

**ML 15M / 2004
SCOTIA PROJECT
NORTH EAST TASMANIA**

**VAN DIEMAN
MINE PLAN
24TH MARCH 2005**

VAN DIEMAN MINES PTY LIMITED

24TH March 2005

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SUMMARY

The following Mine Plan is submitted to support the application dated 9th December 2004. It should be noted that the applicants intend, as part of the statutory requirement to complete a full Environmental Impact Assessment (EIA) of the project, to include in that assessment a fully detailed 'Mine Plan'.

In summary this is an alluvial mining operation plan which involves:

- Clearing of surface vegetation and mulching of part of that vegetation stockpile for later reclamation works;
- Pre-stripping of topsoil to special stockpiles;
- Stripping of the first 5 to 7 metres of overburden by bulldozer to beside-cut stockpiles;
- Removal of balance of overburden to the same stockpiles;
- Removal of the underlying ore to the alluvial treatment plant;
- Progressive rehabilitation immediately behind mining involving return of overburden to the cut, re-contouring, return of topsoil and mulching.
- Reclaimed areas will be replanted with local species as required.
- Progressive moving of treatment plant to keep haulage imprint small with draining of tailings areas and reclamation and replanting.

It is envisaged that by using progressive remediation of worked areas the overall imprint of the operation will be relatively small. Short haulage distances from the mine to the treatment plant will reduce the visual impact of roads and earthworks and will reduce dust pollution associated with vehicle movement.

This current plan set out in the following text may require amendment as issues raised in the EIA are addressed.

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1 INTRODUCTION

The mining operation to be conducted by the applicant involves the progressive development of a deeply buried tin / sapphire bearing alluvial channel by open cut mining methods involving conventional earthmoving machinery; bulldozers, excavators and trucks. It is proposed that reclamation of the site will be conducted on an ongoing basis immediately behind the open cut extraction of the ore and that progressive moving of the treatment plant will be carried out to limit the overall footprint of the operation.

The Environmental Impact Assessment (EIA) currently being conducted by the applicant is following guidelines as supplied by DPIWE and will, in particular, address rehabilitation of the site to as near original conditions as is practicable. To this end the applicant has already held discussions with several parties in relation to establishing a local nursery to provide plant species for revegetation. In addition the applicant and has commenced detailed studies of the environment, specifically:

- Flora and fauna studies;
- Aboriginal Heritage studies; and
- Baseline water quality testing.

The applicant envisages that as a result of the EIA studies it may be necessary to modify the Mine Plan set out in the following text. Such alteration would not affect the actual mining techniques to be employed but would most likely involve matters of water storage, water use and mine water discharge. The applicant is aware of issues involving acid water discharge at several local mines and as part of their study is addressing in detail such issues.

2 LOCATION, ACCESS AND LAND USE

The operation to be known as “**The Scotia Mine**” is located on the southern edge of the Great Northern Plain approximately 5 km north of the Township of Gladstone. The centroid of the area applied for is located at approximately 584,000m East and 5,469,000 m north AMG. See Figure 1.

In the application dated 9th December 2004 access to the tenement was to be via the current access track, an old mine road that crosses the Pig and Whistle Lagoon just south of the abandoned Lochaber Mine. Recent inspection of the track indicates that it will be unsuitable for heavy vehicle access and thus it is proposed to create a new access track as indicated on Figure 1. The new access commences on the Cape Portland road approximately 3.75 km north northeast of Gladstone at a position approximately 586100m east and 5468450m north AMG and travels immediately adjacent to the north of the abandoned Mt Cameron Water Race to the intersection with the current access track. Existing tracks will be used from that intersection to access the various working areas within the tenement.

Current land tenure is considered to be “Other Crown Land” and comprises an area currently administered by Mineral Resources, Forestry and National Parks. It is understood that the Rushy Lagoon property owners have some form of grazing rights to the area.

The nearest permanent (perennial) watercourse to the project area is the Ringarooma River which at its closest point lies approximately 800 metres east of the planned mining operation. Newhaven Creek in the south east of the area applied for is a non-perennial stream and is located approximately 200 metres west of the planned mine. It is proposed that a freshwater holding dam will be constructed on this creek to provide dry season top-up water to the treatment plant. Stinking Creek in the north of the area applied for is a non-perennial stream lying approximately 200 metres east of the planned mining cut. This stream and an unnamed stream west of the planned mine cut in the north at approximately the same location are also planned to be dammed for dry season water storage.

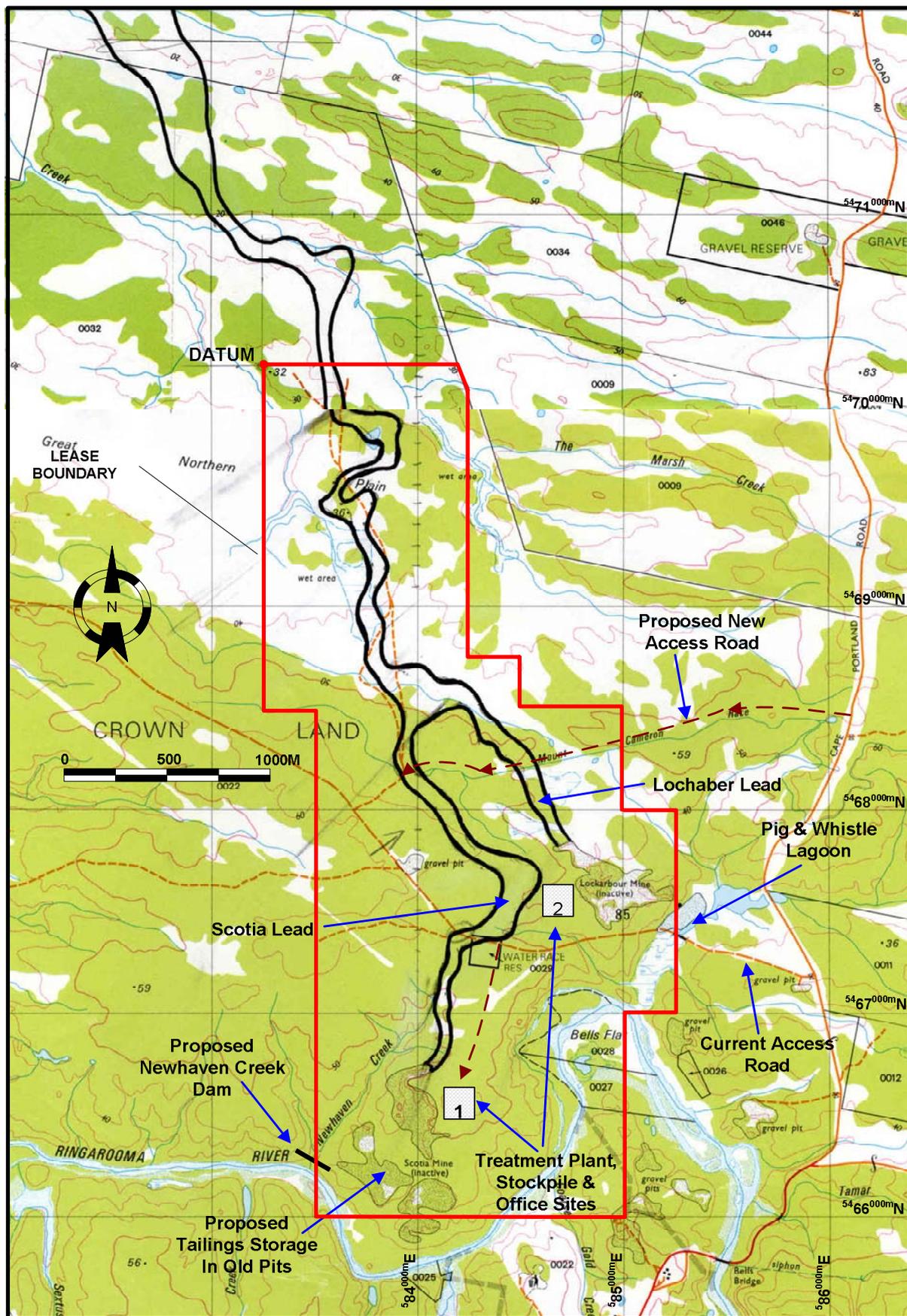


FIGURE 1 - LOCATION AND ACCESS PLAN

The nearest inhabitants are located at Gladstone township some 5 km south and the operation is some 1 km distant and cannot be sighted from the Cape Portland Road.

3 THE GEOLOGICAL SETTING

The geological description of the deposit has been drawn from previous reporting to Mineral resources by Mineral Holdings Australia Pty Limited (MHAPL) and from the prospectus of Van Dieman Mines Plc.

The term '**Scotia Lead**' is here used to describe a buried alluvial channel deposit. It is located on the north bank of the Ringarooma River and consists of two palaeochannels, the Lochaber and Scotia that coalesce to form a major north – northwest trending buried palaeo channel.

The Scotia Lead was previously worked along and immediately adjacent to the Ringarooma River and consists of:

- ❖ The southern workings, an area of "Lead" deposits that had been reworked by the Ringarooma River; and
- ❖ The northern face developed on the narrow gutter comprising the north trending deep lead proper.

Nye, 1932 reports the "Scotia Lead" to consist of alternating layers of clayey sand and granitic quartz sand. Gravels are absent except in surface layers. On the sides of the gutter the "Basal" wash consists of angular quartz pebbles associated with brownish sandy clay. Nye also reports that the un-worked sections of the "Lead" consist of lignitic clayey sands with some large quartz boulders. The close proximity of the Scotia Lead to the northern face of the tin bearing Mt Cameron massif suggests that a high proportion of the tin load in the lead was derived from tin bearing greisen zones and quartz reefs within the massif.

The observations made by Nye agree with logs of the drill logs with angular quartz wash being noted in many holes flanking the high grade channel. It is also likely that the Scotia section of this prospect contains higher than normal gold grades. It is postulated that additional gold was shed from the Gladstone Goldfield down Coarse Gold Creek and into the Scotia Lead prior to it being eroded by the Ringarooma River.

Drilling suggests that the "Lead" from the face trends through the old group of bores of Roach and Ryan then northwards toward the Lochaber workings. The Channel appears to widen just north of Newhaven until its apparent sharp bend westward near Mallinson's workings. From this point the course of the "Lead" is problematical.

Most workers appear to have the lead trending northwestwards however evidence for such trend is based on only a few drill holes.

Two alternatives are considered possible, specifically:

- ❖ The “Lead” takes a sharp bend westward near Mallinson’s workings and then flows north west as depicted on Figure 2;
- or
- ❖ The “Lead” continues roughly northwards through Mallinson’s workings and joins the Lochaber Lead just west of the old worked face (an unlikely alternative).

The former postulated course does however seem to fit in with drill results as old Departmental drilling (1902) Figure 4 appears to have intersected the edge of the “Lead” near bore hole 6B.

From its intersection with the Lochaber tributary, the “Lead” is well defined by drilling for a distance of around 1.5 km. As the “Lead” nears Stinking Creek it again makes a sharp diversion to the west, this is apparently associated with the entry of an east bank tributary “Lead” from the Stinking Creek marsh area. From this point north and north westwards the course of the “Lead “ is ill defined, few drill holes if any appear to have intersected the main channel, most appear to have been drilled on the flanks of the channel.

Historical information indicates that the Lochaber Lead has a profile more consistent with data obtained from drilling and is unlike the Scotia deposit in that the profile contains more gravelly material and the basal wash consists of gravelly and pebbly material. Nye, 1932, reports that the coarse gravels near the base are the richest, with exceptionally rich values being consistently obtained at or just above basement.

The “Lead” trends north westward from the old workings although the course is problematical and based on limited drill intersections. It is also likely that this section of the lead is also contains higher gold grades and if this is an extension of the Empress Lead as Nye suggests then tin grades can be expected to be higher than in the few holes drilled to date.

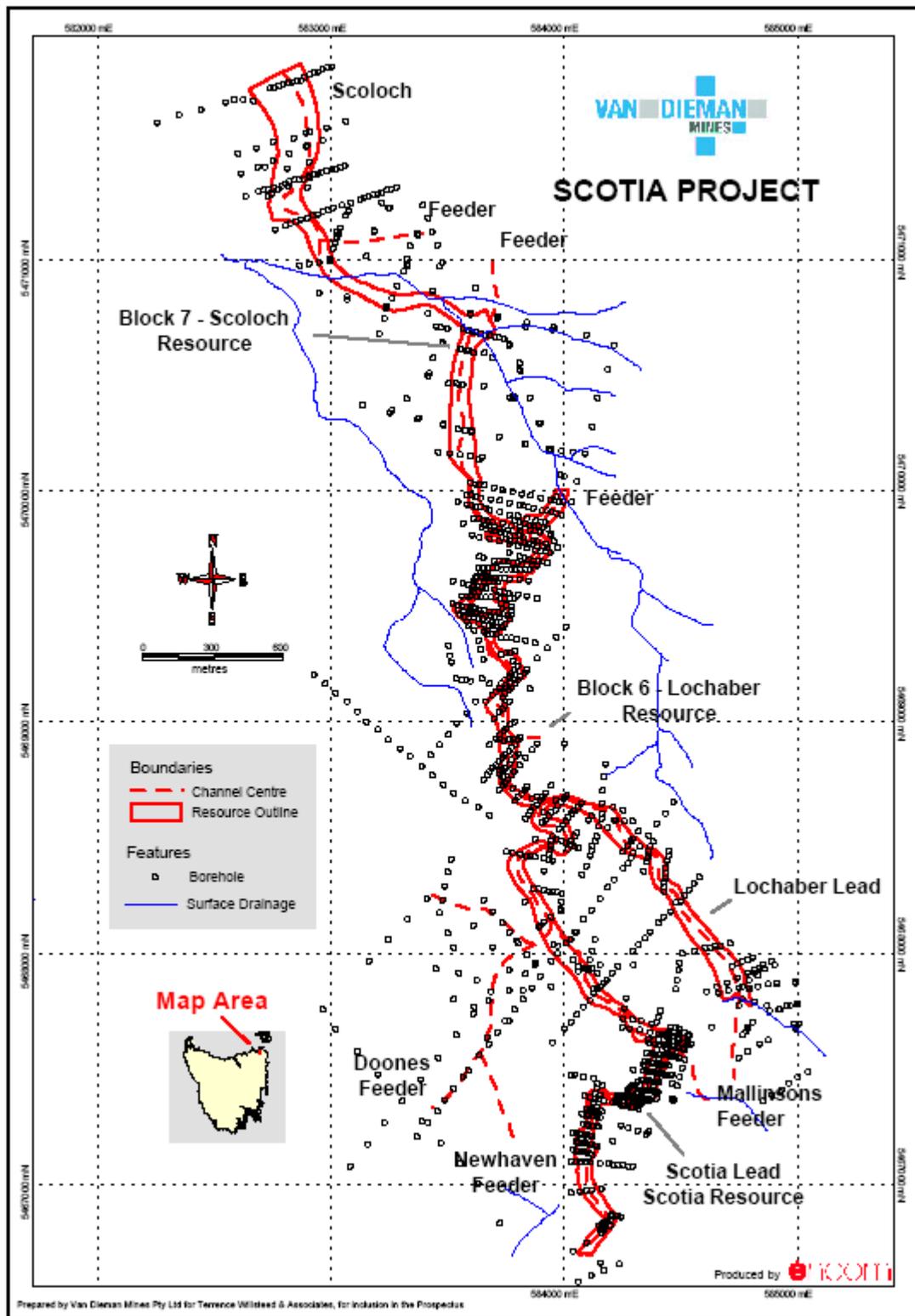


FIGURE 2 - THE SCOTIA LEAD AND ASSOCIATED FEATURES

4 THE PROPOSED MINING OPERATION

The applicant intends to develop the operation as an open cut quarry with ore being treated at site using conventional gravity circuitry. The ore is to be derived from a tin / sapphire / gold bearing buried alluvial channel, detail of which will be provided in the geological assessment section of the EIA.

Ore is to be treated at a rate of 300 cubic metres per hour on a 6 day / 10hour shift per day basis. It is envisaged that the annual operation will be in the order of 2,500 hours. Annual production from the operation is estimated to be approximately 1,000 tonnes of 74% SnO₂ tin concentrate, 1,500 kilos of sapphire and 15 kilos of gold dore.

It is proposed to commence mining in the southern section of the Lead immediately adjacent to the old Scotia open cut. Mining will move progressively northward and at some time within the first twelve months development of the Lochaber Lead will be commenced in conjunction with this progressive mining plan.

The Mine Plan is presented here as a series of progressive stages, each stage being depicted on the accompanying figures.

STAGE 1: PRE-MINING SITE PREPARATION:

a. ACCESS:

Will commence with the forming up of the access road as set out in Figure 1, from the Cape Portland road, along and just north of the abandoned Mt Cameron Water Race, and then along existing road networks to the mining site. Any gravel required to surface this road will be derived from old tailings heaps located at the abandoned Lochaber Mine site. Access will be secured by a locked gate and the necessary public warnings and safety signage erected in highly visible locations at the point of entry.

Existing tracks will be cleared and widened, repairs carried out as necessary. New tracks may be required to access dam sites at Newhaven Creek and pump sites at the Ringarooma River. See Figure 3.

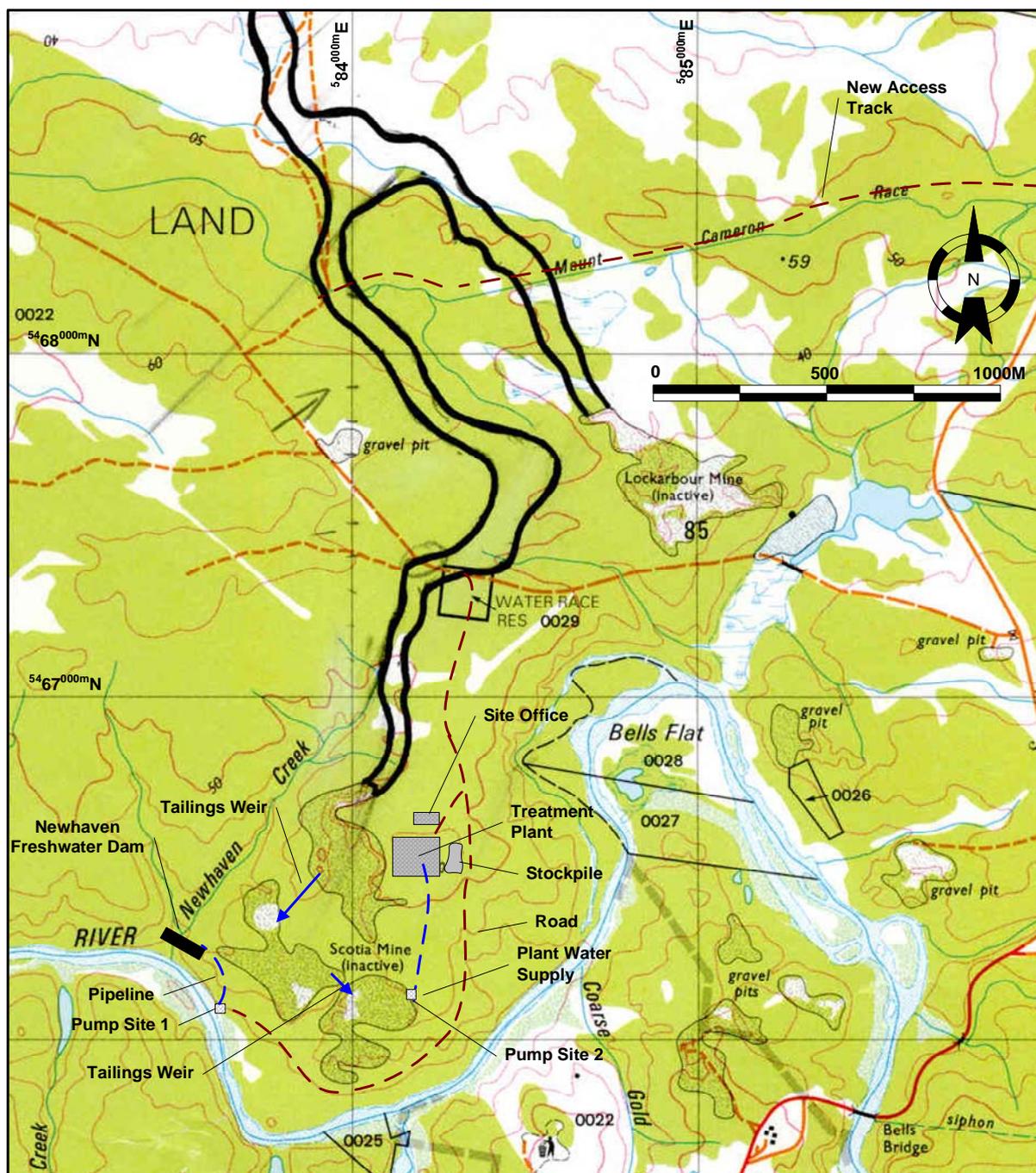


FIGURE 3 -- PRE MINING SITE PREPARATION

b. TAILINGS AND FRESHWATER DAMS:

It is proposed to construct a freshwater holding dam on Newhaven Creek at approximately the position marked on Figure 3. This dam will be earthen walled and keyed with local clay into a slot cut into basement. The dam will be filled with water during periods of peak river flow from the pump station as indicated on Figure 3 and is designed to be a top-up water holding for the main treatment plant dams.

Some top-up from the Ringarooma River may be required during dry periods however the applicant is mindful of local water use for grazing and would undertake to keep such use at a minimum.

It is proposed in the early stages of development to use the old open cuts at Scotia as tailings and settling dams. These old cuts will be bulldozed clear of vegetation and vegetation chipped for later reclamation and rehabilitation mulch use.

c. TREATMENT PLANT SITE:

It is proposed to establish the treatment plant and an ore stockpile at the location indicated on Figure 3. As mining proceeds the plant will be moved northwards to a new location, see Figure 3, to keep the working footprint as small as possible and to reduce the necessity to create a large haul road network.

d. SITE OFFICES AND WORKSHOP:

In line with the concept of keeping the working footprint small site infrastructure will be kept to a minimum and will comprise:

- Site Office, Parts Stores and First Aid Room;
- Bunded Fuel Storage;
- Workshop (Containerised) and 'hard stand' for heavy vehicles;

The above will all be constructed around used shipping containers that can be progressively moved as the operation moves northwards along the lead.

STAGE 2 - THE MINING OPERATION

The base of the Lead deepens progressively northward from the old Scotia and Lochaber workings where it is at approximately 20 metres to about 35 metres near Stinking Creek. Overburden stripping ratios are approximately 3:1 and previous operations indicate that walls stand at a batter of around 60°. As mining periods in any one mine cut will be short, that is, no longer than one month, it is proposed to establish a single sloped batter at an angle of 60°.

Mining will be carried out by creating open cuts as a series of progressive slots, as mining advances and ore is extracted rehabilitation will immediately follow the vacating of worked pits.

Specifically the mine plan will proceed as follows:

- Removal of vegetation and mulching of that vegetation to heaps;
- Removal (progressive) of topsoil to discrete stockpiles;
- Removal (progressive) of the top 5 metres of overburden by bulldozer to pitside stockpiles. These stockpiles will be located so as to not cover or contaminate topsoil heaps and exert pressure on the pit wall batters;
- Removal (progressive) of the remaining overburden by excavator and trucks to pitside stockpiles;
- Removal of alluvial ore to stockpile and / or directly to the treatment plant feed bin;
- Progressive reclamation of vacated mining pits by replacement of overburden stockpiles to the open cuts, a period allowed for subsidence, replacement of surface soils, mulching of disturbed areas and replanting as necessary.

Figures 4 to 7 illustrate this staged operation. This method should ensure that mined areas remain open for no more than one month at any one time. Figure 7 illustrates the difficulty that bends in the palaeo-channel cause for road access, where workings are developed at bends in the channel access roads to the mine open cut will be used by both overburden and ore trucks.

The mining fleet envisaged for this operation will comprise;

- D11 bulldozer;
- Hitachi 1800 excavator (Overburden removal);
- Hitachi 1250 excavator (Ore removal);
- CAT 773 or 775 Dump Trucks (Ore and Overburden removal)
- CAT 769 Water Cart and 14E Grader (Road maintenance and dust suppression); and
- CAT 966 Loader (Stockpile and general works)

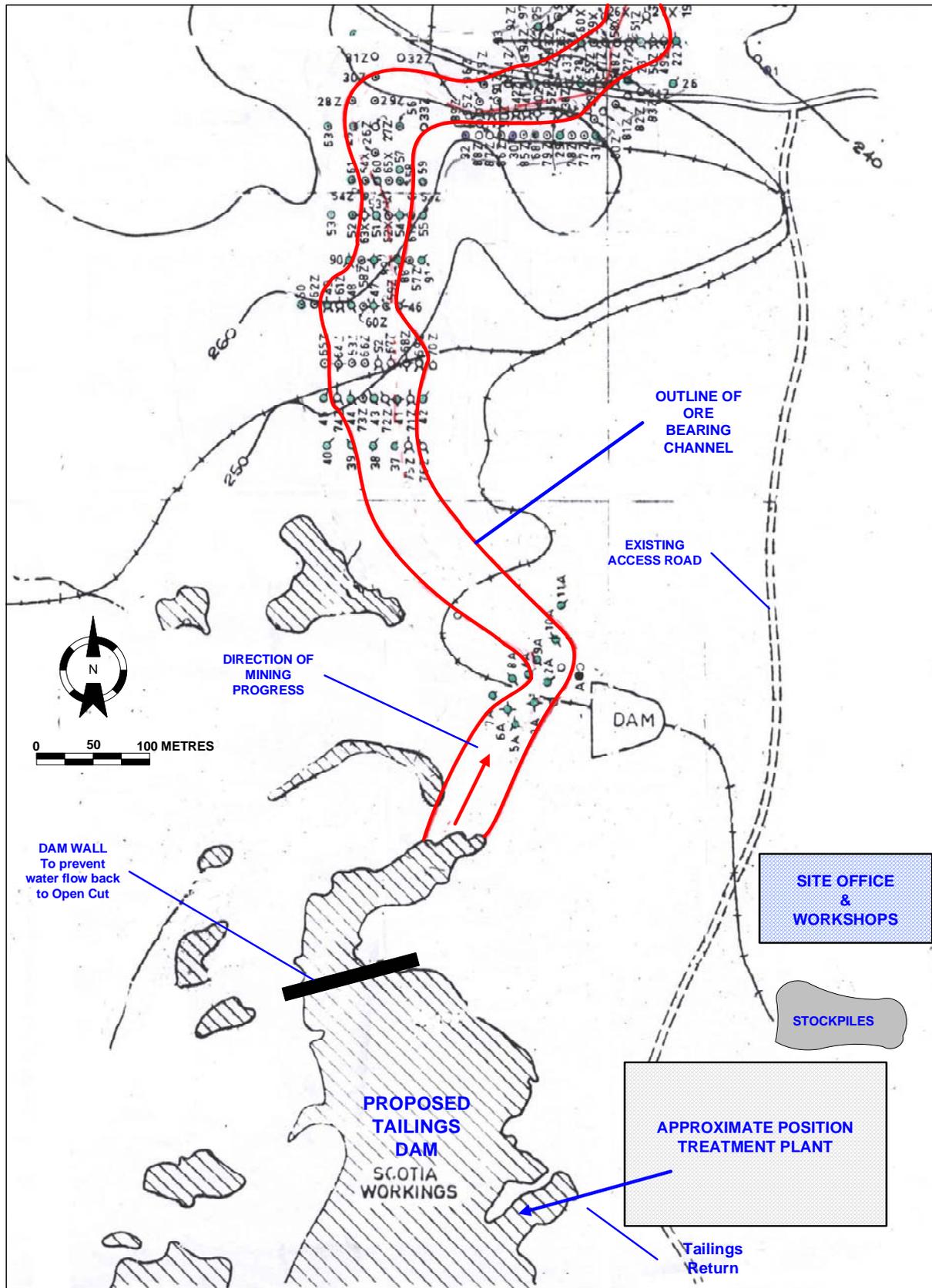


FIGURE 4 - MINE LAYOUT AT COMMENCEMENT POINT

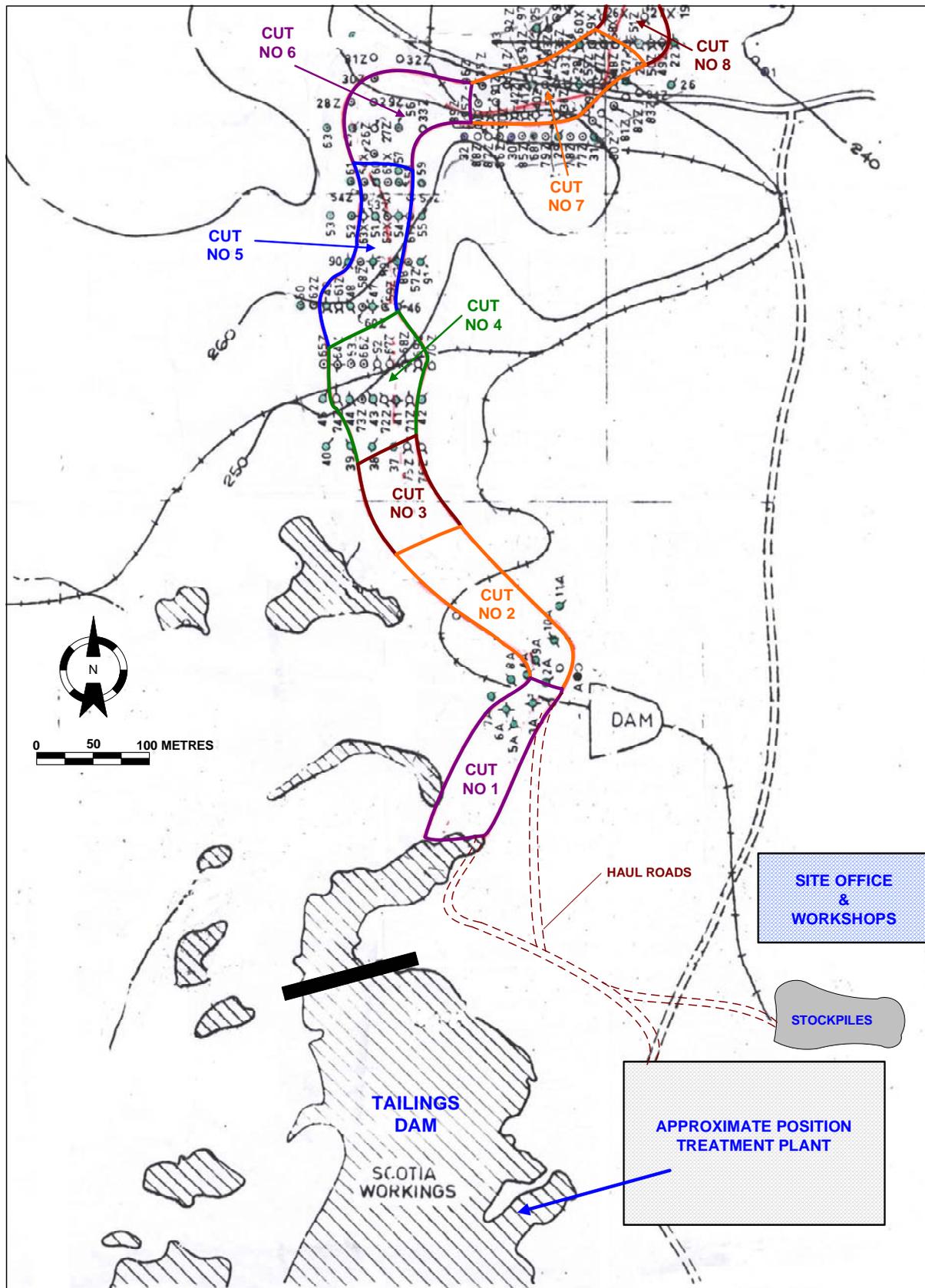


FIGURE 5 - SEQUENTIAL MINING PLAN

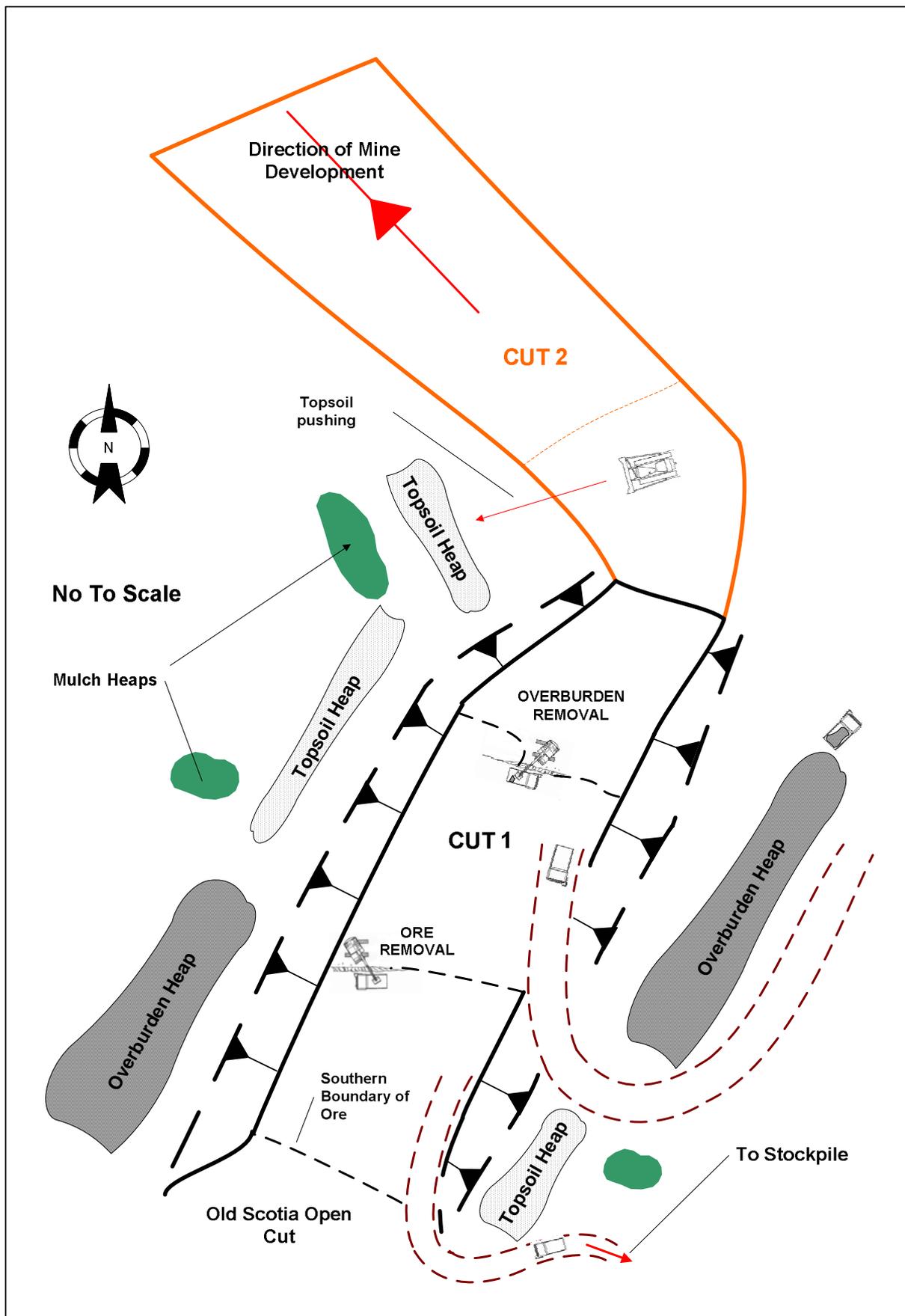


FIGURE 6 - STAGE 1: SCHEMATIC PLAN SHOWING PROGRESSIVE MINING OPERATION

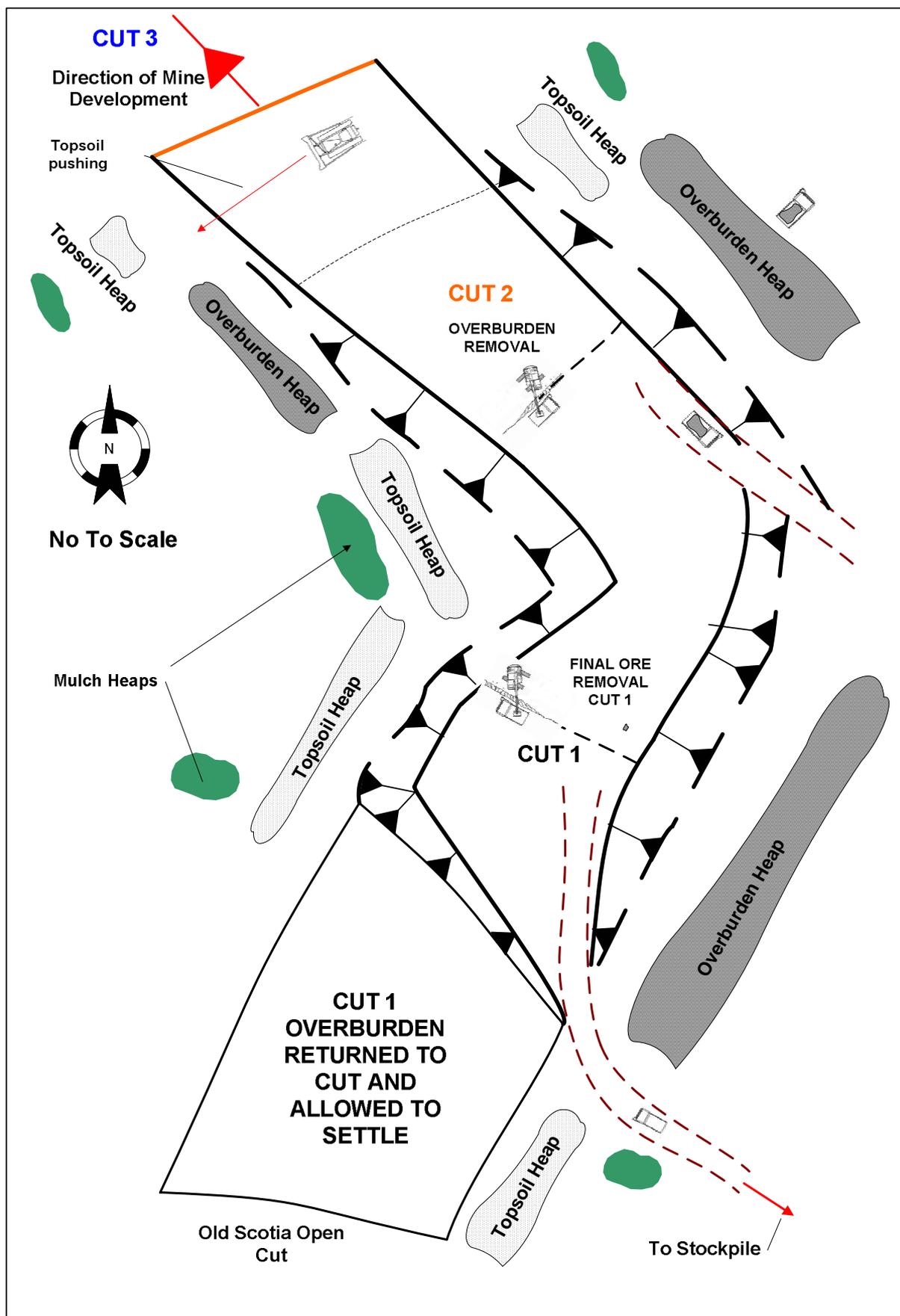


FIGURE 7 - STAGE 2: SCHEMATIC PLAN SHOWING PROGRESSIVE MINING OPERATION AND FIRST STAGE REHABILITATION

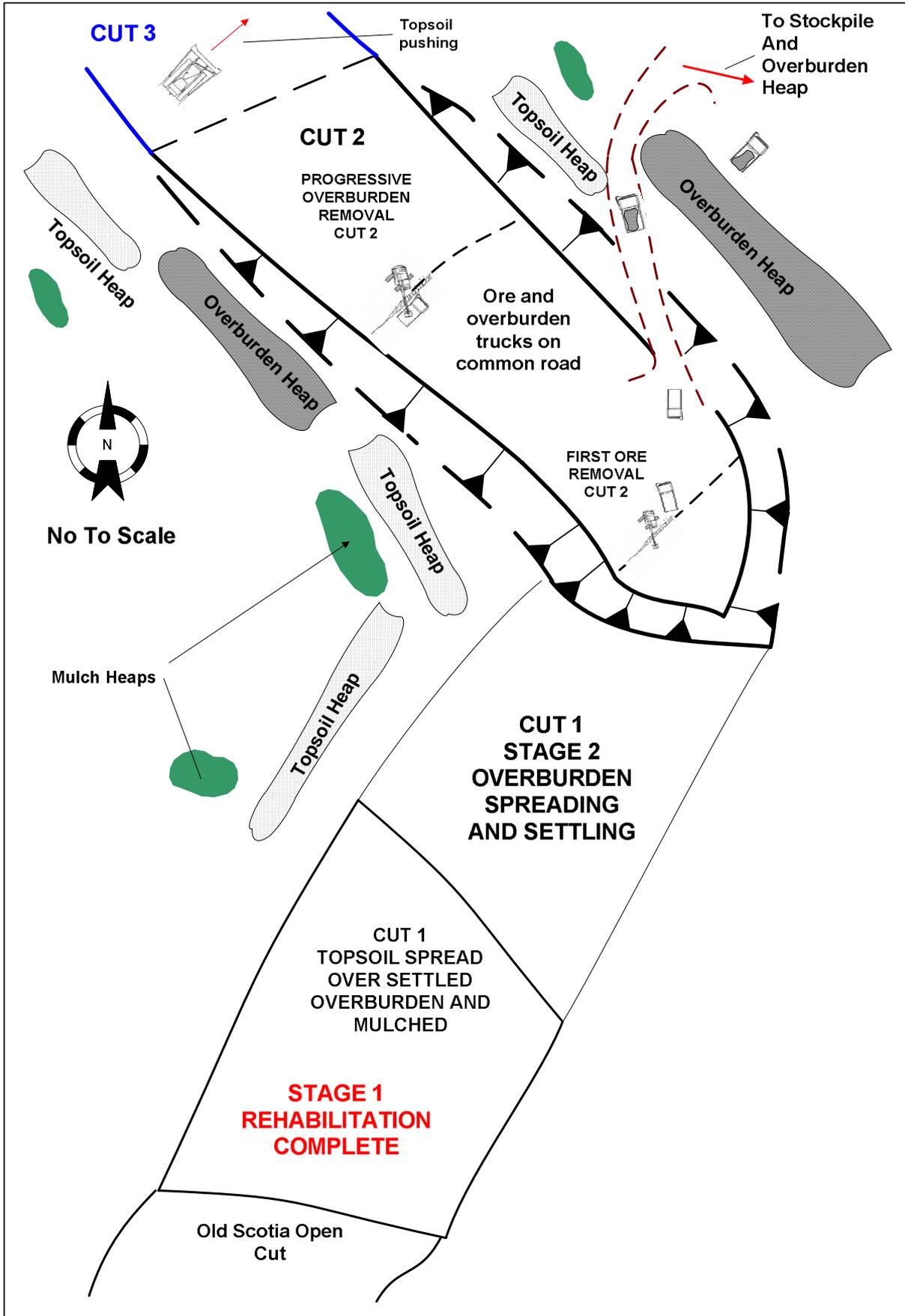


FIGURE 8 - STAGE 3: SCHEMATIC PLAN SHOWING PROGRESSIVE MINING OPERATION AND FIRST AND SECOND STAGES OF REHABILITATION

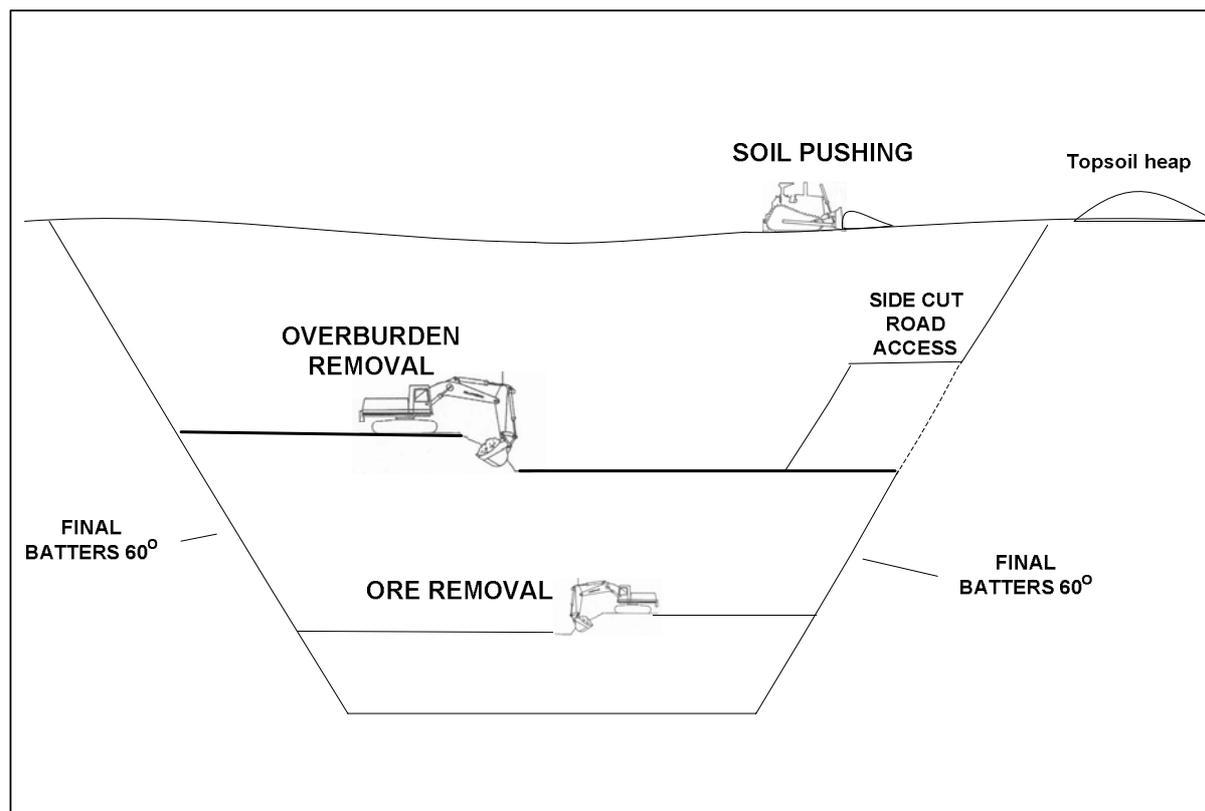


FIGURE 9 - SCHEMATIC CROSS SECTION ILLUSTRATING BENCHED MINE DEVELOPMENT

STAGE 3 - ENVIRONMENTAL CONTROLS

Six issues are addressed by the applicant in this proposal however it should be noted that these may change following the preparation of the EIA. Specific issues are:

a. NOISE AND DUST CONTROL

There are no residences within 4 to 5 km of the mine site so that the impact of any noise within the hours of work (daylight hours) proposed will be minimal to non-existent.

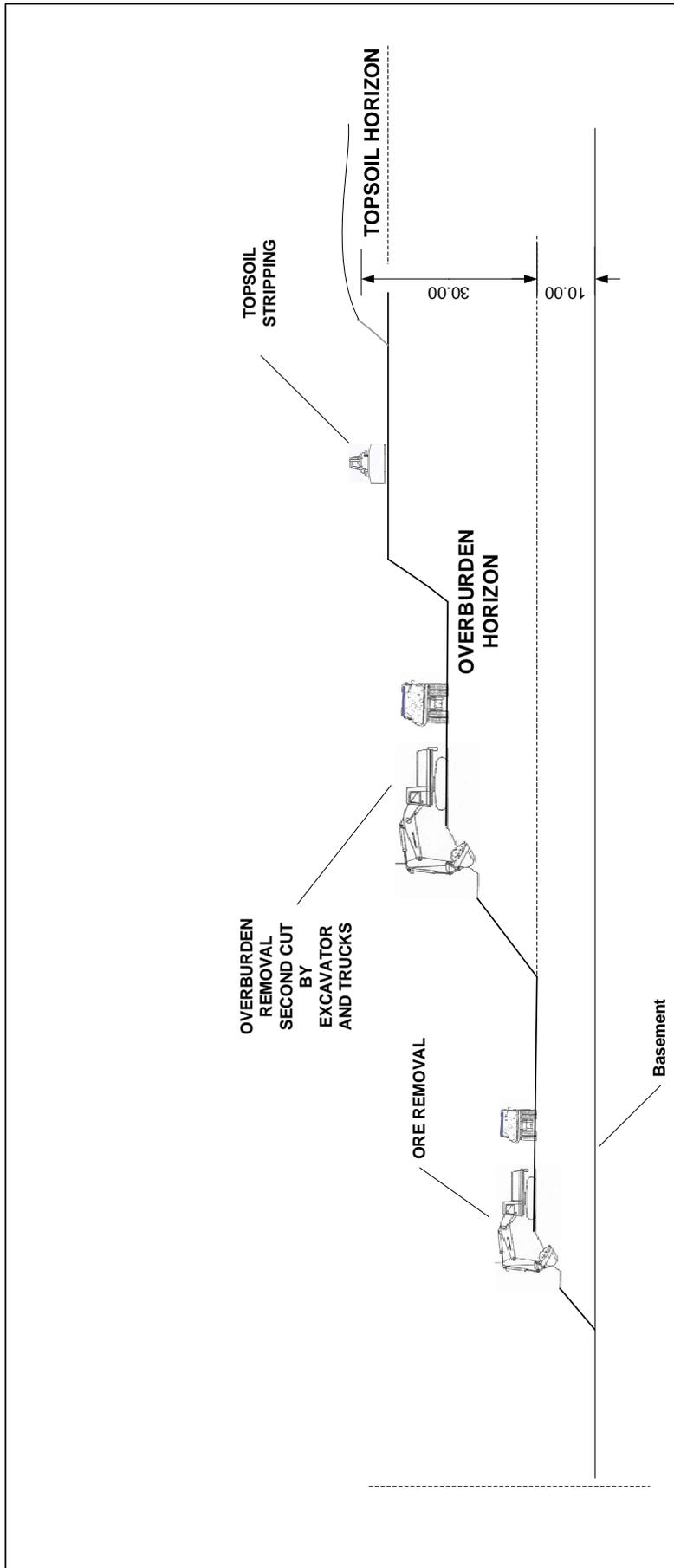


FIGURE 10 - SCHEMATIC LONG SECTION OF THE PROPOSED MINING OPERATION

Dust control is considered a significant concern in this instance and the applicant proposes to minimize dust by:

- The addition of a CAT 769 water cart and CAT 14E grader to the machinery inventory to enable adequate dust suppression work to be undertaken on a daily basis;
- Control of heavy vehicle speeds along haul roads; and
- Location of ore drop points on stockpiles close to the treatment plant.

b. NOXIOUS WEED AND PLANT CONTROLS

The applicant is currently conducting a Flora / Fauna survey of the site and that survey will address the matter of noxious weeds and foreign plants currently occurring on the site. The results will be detailed in the EIA. No infestations are known at this time however the presence of livestock brought in from other regions by the current lessee is of concern and will be a matter raised with the holder of the grazing rights.

It is proposed that if any problem plants are recognized during the survey the applicant will make an effort, pre-mining to eradicate these and will monitor infestations and conduct spraying as required post-mining.

c. DRAINAGE AND EROSION CONTROL

A number of areas where drainage issues will impact have been recognized, these and the remedial methods to be established can be summarized as:

- Roads and Haul Roads: In general there is little topographic relief except along minor non perennial stream systems. Run-off drains will be constructed as required. In the case of access roads drainage will, where practicable be into the old water race and while haul roads are temporary constructions and will be progressively rehabilitated along with mined areas care will be taken to ensure adequate drainage on sloped roads. Where necessary drains will be rock lined. Given the flat nature of the country silt traps and settling ponds are not considered necessary.

- Stockpiles: Stockpiles will be surrounded by low bund walls to prevent unnecessary run-off, drainage will be directed to tailings disposal areas. Pyritic or other acid forming materials have not been recorded from this deposit. Current baseline water testing is being carried out as part of the EIA, to date no contaminants have been recorded.
- Treatment Plant Sites: Drainage controlled by low bunds where necessary and run-off directed to tailings dams.
- Site Offices / Workshops: Drainage directed to small settling ponds, no discharge problems envisaged.

d. WASTE DISPOSAL AND STORAGE

The applicant has recognized several areas of concern, those along with proposed prevention and remediation practices are:

- Fuel Storage: All vehicles will use diesel fuel and storage will be in bunded tanks of 30,000 litre capacity. Hydrocarbon spillage equipment including spill absorbent material and chemicals will be stored on site and staff trained in its use.
- Oil Storage; All used oil will be stored on site in 200 litre drums, arrangements are to be made for a local oil removal group to regularly travel to site and collect old oil.
- Rubbish Waste: All waste to be binned and regularly removed to the Gladstone Town Dump Site.

e. TAILINGS DISPOSAL

All tailings will be pumped from the plant to a multi-stage tailings dam network. Pumped material may be dewatered.

First stage semi-settled water will be weired through a rock filter to the second stage dam. It is anticipated that the tailings water will contain excessive suspended clays and will require settling using chemical flocculants. Testing of samples of the ore are to be carried out to determine if such practice is required and will be reported in the EIA.

This second stage dam will provide recirculation water to the treatment plant. Any top-up water required will be obtained from the freshwater holdings dams.

f. REHABILITATION AND REVEGETATION

The Quarry Code of Practice sets out four areas where rehabilitation should be addressed:

- Stabilisation of worked areas to avoid erosion;
- Revegetation of worked areas;
- Minimisation of visual impact; and
- Ensure worked areas are safe.

The mining operation is to be progressive, that is, it will move northward along the buried channel. This means that the operation is not one where an open cut is progressively expanding around a central site. Rehabilitation and revegetation are planned to be progressive, that is they will follow closely on behind active mining. Four working areas are considered, specifically:

MINE OPEN CUT DISTURBANCE:

As indicated on the accompanying figures rehabilitation is to follow on almost immediately behind mining of the ore. Allowance will be made for ongoing vehicular access to the mine face however rehabilitation is planned to be less than one month after ore is extracted. The planned procedure to be adopted is:

- Overburden stockpiles will be bulldozed back into the open cut. This will involve some degree of compaction but further compaction time will be allowed before final rehabilitation is carried out. It is not envisaged that any significant slopes will be created as the current topography is flat lying;
- After adequate compaction time topsoil will be bulldozed over the filled area and spread using a dragged spreader bar;
- Any roadways or compacted areas caused by heavy machinery use and no longer required to be used by the operation will be ripped, leveled and rehabilitated in the manner described above;

- Mulch material collected during vegetation clearing will be spread over the disturbed area and where possible replanting of significant species will be undertaken in line with the findings of the EIA. Such replanting will be conducted in Autumn and spring;
- As required drains will; be created to avoid any unnecessary erosion of the rehabilitated area; and
- Follow up weed control will be conducted in accordance with guidelines set out in the EIA;

TREATMENT PLANT AND STOCKPILES:

It is proposed to move the treatment plant on a regular basis, probably annually. The old sites will be immediately rehabilitated as follows:

- Stockpile areas will be ripped and bulldozed to remove any compacted material and expose old topsoil horizons. Material bulldozed from these sites will be pushed over tailings;
- Bunds, drains and roadways will also be bulldozed and treated in a similar fashion;
- The area will be disc ploughed and as required mulched and reseeded; and
- Follow up weed control will be conducted in accordance with guidelines set out in the EIA;

SITE OFFICE AND WORKSHOP AREAS:

These facilities will be moved at the same time as the treatment plant move is carried out and rehabilitation will be conducted in the same fashion as proposed for the treatment plant sites.

TAILINGS AND FRESHWATER DAMS:

Two specific problems are addressed, tailings dam stability and fresh water dam wall stability.

- Tailings dams are recognized as a long term liability unless provision is made to stabilize and where possible drain boggy areas. It is proposed where possible to drain all tailings dams and to stabilise sand and mud tailings by a process involving re-contouring and re-vegetation.

This will be undertaken by progressively dewatering the dams and when sufficiently dry commencing remedial works.

- Stability of freshwater dam walls will also be addressed. Walls will be planted with local native species, eucalypt, banksias and teatree. As required dam spillways will be oriented so that overflow does not undercut dam walls and will be rock lined to avoid scouring and wall failure.

STAGE 4 - LONG TERM SITE MONITORING

The planned mine life of the Scotia Project is +10 years. As part of the operation the company will conduct ongoing site monitoring of rehabilitated areas. Such monitoring will include:

- Water sampling of any major surface run-off and site discharge;
- Monitoring of noxious weed infestations and remedial spraying as required;
- Monitoring of re-vegetation progress and remediation with replanting as required.

5 PUBLIC SAFETY

While the proposed mining operation is well away from local population centers there are a number of local and historical attractions that attract the general public to the area. The abandoned Dorset Dredge is located on the Ringarooma River just northwest of the mine site and the public often access the old Great Northern Plains workings through the current access road.

The Company is currently, as part of the EIA, seeking advice as to whether it can deny public access across the mine area. If access cannot be denied, then the company plans to restrict and control access (for safety purposes) by:

- Closing the current access road across the Pig and Whistle Lagoon and redirecting access through the proposed new road along the Mt Cameron Water Race;
- Directing all public visitors to the site office where arrangements will be made for safe access across haul roads and associated danger areas;
- Safety “Danger” signage will be placed at the main access point at the Cape Portland Road and at all points where the public may come into contact with heavy machinery.

6 STAFFING ARRANGEMENTS

In order to conduct the mining plan and rehabilitation activities set out in the previous text the company intends to establish a site staff structure as set out in Figure 11.

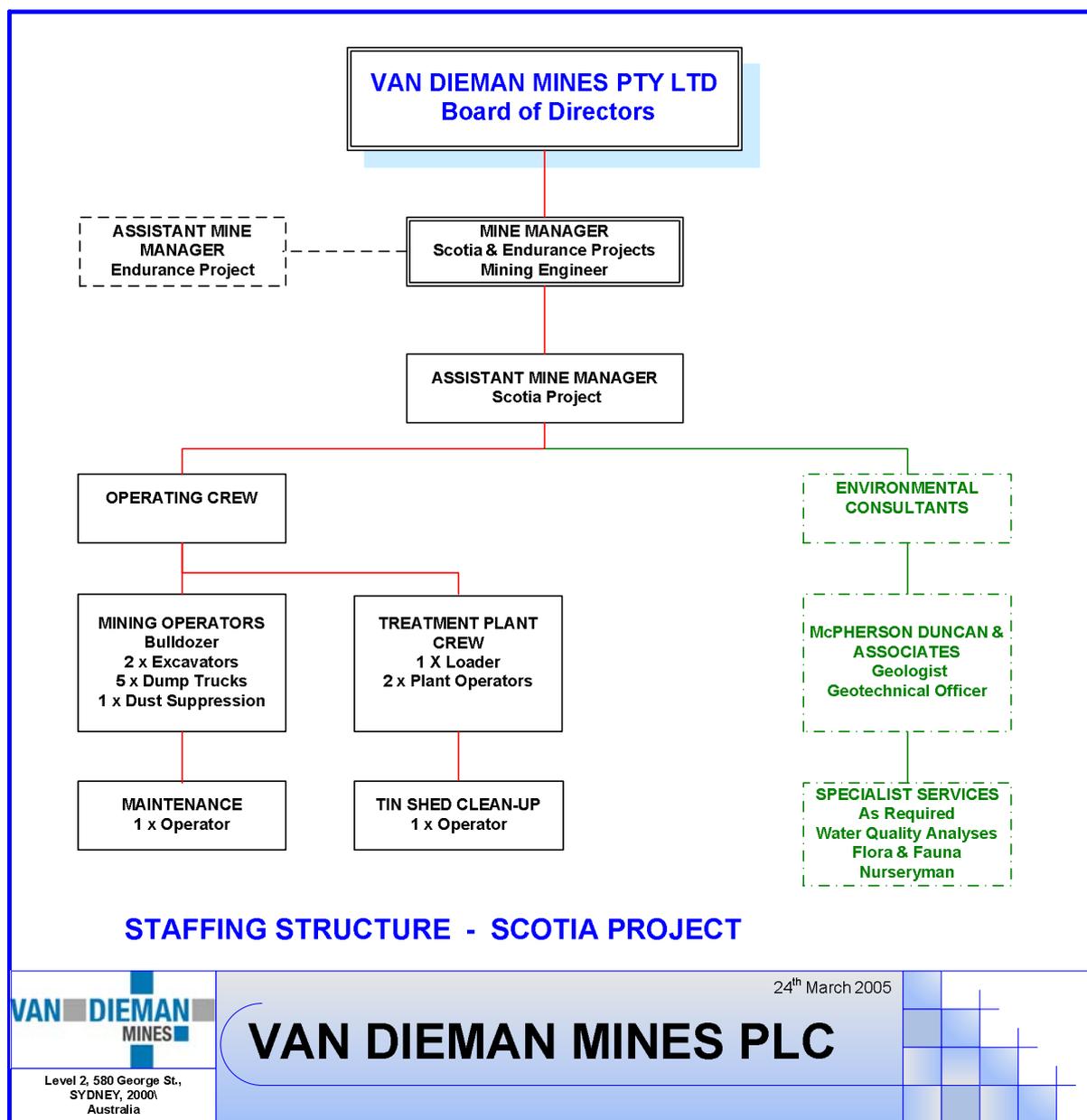


FIGURE 11 - STAFFING STRUCTURE, SCOTIA PROJECT

In accordance with the provisions of the Mines Act and Regulations the Mine Manager will have total responsibility of ensuring that the 'Mine Plan' as set out by the Board of Van Dieman Mines and approved by Mineral Resources Tasmania and other relevant statutory bodies is adhered to.

The Board in appointing the Manager and his Assistant will take into account and rely on heavily their previous experience in matters of management and mine rehabilitation. The company will, prior to commencement of mining conduct a staff orientation program which will include:

- Workplace Safety;
- First Aid procedures; and
- Orientation in matters of Environmental Guidelines.

In addition to site staff the manager and his Assistant will be able to call on the services of outside consultants, this will be coordinated through Duncan McPherson and Associates who will provide geological and geotechnical expertise not available on a daily basis at site. In turn, Duncan McPherson will have Board approval to enlist the services of other specialist consultants in matters of water quality, flora and fauna and other environmental matters that may from time to time arise.

7 CONCLUSION

In order to reduce environmental impact and simplify mine start-up the company intends to take advantage of a number of old abandoned mine open cuts at Scotia and Lochaber. It is proposed to utilize these cuts for water and tailings storage and thus reduce initial mine impact on the environment.

The Plan detailed in this text is simple and allows for speedy rehabilitation as the cut progresses along the buried palaeo-channel. Regular movement to follow the mine face, of the treatment plant and associated site infrastructure, will allow systematic reclamation and re-vegetation of worked areas and thus will reduce long term impact to a minimum.

The mining itself involves the excavation of a deep steeply walled slot. In the initial stages where total depths do not exceed 25 metres, walls are expected to stand at 60° batters and no benching is envisaged. Previous operations indicate that in fact the walls of deep cuts will continue to stand at this angle to depths of +30 metres, that is, the depths expected in the northern section of the channel.

The company believes the plan detailed in this report adequately addressed matters of mine safety and rehabilitation of the site post mining and treatment sites and allows for the economic and structured extraction of the heavy mineral bearing ore.