

Chairman's address at the Annual General Meeting

Dear fellow shareholders,

Your company has made significant progress in all aspects of the business, since our last AGM in 2011. The past year has been witness to the Company's journey from explorer to an imminent iron ore producer.

The major focus of the company has been the Nelson Bay River Iron Project (NBR).

Earlier this year the Company obtained Tasmanian State Government Approvals for mine development at the NBR Project, which included the grant of the Mining Lease and the Development Permit (including EPA approval conditions) under the relevant Tasmanian legislation. The State approval conditions reflect the best practice environmental management commitments made by the Company. The Company is now looking forward to receiving approval from the Australian Commonwealth Government, which is expected soon.

During the year, the company has upgraded its Direct Shipping Ore (DSO) resources and has announced its first Maiden Reserves along with the mine plan for first couple of years of DSO operation. The DSO production process is simple and only requires crushing and screening. This confirms our belief that NBR project has the potential for early cash flows at low capex. Requisite studies have been completed for the DSO phase to a bankable feasibility level. This confirms that NBR project can deliver returns to shareholders and benefits to a range of stakeholders, particularly those in the northwest of Tasmania.

Additionally, during the year the Company has also announced the results of Pre Feasibility Study (PFS) involving all stages of the project. The PFS delivered robust results, confirming the long-term value potential of the NBR project over a mine life of ten years.

Development of the project involves three stages:

The first stage is to develop a relatively shallow open cut mine to produce direct shipping grade hematite ore. This direct shipping ore (DSO) only requires crushing and screening to produce the DSO products.

Stage two involves the continuation of mining of the DSO to the north. Here the DSO is composed of lower grade goethitic-hematite, which is considered to have the potential to produce a commercial product by beneficiation (BFO).

Stage three of the project involves the open cut mining of the deep magnetite orebody beneath the DSO resource cap. This magnetite ore will require processing to produce commercial grade magnetite products. Earlier studies demonstrated that the magnetite ore could produce two products, a dense media magnetite (DMM) product, suitable for coal washery applications, or a blast furnace pellet (BFP) magnetite product. Suppliers are few in number for the higher value DMM product and mining generally occurs on a small scale. This would suit the Nelson Bay Iron Project.

Shree has concentrated in recent times on work to support statutory approvals. A drilling campaign at NBR is underway to commence shortly with an objective to upgrade the iron ore (goethitic-hematite) resources to Measured & Indicated categories and to enable conversion

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of the entire DSO mine plan into Reserves as well as to increase the extent of DSO resources to develop a mine plan for DSO beyond current production schedule of 2 years.

In parallel with the work at NBR, the Company has progressed exploration work at its other tenements:

At Sulphide Creek, the work done to date suggests that the exploration target is for 30-50Mt @ 0.75-1g/t gold for a total of around 1 million ounces. During the year, the Company has undertaken studies of diamond drill cores from the tenement using HyLogger, a CSIRO developed technique, to reveal the gold mineralising processes in the tenement and environs, before planning further drilling. At this stage the potential quantity and grade is conceptual in nature, and that there has been insufficient exploration to define a Mineral Resource and that it is uncertain if further exploration will result in the determination of a Mineral Resource.

At Mt Sorell, the 2011/12 fieldwork has identified encouraging signs indicating presence of Volcanic Hosted Massive Sulphide (VHMS) system in the tenement area. A VHMS style deposit would be similar to Rosebery, Hellyer etc., while structurally controlled gold mineralisation related to major faulting would be similar to the style of Cu/Au mineralisation at Mt Lyell.

At Mt Bertha, over the years various agencies explored the tenement area and environs and identified several exploration targets. The area is considered to have potential for magnetite, magnesite and Cu, Zn, and Au mineralisation in the Arthur Metamorphic Complex (AMC). During recent exploration, a schist (AMC) outcrop sample returned an indicative 35m @ 242 ppm Cu with maximum of 401 ppm Cu, which is highly encouraging and suggests that the area has all the indications for the discovery of a sizable mineralisation of Cu, Zn, magnetite, etc.

## **Social and Environmental Practices**

The implementation of best practice social and environmental practices, well beyond simple compliance, has been an integral part of Company's philosophy. The company continues to pursue Best Practice Environmental Management and the development of the NBR project is being undertaken with an innate sense of responsibility towards the well-being of society and the environment.

To illustrate some initiatives:

1. As described in the EIS published by your company, there will be no impacts on threatened orchids and this requirement is therefore not relevant to the approval decision for the project. Nevertheless, to enhance the understanding of orchid biology in northwestern Tasmania, Shree Minerals will commission research during the initial years of the mine's operations, as a best practice environmental management contribution to orchid science. The research will assist with the ongoing management and protection of threatened orchid species in northwestern Tasmania.
2. Shree Minerals recognises the opportunities that the presence of an operating mine will create to support Devil Facial Tumour research. Hence, the company has noted that Devil numbers around the mine site will be monitored as part of the mine's operational monitoring of the effectiveness of its devil (and quoll) impact mitigation measures, and these observations will be valuable data for the Save the Tasmanian Devil Program (STDP). Shree Minerals would also be happy to cooperate with and support any wider area monitoring and research being undertaken by the STDP, for example through the provision of site office facilities and other logistical support including appropriate contribution.

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Your Company remains committed to playing an active role beyond business in the larger community.

Your company believes that development of NBR project will assist the region of northwest Tasmania to progress towards a more resilient future as a key component of regional Australia, with improved social equity and quality of life within its community. It is anticipated that the project will provide jobs for the next 10 years, with a potential future increase in the workforce if throughput rates are increased or alternative onsite mining areas are developed. It is anticipated that the proposed mining operation will support an estimated 65 jobs.

As throughput rates are increased, the potential is to employ 125 full time employees (by the company &/or through contractors) with many more employed indirectly because of flow-on effects.

Engaging with and playing a positive role in the local community has always been a focus for your company and, as we progress our plans in the area, that commitment will remain. Shree Minerals Limited is committed to an open and constructive dialogue with key stakeholders and interested parties. Consultations with the many organisations/groups/persons have occurred, including Circular Head Council, Forestry Tasmania, politicians, the Tarkine National Coalition, potential contractors, the Arthur-Pieman Conservation Area Consultative Committee, the Tasmanian Aboriginal community etc.

Your Company looks forward to strengthening these relationships over the coming years.

## Outlook

With the NBR DSO project commencing production in the near future, we believe that Shree Minerals is now at an inflection point and should actively pursue its objective to create shareholder wealth by growing the company by acquisition of additional prospective mineral tenements in Australia and overseas.

Shree would like to acknowledge its successes over the past few years are due to a dedicated team, with the support of the local community in the northwest of Tasmania. I thank our shareholders for their ongoing support of Shree Minerals.

Thank you.

Sanjay Loyalka  
Chairman

*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.*

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