedule.

## THE VULCAN MODEL

Modelling and pit design were done in the VULCAN software system based on the wireframe resource model created by Simon Tear of H&S Consultants.

The local mine grid was used as the basis to develop the mining block layout. This is consistent with the basis for the geological model and overcame difficulties associated with attempts to convert the models to the MGA94 grid. The rotation of volume problems from the mine grid system to the MGA94 system precluded the use of the MGA94 grid system as a basis for the block model and quantities database.

## MINING BLOCK VOLUMES AND QUALITY

The Southern DSO pit was divided into a regular series of mining blocks 40m long and 5m deep with the width of each block being determined by the cut-back width of each block being mined. Perimeter blocks were truncated by the relevant pit shell boundary. (The separate central Lower Grade DSO Pit section contained within the BFO to the north was laid out in a similar manner but is not covered by this Reserve Statement.)

The block model provided modelled the oxide ore in two categories. The high grade DSO portion of the ore was provided as a discrete block quantity and the remaining lower grade oxide ore was provided as a separate discrete block quantity. Each block and category had its own modelled quality descriptor.

PAF material has been modelled separately and has been incorporated into the waste. Quantities have been included in individual mining blocks.

Waste and ore volumes were calculated for individual mining blocks.
As a check, the overall mining block quantities were reconciled with the relevant pit shell volume. They agreed within accepted limits.

**Quality Database**

Quality information for each block was included in the model provided by Simon Tear. The Resource quality summary information for the Southern DSO pit by resource category has previously been reported in Table 11 based on the DSO Summary Statistics of Composites reported in Table 6.

**In Situ Relative Density**

Density for the resource was modelled using the data supplied by HSC. The following values were used in the model calculations to convert volumes to tonnes:

- Relative density of waste - 2.65t/$m^3$
- Relative density of oxide ore - 3t/$m^3$
- Relative density of magnetite ore – 3.7t/$m^3$.

## DETERMINING MINING LIMITS

Mining of the Southern DSO pit study has been done to a Feasibility level. Sales prices of $107.00 per tonne for 58% Fe product has been used for DSO south Pit. The short mining life of the Southern DSO pit and the single product price allow the economic mining limit for the pit to be determined based on the optimised pit shell-stripping ratio. This was achieved by starting with a pit shell that maximised recovery of the geological resource and then modifying the pit shell design to optimise the best stripping ratio and mining recovery of the resource. Indicated Resources and Inferred Resources were used to define the economic pit limit, but Inferred Resources have not been included in the subsequent Reserve estimate.

## DSO PROCESSING & RECOVERIES

The DSO mined from oxidised hematite ore in the weathered zone requires no further beneficiation to produce a marketable product. It only requires crushing and screening to achieve a marketable product & a 100% process recovery is assumed.

Selective mining of the high grade DSO South pit ore produces a 58% Fe ROM product from the pit.

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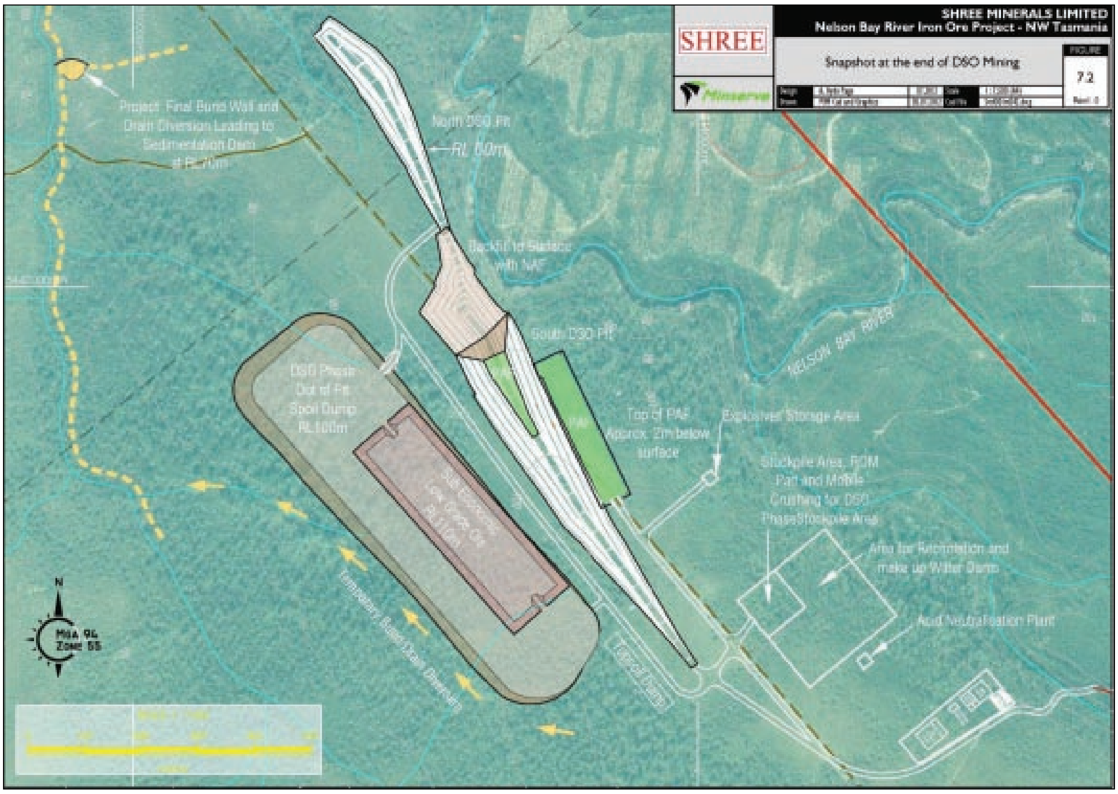
The ROM recovery was assumed to be 100% of the in situ DSO ore based on selective mining of the DSO ore, which is contained within a shell of a lower grade oxide ore. The latter averages 38% Fe and its overall effect on dilution of the 58% Fe ROM product is considered to be minimal.

**Pit Layout**

The pit layout based on the economic mining limit of the Optimised Southern DSO pit shown in Figure 4 was used to contain the mining block layout used in the Reserve Estimate. The resulting block model that contains the Probable Reserve estimate is shown in Figure 5.

**Figure 4: Snapshot of the Optimised Southern DSO Pit at the End of Mining**



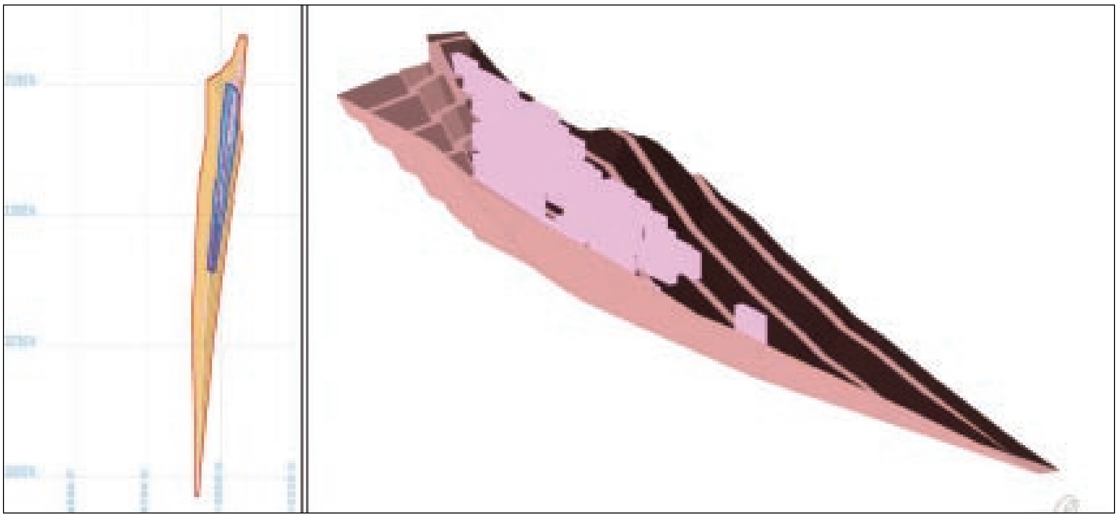

**Surface Constraints**

There are no surface constraints relating to cultural heritage or native title based on completed surveys. Opencut mining takes into account the proximity of the Nelson Bay River, which influences the mine design, and location of out of pit waste dumps.

**Geological Constraints**

No geological constraints or hazards have been identified that might affect the resource estimate on which the Reserves are based. An ongoing resource drilling program is planned to increase the Indicated resource category resources for the Southern DSO pit area and upgrade resources for the Northern DSO pit area.

**Figure 5: Southern DSO Pit Block Model of the Probable Reserve Estimate**



## MINE DESIGN

Mine design parameters used for the DSO pits are based on accepted standard opencut mine design practice. These were set after an initial geotechnical review by Geonet Consulting of the geology and geotechnical data available for the project.

## MINING METHOD

A shovel and truck opencut mining method has been selected as the most appropriate way to mine the deposit. The steep 65° dip of the orebody means that, after drilling and blasting, excavation is best done in horizontal slices (also known as flitches) using a hydraulic excavator in backhoe mode, ideally, loading rear dump or articulated trucks situated on the bench/flitch below it in order to maximise digger productivity. Drilling and blasting of all waste and ore is expected.

A selective mining method is envisaged with waste being mined first up to the contact with the hangingwall of the ore. The ore is then mined selectively in four to five metre flitches in order to minimise ore loss and dilution.