

Quarterly Report

PERIOD ENDING 30 SEPTEMBER 2012

ASX Code: SHH

Highlights of September Quarter

- Approval for mine development at the Nelson Bay Iron Project (NBR) from the Circular Head Council, Tasmania has been received
- Approval was also received from the Environmental Protection Authority (EPA), Tasmania for mining at NBR
- Grant of Mining Lease from Mineral Resources Tasmania (MRT) for mining at NBR has been received
- Maiden Reserves published and DSO mine plan for first 2 years finalised (October 2012).
- The 2011/12 fieldwork at Mt.Sorell has identified encouraging signs for the presence of Volcanic Hosted Massive Sulphide (VHMS) mineralisation system in the area

This report covers Shree Minerals' (Shree or the Company) exploration related activities for the quarter ended 30th September 2012.

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.

Nelson Bay River Iron (NBR) Project statutory approvals progress

During the reporting period, approval/grant for developing mine at the Nelson Bay River Iron Project was received from the:

- Circular Head Council, Tasmania;
- Environmental Protection Authority (EPA), Tasmania; and,
- Mineral resources Tasmania (MRT) grant of Mining Lease

The Company looks 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.

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

Development of the project involves three stages. The first stage is to develop two relatively shallow opencut mines to produce direct shipping grade hematite ore. This direct shipping ore (DSO) only requires crushing and sizing to produce the DSO product. Each pit will produce a separate grade of DSO product. The south pit has a higher DSO grade and will be mined first with the product transported to Port Latta for export. The north DSO pit, situated above the main magnetite orebody will follow. It has a lower DSO grade.

Stage two involves the continuation of mining of the northern DSO opencut. Here the stage one DSO hematite oxide cap is surrounded by lower grade ore considered to have the potential to be processed to produce a commercial beneficiated oxide product (BFO). Processing the BFO material is considered to be stage two of the project.

SHREE SHREE MINERALS LIMITED

Stage three of the project involves the opencut mining of the deep magnetite orebody beneath the oxide cap. This magnetite ore will require processing to produce commercial grade magnetite products and the BFO processing plant will be modified to achieve this.

Earlier studies demonstrated that the magnetite ore can 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.

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. The Southern pit DSO Iron Reserve Statement that conforms to the JORC Resources guidelines is shown as following:

DSO Reserves Statement

Resource Category	Mass (Mt)	Grade (%)					
		Fe	Al2O3	P	S	SiO2	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/m³; the use of significant figures does not imply precision; minor rounding errors. (DSO cut off based on a nominal 54% Fe)

Outlook

The Company is planning to commence drilling at the NBR and Rebecca Creek tenements during the second week of November. Accordingly, necessary documentation for approval to drill ~3500 m to improve resource category and further extension of resources and geotechnical studies at the Project was submitted to the Minerals and Resources Tasmania.

Sulphide Creek

Background

The Sulphide Creek tenement contains three principal prospects: Davie, Anomaly 24-28 and Coupon. In 2009/10, the Company drilled diamond drillhole SCDDH4 and 5 for 191 and 200 metres respectively at the Davie Prospect (Figure 1). These holes intersected two gold intervals (Table 1). To understand area's gold mineralisation process(s) the Company decided to use CSIRO developed HyLogger to get spectral properties of tenement's intersected mineralogical sequences (lithologies) in drill cores.

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Table 1: Significant gold intersection along drill

Hole ID	Location m (AGD 66)		Location (m)		Intersection (m)	Grade g/t
	Northing	Easting	From	To		
SCDDH4	375689.5	375689.5	19	37.5	18.5	0.5
<i>includes</i>			31.5	34.5	3	1.26
SCDDH5	375689.4	375689.4	37	51	14	0.53
			39	51	12	0.55
			159	168	9	0.88
<i>includes</i>			164	167	3	1.29
			181	183	2	0.6

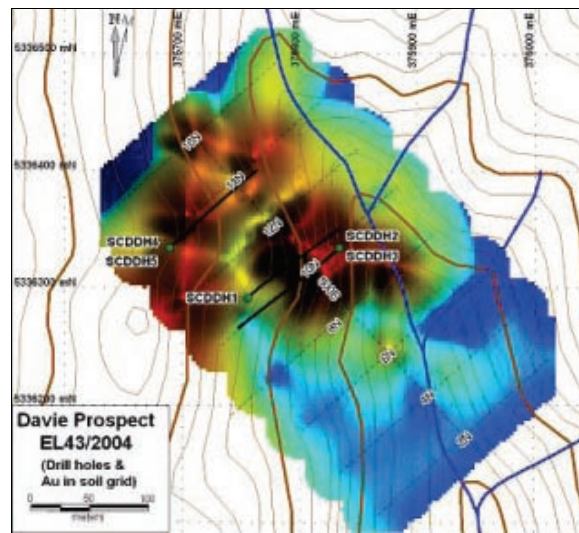


Figure 1: Davie Prospect plan showing drill hole locations over a gridded gold in soil anomaly

Study approach

The exercise was aimed to characterise the iron oxide, hydrous (clay) and anhydrous silicate mineralogy of the 3-drillhole cores. Spectroscopic sample resolution was ~8*18 mm sampled every 8 mm along the core. The HyLogging system collects 125 samples per metre of core (before masking). Digital imagery was acquired simultaneously with the mineral spectroscopy with a resolution of ~0.2 mm. Data analysis was carried out using "The Spectral Geologist" (TSG-Hot Core) software.

Study findings

Past studies have made little reference to clay mineralogy. The HyLogging data offers fresh insight that should be valuable in re-thinking mineralised alteration signatures in the region.

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A spatial association is observed between the gold (Au) assays and spectroscopic signatures of an alteration mineral assemblage comprising dickite plus hematite, minus white mica and kaolin, occurring at a boundary (gradient) in mica chemistry composition Figure 2.

Figure 2A shows the presence of relative abundance of the iron oxide. The dominant iron oxide here is yellow brown goethite. The deeper the goethite colour the stronger the relative absorption.

Figure 2B of the weighted gold (Au) assays indicates that Au does not occur in intervals without iron oxide development.

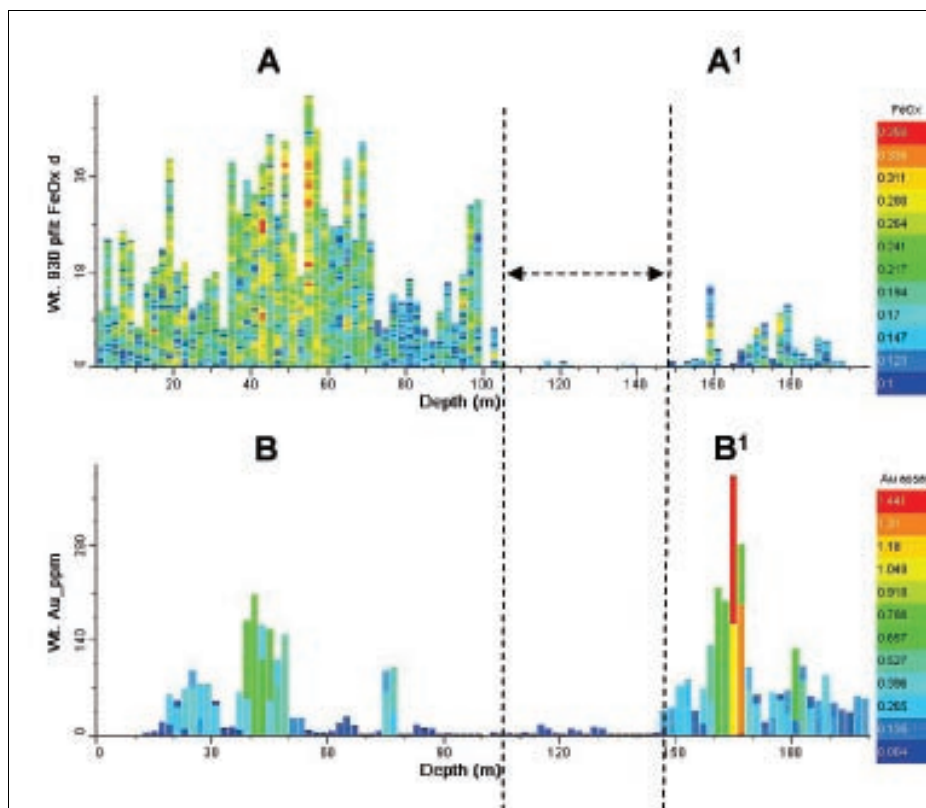


Figure 2: Spatial display of mineralogy and Au distribution in SCDDH5
(Figure 2A: Intensity of iron oxide development
Figure 2B: Weighted Au assay distribution)

Further work

Once all remaining drill core spectra from the tenement are analysed, XRD Validation will be undertaken & future exploration planned appropriately.

Mt. Bertha (EL 42/2004)

Over the years, various agencies explored the tenement area and environs and identified several exploration targets (Figure 3). The area is considered potential for magnetite, magnesite and Cu Zn and Au mineralisation in the Arthur Metamorphic Complex (AMC).

Due to thick vegetation cover, incised by flowing streams, poor outcropping rocks the area is difficult to explore. Shree fieldwork was of low impact in nature and was confined to targets A, B, C and along the Savage River Mine Pipeline (Figure 3). The exploration activities included reconnaissance geological mapping, determining *in situ* magnetic susceptibility of rock types encountered and collection of 17 rock chip samples.

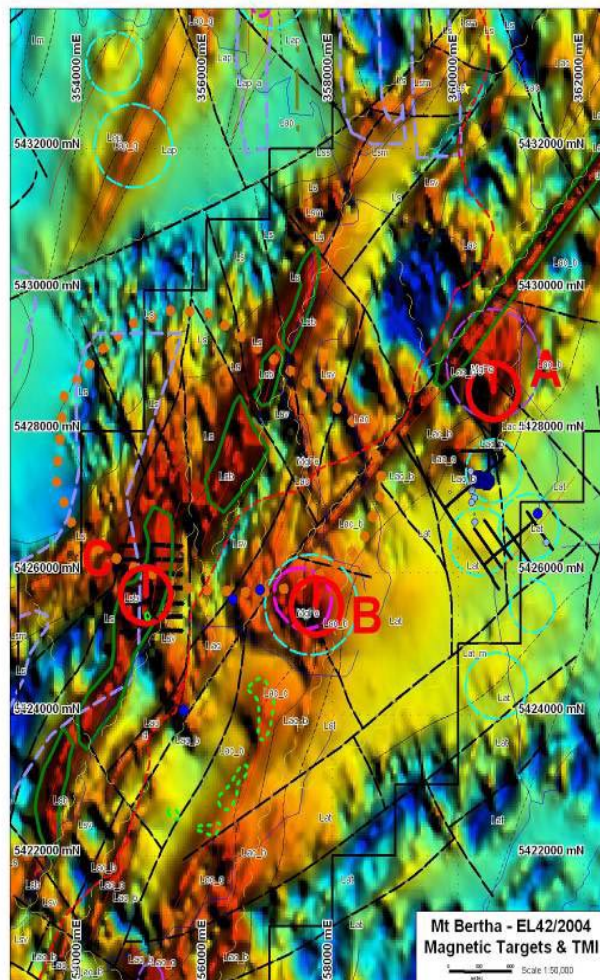
Study findings

Magnetic susceptibilities for the targets examined are generally >5 SI, with basalts ranging from 10 to 52 SI. The AMC schists returned values in the range 5 to 9 SI, favourably indicating a likely relationship to an overprinting magnetite and Cu, Zn and Au mineralising event; a schist (AMC) sample returned an indicative 35m @ 242 ppm Cu with maximum of 401ppm Cu.

To date work done suggests that the area has all indications for the discovery of a sizable mineralisation of cu, Zn, magnetite, etc.

Continue with the pattern of exploration adapted, i.e., reconnaissance geological mapping, rock chip and soil sampling, ground geophysical work along grid lines, etc.

Figure 3: Mt Bertha tenement plan with identified targets



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Mt. Sorell (EL 42/2008)

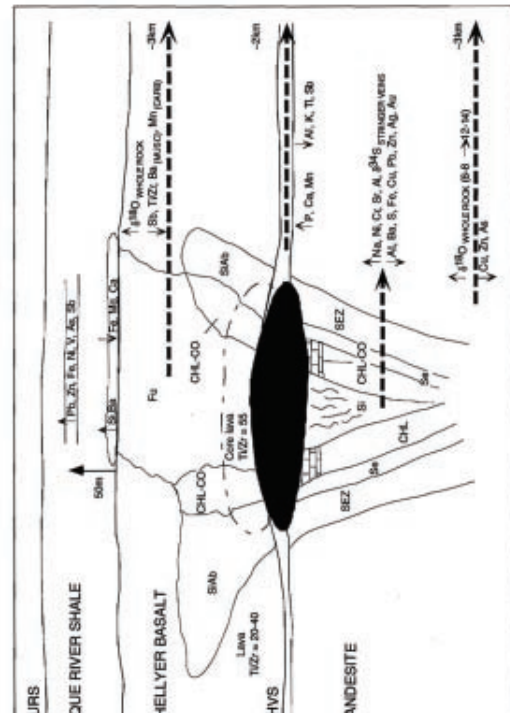
Work done by various agencies in the area suggests that the area is prospective for VHMS and structurally controlled gold mineralisation.

The 2011/12 fieldwork has identified encouraging signs for the presence of Volcanic Hosted Massive Sulphide (VHMS) mineralisation system in the area; supporting earlier explorers view.

When compared the 2011/12 work to currently held VHMS models, the distribution of various soil analytes reveals an effective cross section through a VHMS alteration system in the area (Figure 4).

Source: Gemmill & Fulton (1998)

Figure 4: Interpreted VHMS alteration zone at Clark Valley compared to a schematic model of the lithogeochemical halo and vectors to ore for the Hellyer VHMS system (after



Gemmill and Fulton (1998).

In Mt Sorell area, a principal fluid focus appears to be beneath the Central Clark Zinc Anomaly (CZA). Vectors determined from soil analysis as well as cropping out pervasive silicification and chlorite alteration support this.

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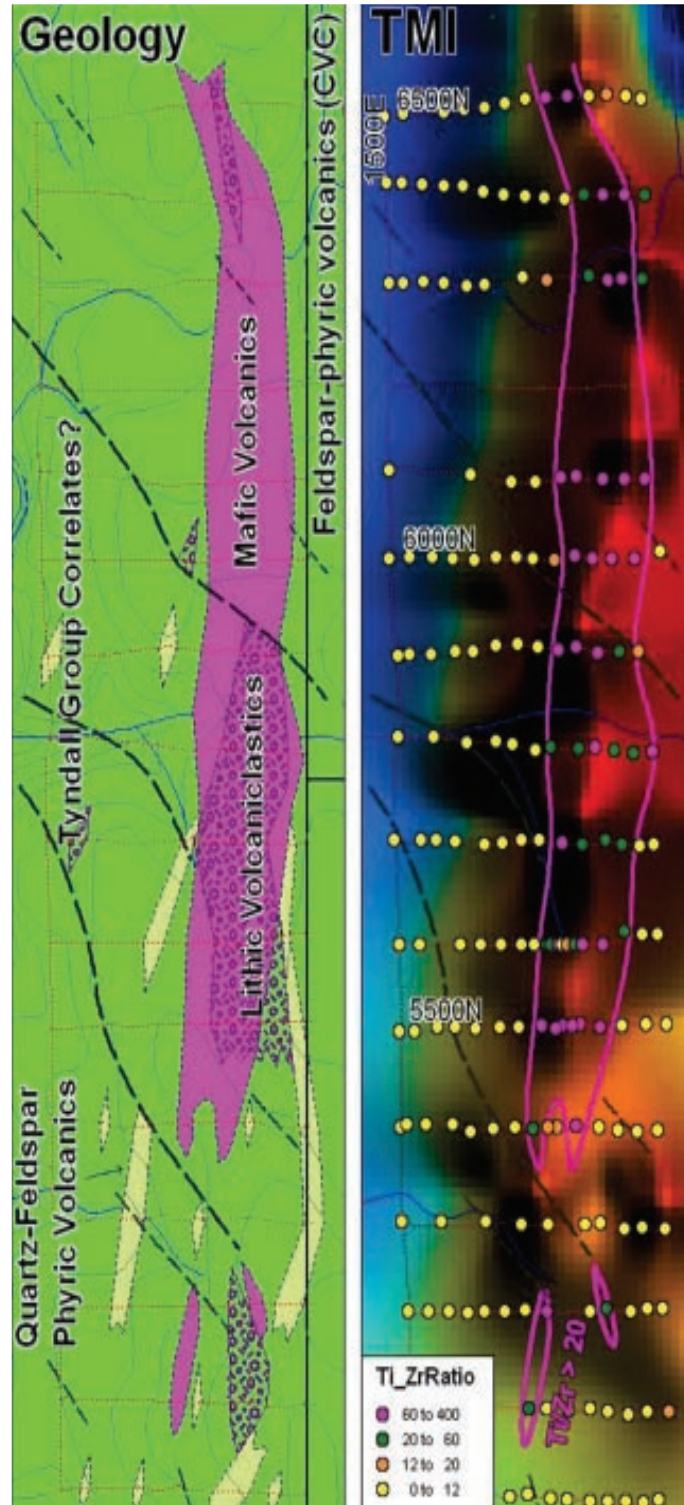
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Further, the Ti/Zr ratio from the current sampling highlights the presence of a mafic to intermediate (largely basalt) horizon in the study area. Figure 5 shows a spatial distribution of high (mafic) Ti/ Zr ratio corresponding to the aeromagnetic high. Mafic volcanic horizons at the CVC – Tyndall Group boundary in the area are a known VHMS host within the Mount Read Volcanics.

Figure 5: Geology and outline plot of Ti/Zr ratio over gridded Total Magnetic Intensity for Mt Sorell (WTRMP 2002).

Moreover, distribution of anomalous Pb in the area is localised within the strongest Zn anomalous part, as well as Cu in soils is relatively widespread within the identified coherent N-S zone. This broad Zn and Cu distribution is recognised as common to VHMS style mineralisation environments, Gemmell, etc. al. (1998), consider Pb to be a more proximal indicator for mineralisation.



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Other Tenements

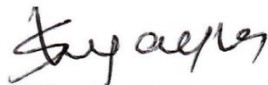
Shree Minerals' exploration activities for the Quarter in review were confined to those referred to in this report. However, the Company can report that all other tenements remain in good standing and meet statutory requirements.

Proposed Work Program for Q3 - 2012

For Q3, 2012 the following activities are planned:

- Continue study of information acquired during the 2 Quarter on Mt Sorell, Mt Bertha and Sulphide Creek tenements and planning of appropriate further exploration work for these tenements;
- Drilling of ~3500 m (~3000 m RC and ~ 500 m diamond) to upgrade resources category and extension of resources, testing prospectivity of Rebecca Creek tenement and diamond drilling for geotechnical studies.
- Review of data from other tenements;
- Work on remaining Statutory approval for NBR Project and;
- Attending to statutory reporting related to the Company operations.

Yours faithfully



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 (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.

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.