

Quarterly Report

PERIOD ENDING 31 December 2010

ASX Code: SHH

Highlights of December Quarter

- **Resource Estimation for the Nelson Bay River resulted in :**
 - **A global iron resource estimate of 12.7Mt at 36.1% Fe, including magnetite resources and goethite-hematite resources**
 - **14% increase in magnetite resources**
 - **Upgrading part of magnetite resources to Indicated category.**
 - **Delineation of goethite-hematite Inferred Resource of 1.2Mt, including Direct Shipping Ore (DSO)**
- **Lapse of Tarkine Emergency National Heritage Listing of NBR and environs;**
- **Aboriginal Cultural Heritage Assessment cleared the Nelson Bay River (NBR) proposed mine area**
- **Feasibility study work progressed – estimates of DSO ore reflect cash costs at FOB Burnie Port of appx Aud \$45 to \$50 per ton .**
- **Robust Iron Ore prices & strong outlook**
- **Physical ore characterisation tests on DSO drill core from NBR suggest that the:**
 - **ore is moderately strong and would produce lump of appx 65% which fetches a premium price compared to Iron Ore Fines.**
 - **handling of lump should be easy**
 - **Crushing power requirement should be moderate**

This report covers Shree Minerals' (Shree or the Company) exploration related activities for the quarter ended 31 December 2010.

Unless otherwise stated, Company's interest in the tenements referred to in this report is 100 per cent and references to schedules are based on calendar year. Overall all planned exploration work remains broadly on schedule.

Work performed during the Quarter

During the reporting period in addition to field visits to Nelson Bay River and Sulphide Creek tenements the following work was carried out:

- Preparing NBR work program for 2011 field season.
- Resource estimation for the NBR Project
- Feasibility Study progressed including Metallurgical, environmental and engineering studies of NBR project.

Nelson Bay River Iron Ore Project

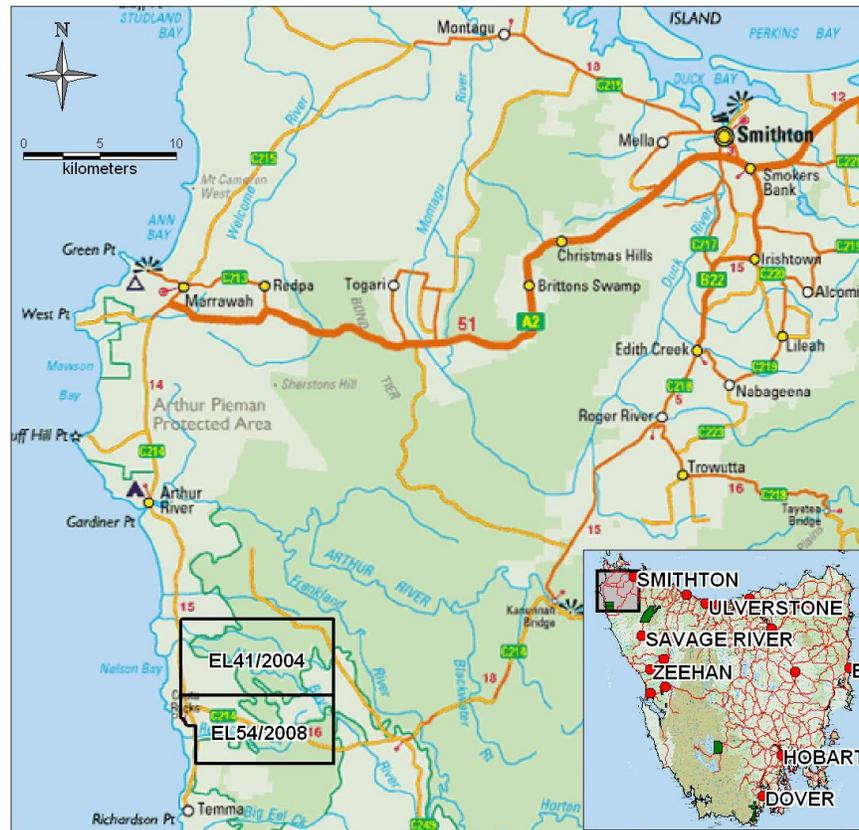
The Nelson Bay Iron Project includes two contiguous licences, EL 41/2004 and EL 54/2008. The Project areas are located about 5 km east of the town of Temma and about 70 km southwest of Smithton, in North West Tasmania. Access to the tenements is via the Temma and Heemskirk sealed road and thereon via forestry tracks (Figure 1). The Company has 100% interest in the Project tenements.

The work done (geophysical studies of airborne and ground magnetic data, geological mapping, rock chip sampling, etc.) to-date has confirmed the presence of beneficiable magnetite and DSO (goethitic-hematite) resources within the EL 41/2004. During the report period the following work at licence EL41/2004 was performed:

NBR work program for 2011 field season

- MRT approval to carry out exploration work program for 2011 field season as per figure 2 & 3 obtained which includes
 - a. 2km grid cutting for accessing the Western Anomaly for geological appraisal
 - b. Drilling to infill existing Resource & extend Resource further
 - c. Road (Track) upgrading to drill sites
- Tenement was visited and issues, like accessing gravel for track sheeting, drainage, clearance of track width and area required for drill pads, procurement of water for drilling, etc., for 2011/12 drilling program were discussed with MRT Environmental officers, National Parks Rangers and excavator contractor. Everyone involved cooperated well. For smooth

working communication between participants along with time to time site visits by participants were agreed up on.



Source: MRT

Figure 1: Nelson Bay River Tenement location plan

Feasibility study Progressed

As part of 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 A\$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 would produce lump of appx 65% which fetches a premium price compared to Iron Ore Fines. 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\$180 per ton and strong outlook driven by demand growth from China.

Aboriginal Cultural Heritage Assessment

An Aboriginal Cultural Heritage Assessment by independent consultants by Cultural Heritage Management Australia (CHMA) of the proposed NBR Mine Development area was completed. No sites of Aboriginal Cultural Heritage or archaeological significance were found within the study area. The general assessment is that the study area encompasses a landscape that is of low archaeological sensitivity. Thus there are no site specific heritage constraints to development activity proceeding within the bounds of these areas.

Tarkine Emergency National Heritage Listing

The Commonwealth Minister has allowed the emergency listing to lapse after the end of the 12 month emergency listing period.

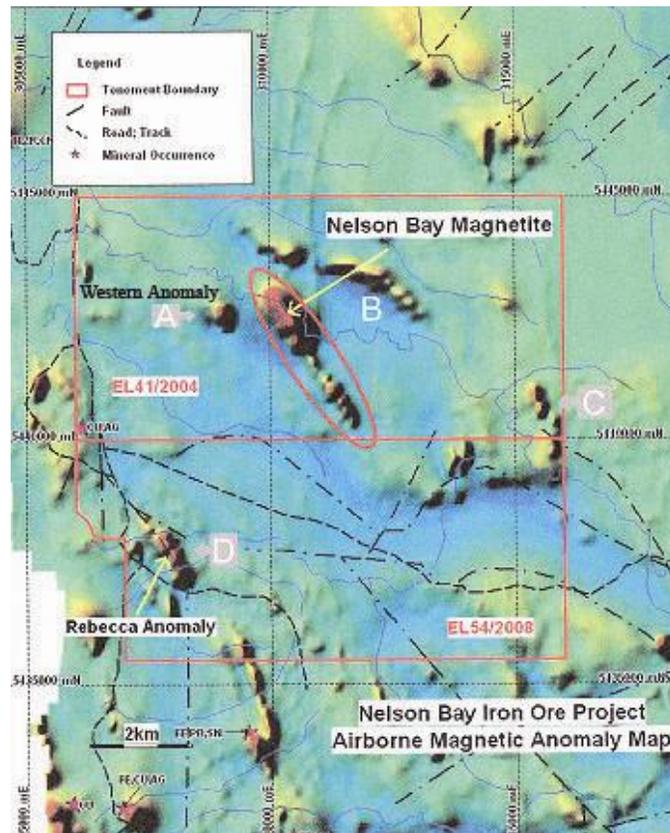


Figure 2: Nelson Bay River Tenement with Western Anomaly (A)

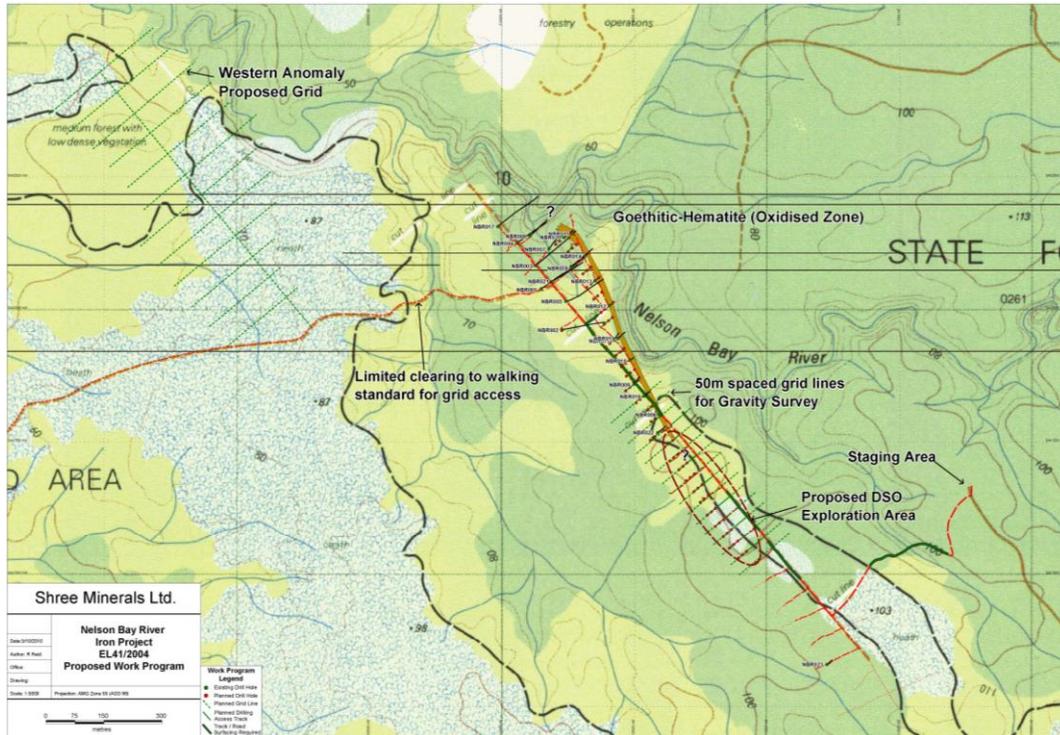


Figure 3: Nelson Bay River Tenement exploration work program for early 2011

Resource Estimation

The iron mineralisation at NBR Iron Project (EL41/2004) is hosted by a 10 to 28 metres wide mafic dyke, which cross-cuts the country rocks and increases in width with depth (Figure 2). Within this dyke is a magnetite-rich section and oxidation of the magnetite section by weathering has generated near surface goethite-hematite mineralisation; capable to produce direct shipping iron ore (DSO)

The resource estimates are made by the independent geological consultants Hellman & Schofield Pty Ltd and are reported according to the JORC Guidelines, based on information from 24 diamond holes, drilled for 2,512.96 metres. Details on resource type, category and grades are given in Tables 1 to 3 below.

Table 1: 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/m³

Table 2: 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 3: Goethite-Hematite Inferred Resources at Nelson Bay River Iron Project

Resource Category	Mass (Mt)	Grade (%)							Remarks
		Fe	SiO ₂	Al ₂ O 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	

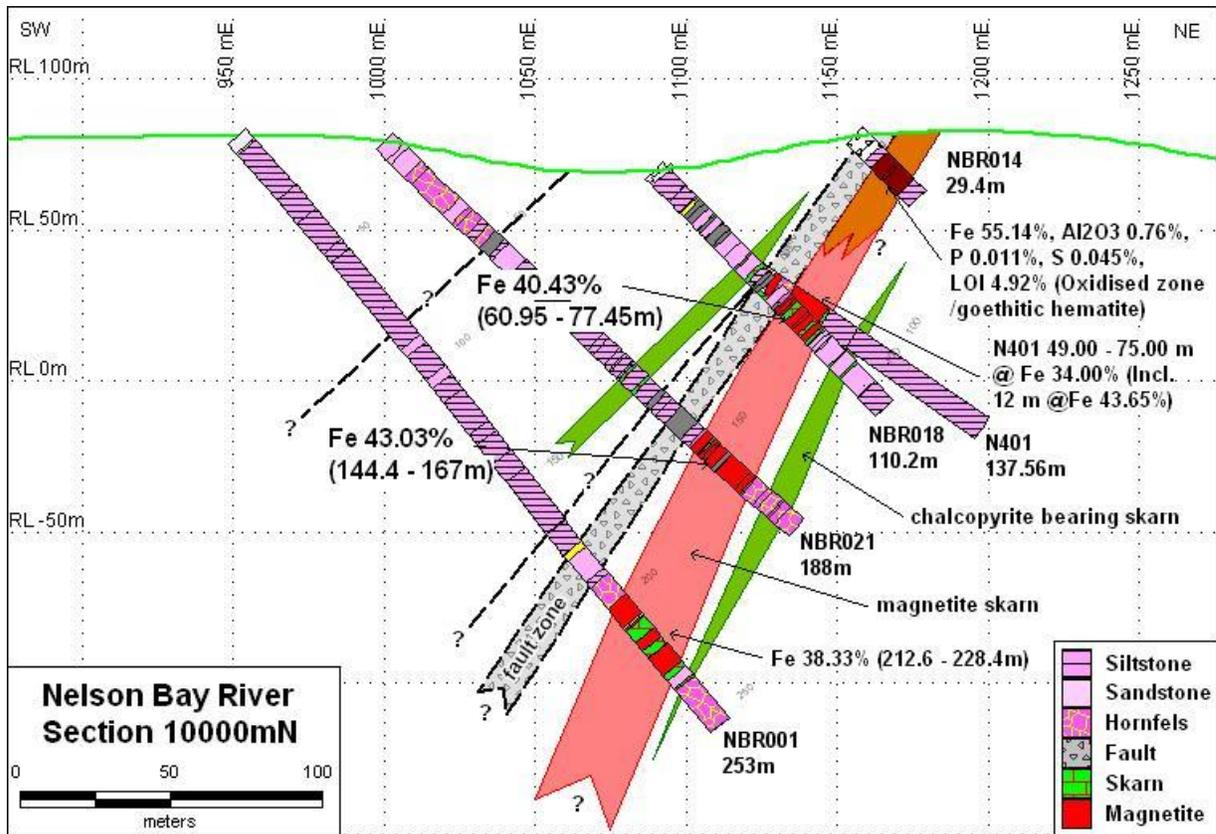


Figure 2: Ore body cross sectional view with mineralisation types and grades

Other Tenements

Shree Minerals' exploration activities for the Quarter in review were confined to those referred to in this report. During review of Catamaran (EL 32/2005) whose term matures on 15/02/2011, it was considered pragmatic to rationalise the Company's exploration & cash resources to focus on Nelson Bay River Project as it has potential for near term attractive cash flows. Hence, the Company agreed to relinquish the Catamaran Licence & not apply for extension. However, the Company can report that all other tenements remain in good standing and meet statutory requirements.

Proposed Work Program for Q1, 2011

For Q1, 2011 the following activities are planned:

- Selecting suitable contractors and consultants
- Continue metallurgical, environmental and engineering studies at NBR project.
- Implementation of 2011/12 exploration program, including access track and drill site preparation, liaison with relevant MRT authorities, arrange drilling program logistics, etc
- Work on data base including; data entry and validation of drilling data
- Review of data from other tenements
- Literature Study of Sulphide Creek
- Results of geophysical study at Mt Bertha to be examined and planning of a suitable access and exploration program for the area
- Reconnaissance field visits

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.