VAN DIEMAN MINES PTY LTD

RL 2 / 2002 – BOOBYALLA BEACH

ANNUAL REPORT
PERIOD ENDING 30th JUNE 2005

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DATE PREPARED:
15th June 2005

EXECUTIVE SUMMARY

Van Dieman Mines Pty Ltd (VDM) exercised its “Option to Purchase” the tenement from Mineral Holdings Australia Pty Limited (MHAPL) in June of 2004.

During the period June 2004 to June 2005 VDM commenced compilation of all additional MHAPL data derived from that company’s files and also acquisition of additional data from the archives of Mineral Resources Tasmania found to be missing from the MHAPL files. All available drill holes have now been digitised and plotted and all of hole data transferred to database.

VDM, as part of this work, has confirmed that the tenement contains a substantial and potentially economically viable tin bearing resource and has commenced feasibility studies to determine the most suitable mining methods to economically exploit the deposits. Preliminary work indicates that further marine base surveying including seismic surveys and drilling will be required to more accurately define the resource boundaries both areally and in depth. Work is ongoing in converting data to 3D simulations

Ongoing studies have highlighted areas where the current geological interpretation of the nature and formation of the offshore sections of the cassiterite bearing deposits do not fit with the model previously developed for the onshore / offshore marine embayment concepts. The construction of a basement topographic map is underway and will, it is believed assist in understanding the nature of formation and general characteristics of the deposits.

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1.0 INTRODUCTION

Following acquisition of the tenement VDM commenced compilation of the data derived from the MHAPL database and also acquisition from the archives of Mineral Resources Tasmania, of additional data found to be missing from that database.

All available drill data from previous drilling programmes were re-assessed, drill hole locations were digitised and all of hole data transferred to database. Preliminary ore resource statements were prepared and JORC feasibility studies commenced, those works are ongoing.

VDM, as a result of this work, has determined that to bring the resource to "Proven" status will require further marine based testing; seismic and bathymetric surveys and further fence drilling across the palaeo-channel. Encom technology is currently working on the production of 3D models of the palaeo-channel and basement and sea floor contour maps.

VDM is mindful of the obligation to drill one hole in the palaeo-channel and will pursue such drill program subject to availability of a specialist alluvial drill rig and grant of access by Mineral Resources Tasmania. Holes will require a rig suitable to marine application.

2.0 LOCATION AND ACCESS

The centroid of the tenement is located at approximately 5,479,000mN, 575,000mE some 17.5 km north west of the township of Gladstone and 4.5 km north of the mouth of rhe Ringarooma River in north east Tasmania. See Figure 1. The tenement lies offshore of the Great Northern Plain.

3.0 EXPENDITURE STATEMENT

Expenditure for the past twelve monthly period was $10,750.00.

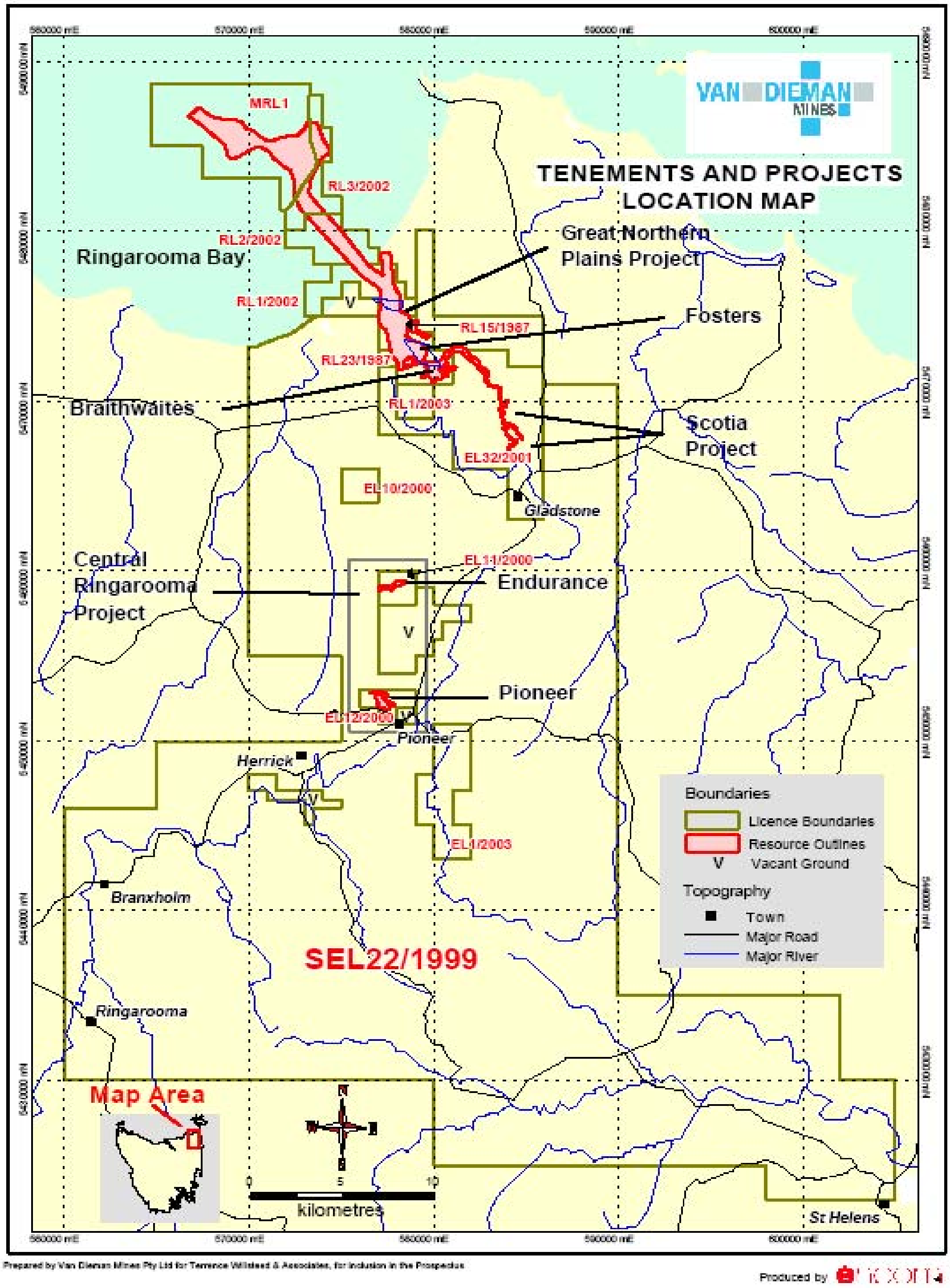

FIGURE 1 - LOCATION PLAN, RL 2 / 2002

4.0 HISTORICAL BACKGROUND

There has been no mining and only limited exploration activity conducted within this tenement.

During the period 1966 to 1969 Tasmanian Offshore Exploration (Ocean Resources A G) conducted bathymetric and marine seismic surveys in Ringarooma bay and subsequently conducted a drill sampling program comprising some 138 holes in the ocean bottom sediments.

This work established that the large onshore alluvial cassiterite bearing deposits of the Great Northern Plain extend offshore into the marine environment. A distinct cassiterite bearing channel was delineated and a resource of some 190 to 200 M m^3 defined. Grades were difficult to assess as many holes failed to intersect basement and finished in sediments short of basement, with tin grades increasing downwards. Grades of between 150 and 250 gm / m^3 were postulated. In addition to channel deposits the survey identified areas of increased cassiterite concentration developed as a result of marine reworking.

During the late 1990's Mineral Holdings Australia Pty Limited (MHAPL) carried out further bottom sampling in the Bay and established that the palaeo-lead is in fact exposed in several areas of the Bay and is recognisable as a sequence of distinctive iron rich, pebbly and cobbly horizons.

A Pre-Feasibility review of these and the onshore deposits was undertaken for MHAPL in 1995 by Macarthur, that review was revised by MHAPL in 2001.

5.0 GEOLOGY

Exploration by MHAPL over recent years has resulted in the development of new interpretations of the regional settings as they relate to the cassiterite bearing alluvial deposits of the Great Northern Plains (GNP's) and offshore marine areas. This work recognises the development, during the Tertiary period, of a major marine embayment in the onshore section of the GNP's that now hosts the marine tin bearing deposits. This was also interpreted to extend into the offshore tenements however recent work by VDM appears to indicate that the offshore palaeo-channel may in fact predate the larger onshore embayment, the latter apparently imprinted over the older offshore channel.

5.1 REGIONAL SETTING

It is not proposed to provide a detailed description of the regional geology here as this, apart from depositional characteristics controlled by palaeo topography, has little direct influence on the geological nature of the deposits. Older geological units briefly outlined in tabulated form appearing in the following text as Table 1. A geological map, Figure 2, is provided to illustrate to onshore geology immediately south of the tenement area.

The onshore deposits, hosted within a Tertiary marine embayment, while apparently intimately related to the offshore deposits may in fact be younger and deposited as a result of a period of marine transgression into a flooded ancient river valley. The presence of the embayment is supported by drill data (Great Northern Plains drilling (See Figure 4), by previous gravity geophysical surveys conducted by Shell Exploration in 1981 and by aeromagnetic data (See Figure 3). The offshore channel delineated in this tenement has been confirmed by marine seismic and drilling activity.

Current 3D and basement topographic modelling being undertaken by Encom Technology will, it is hoped; shed some further light on the actual nature of the offshore channel.

The seabed slopes relatively steeply from the shoreline of the Bay to around 15 metre depths near-shore and then flattens to a series of plateaus at water depths of around 25 to 30 metres. See Figure 5. To the north west of the tenement depths again increase to in excess of 35 metres.

The tenement contains two distinctive heavy mineral bearing deposits, specifically:

AREA 1: The main channel interpreted by Macarthur and others as being the palaeo-channel of the Ringarooma River; and

AREA 2: A near-shore sediment wedge developed by a combination of marine reworking influences including wave, tidal and longshore current action.

Within these deposits the sedimentary sequence consists of coarse sands, grits, pebbly sands, gravels and cobble horizons. The sediments coarsen downward and drill results indicate this increase in grain size is accompanied by increased heavy mineral contents. Heavy minerals are not restricted to the main and well defined channel.

The heavy mineral components in order of abundance are; cassiterite, ilmenite, zircon, rutile, gold, tantalite and sapphire. The latter mineral has not previously reported from this tenement and is added here as it has been recovered from test samples in adjoining tenements during recent testing. It is doubtful if sapphire and gold will be of economic interest.

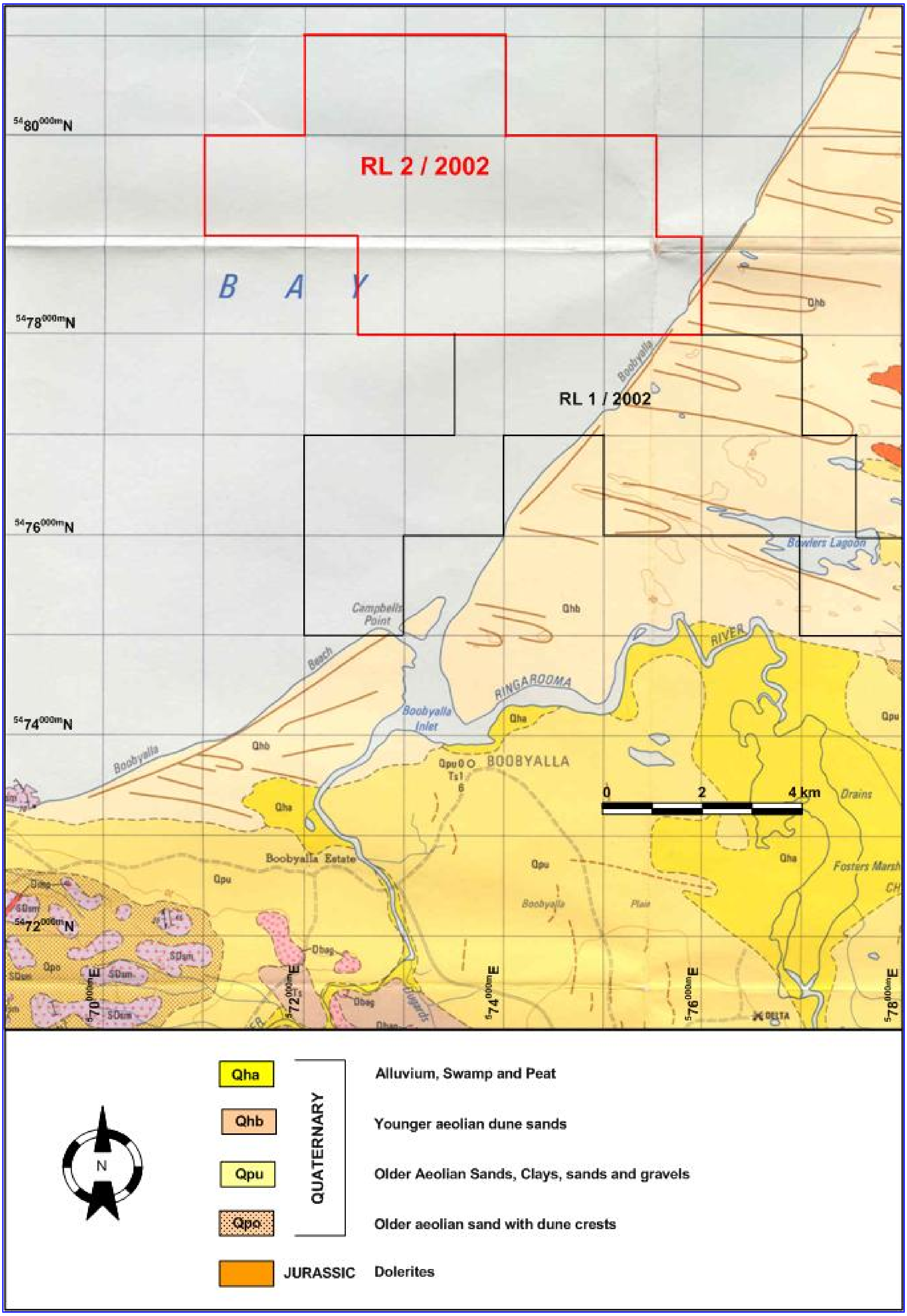

FIGURE 2 - REGIONAL GEOLOGICAL MAP

TABLE 1
REGIONAL GEOLOGICAL SETTING
MAJOR GEOLOGICAL UNITS

AGE	UNIT	DESCRIPTION	SIGNIFICANCE
DEVONIAN - CARBONIFEROUS	Blue Tier Batholith	Porphyritic fine to coarse grained granite / adamellite and biotite-hornblende granodiorite	Forms the tin rich Mt Cameron Massif to the south of Aberfoyle and basement around the southern edge of the Tertiary marine embayment. Locally may be a source of tin.
JURASSIC	Dolerite	Dolerite	Forms a resistant basement outcrop and is the bounding feature of the eastern edge of the Tertiary marine embayment. Sporadic outcrops may occur resting on granite basement along the southern edge of the embayment
ORDOVICIAN TO DEVONIAN	Mathinna Beds	Quartzwacke turbidite sequence locally hornfelsed adjacent to granite bodies	Forms basement in parts of the Aberfoyle area and its low weathering resistance may lead to the development of tin rich Tertiary channels cut into this unit.
TERTIARY	Unnamed	Sands, clays and gravels, locally bouldery. Lignite zones at some localities. Some evidence of ferricrete and silcrete development.	Basal layers are generally tin (cassiterite) enriched, locally of economic significance. Also know to contain gold, sapphire, rutile, zircon and ilmenite.
QUATERNARY	Unnamed	Highly variable; sands, clays, peats, Aeolian dune deposits, swamp and marsh deposits.	Locally represent overburden zones over Tertiary tin bearing alluvial deposits

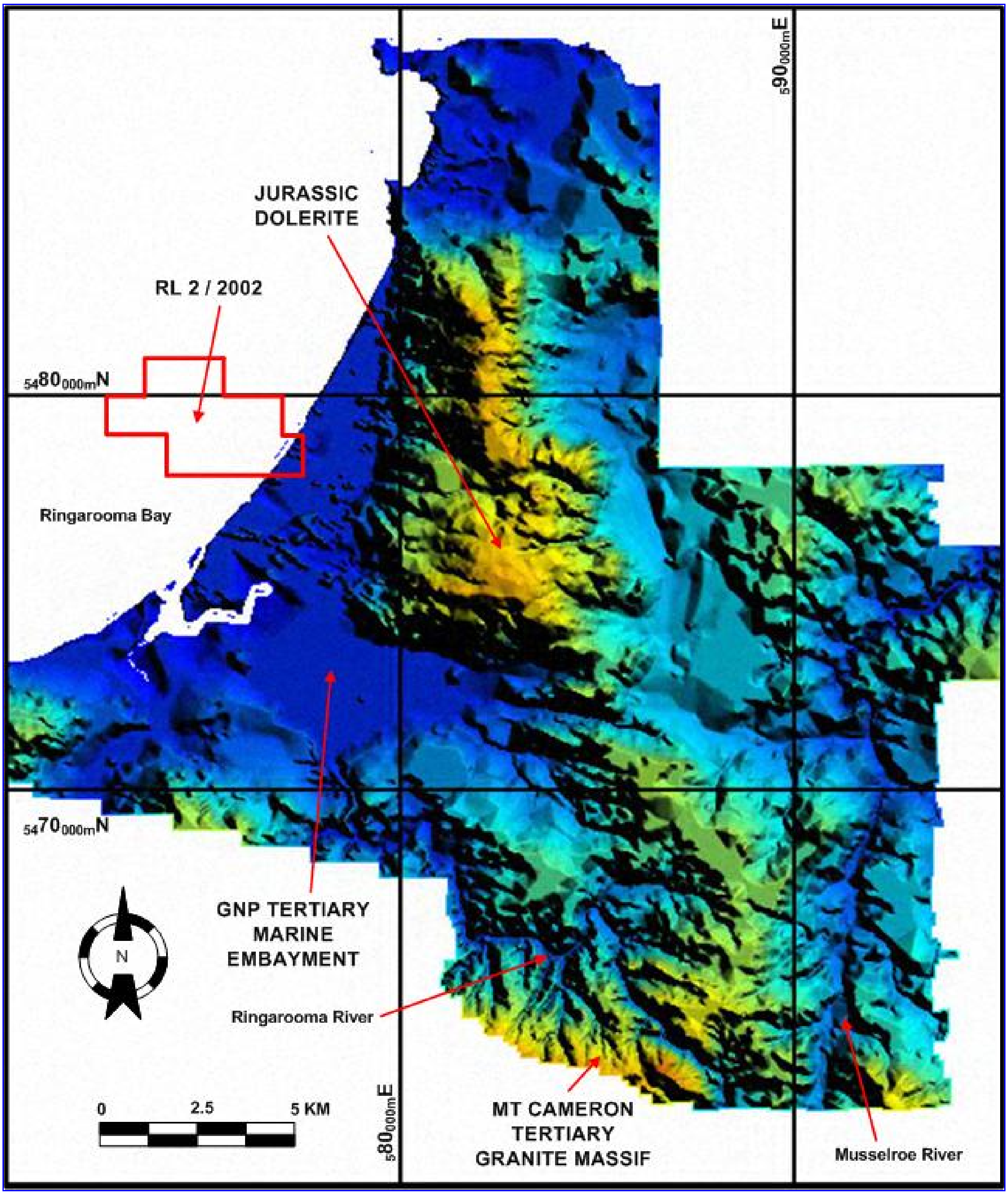

FIGURE 3 - REGIONAL GEOPHYSICAL MAP

6.0 ORE RESOURCE:

The ore resource defined within the palaeo-channel in the adjoining tenement, RL 1 / 2002 continues north westward into RL 2 / 2002 and thence further offshore into RL 3 / 2002 and MRL T2. See Figure 4.

From the shoreline of the Bay the tin bearing channel trends north westward into Bass Strait for some 15 km. The resource reported for the whole of the offshore area is 190 to 200 million m^3 at an average grade of between 150 and 250 gm / m^3 of cassiterite. See Figure 4. At this time no work has been undertaken to better define the offshore resource and thus the resource has, at this time, not been dissected into segments for each licence.

IHC Holland have conducted a preliminary review of the possibility of dredging the onshore deposits of the Great Northern Plain, the results of their work are contained in Appendix 10.2. The possibility of offshore dredging is being reviewed in light of the IHC work.

Work aimed at increasing resource reliability is ongoing and will form an integral part of the Van Dieman work program for the 2005 year.

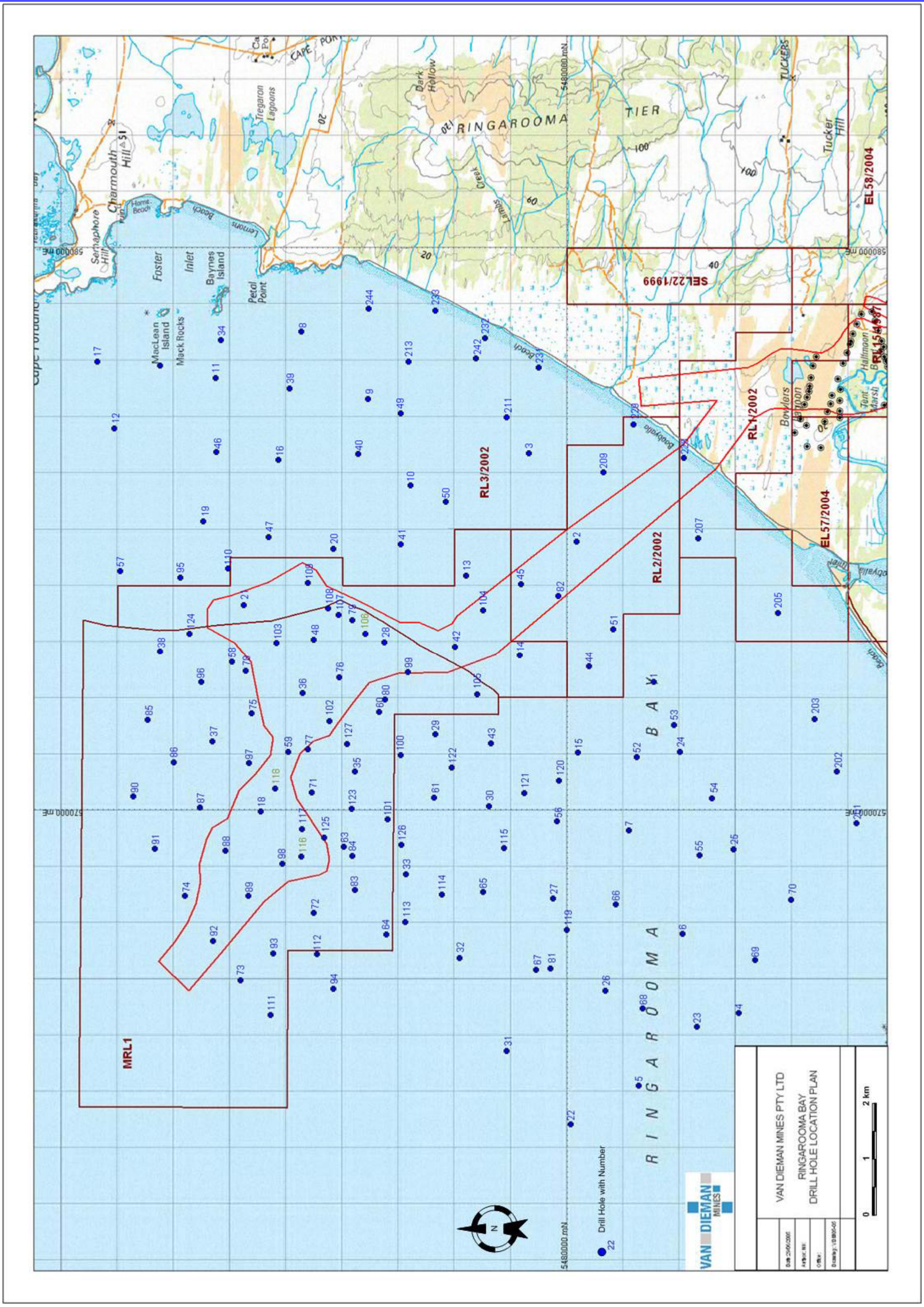

FIGURE 4 - DRILL HOLE LOCATIONS AND RESOURCE OUTLINES

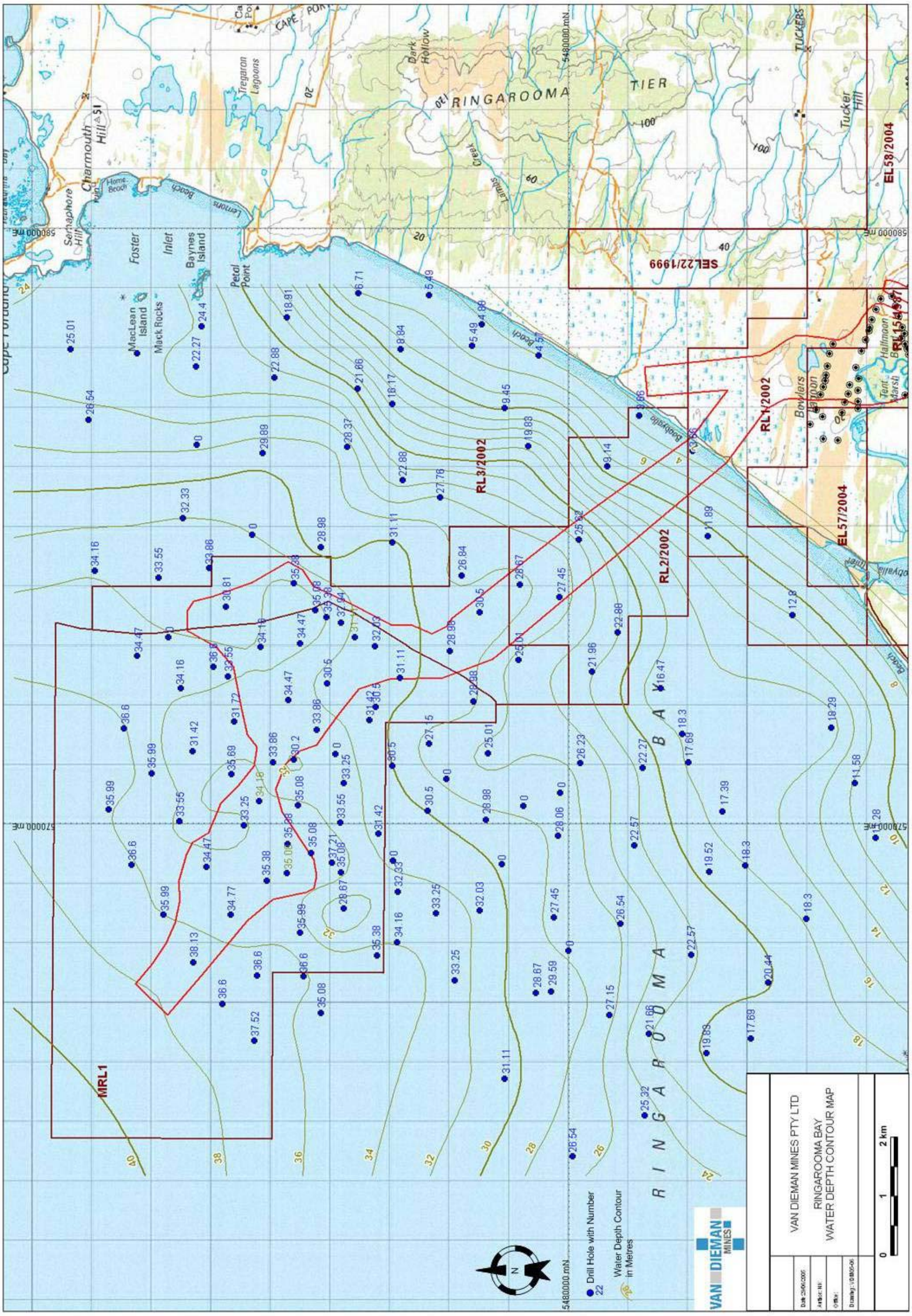

FIGURE 5 - WATER DEPTH CONTOUR PLAN

7. CONCLUSIONS:

The offshore section of the tenement is considered to contain tin bearing resource of in the order of 200 M m^3 of alluvium containing between 150 and 250 gm / m^3 of cassiterite. The resource comprises both channel fill material, near-shore marine reworked wedges and longshore strand lines and plateau-top wave action reworked thin sediment veneers.

Interpretation of recent data produced by Encom Technology indicates the difficulty of relating this section of the cassiterite bearing palaeo-channel to the larger and broad onshore embayment. Work is now underway to construct palaeo topographic maps of the offshore environment. This work is being hindered by the nature of some of the data. Many holes failed to reach basement and others failed to record water depths. The sampling conducted by MHAPL whilst it provides marine floor information does not assist in definition of the channel.

It is apparent that further offshore drilling will be required to assist in delineating the channel both for resource calculations to be upgraded and mining methods assessed.

8. RECOMMENDATIONS:

The work programme recommended for the coming year, 2005 – 2006 will involve:

a. Data compilation – continuing transfer of drilling and associated data to the VDM database;

b. Construction of 3D models and basement topographic maps;

c. The works detailed in (a) will be used to site potential drill holes in the palaeo-channel in the offshore sections of the resource.

d. Planning a drill campaign offshore to include at least two fence lines of holes across the channel; and

e. Re-assess offshore data sets including bathymetry and marine seismic and recalculate the offshore marine resources.

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10. APPENDICES:

10.10 OFFSHORE DRILL HOLE DATA SHEET:

HOLE NUMBER	WATER DEPTH m	INTERVAL DRILLED m	BASEMENT DEPTH BELOW MSL in m	GRADE gm/T Sn	SG T/ m^3	GRADE gm/m^3 Sn	GRADE gm/m^3 SnO_2
2	25.60	9.30	34.9	9.33	1.6	14.93	21.29
44	21.95	0.76	22.71	23.00	1.6	36.80	52.48
45	28.65	3.05	31.70	38.00	1.6	60.80	86.94
51	22.86	4.88	27.74	17.93	1.6	28.69	41.03
82	27.43	1.98	29.41	2.60	1.6	4.16	5.95
209	MHAPL Bottom Samples				1.6		
229	MHAPL Bottom Samples				1.6		

10.2 IHC HOLLAND DREDGE STUDY:

MEMO	MTI HOLLAND BV	No. M04/0023	d.d. 12-01-2004

To : Jan Willem de Wit

From : Taco de Boer

Subject : Tin mining Tasmania

Copy to : C.J. Verkaik, H. van Muijen

Introduction

This memo describes a short evaluation of the Scotia Tin project and other nearby projects in Tasmania with respect to dredgeability and economic value.

Reference

- Fax, d.d. 8/9/2003 from Niugini Resources with filled in Questionnaire Dredge Mining Equipment
- Ore resource assessment of Scotia project, no EL 32 / 2001
- Reassessment The Pioneer Project, no EL 12 / 2000
- Reassessment The Endurance Project, EL 11 / 2000
- Correspondence between Mr Kinnane and our Mr. De Wit

Summary information Scotia project

History: First mining activity 1891. In 1930's Scotia became a reserve and mining ceased. Many old workings present in the neighboring areas, mostly using hydraulic monitoring and sluice boxes. Maximum slopes angles reported of not exceeding 60° (Some kind of free flowing material).
No active mining since 1980's in the whole area.

Location: North-East Tasmania, low populated area, vicinity small village (Gladstone), good infrastructure, river nearby but not clear if runs over deposit, power supply nearby (3 phase 415V). Old alluvial workings present. Landscape consists of heath en forest

Deposit: Around 42 sq. kms, narrow steep channel, 50-150 m width, with a maximum depth of 35 metres. Length more than 10 km. Total difference in height between beginning of channel and end not exactly known.
Topsoil clayey sand + organic material (roots) dry removed for rehabilitation
Overburden 15-20 m thick consists of sands, pugs and sandy clays with some lignitic layers and some large pebbles, especially along the edges of the channel deposit.
Intermediate low grade wash which should be treated either as overburden or as low grade ore.
Lead consists of cassiterite bearing alluvial and estuarine deposits (Tertiair).
Gravely and pebbly wash, which becomes more angular near the flanks. (Large boulders may be present).
Bedrock irregular (old riverbed) and consists of hard sandstone and slates with quartz veins. No information about hardness and rate of weathering. According literature strength values (UCS) vary for Sandstone from 40-100 MPa and for Slate from 20-250 MPa. Highest mineralization in horizons just above the bedrock.
Possible additional value of ore because of accessory minerals, such as gold, sapphire and tantalite, but no indication of hard data.

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Figure 1 gives a cross-sectional view of the deposit

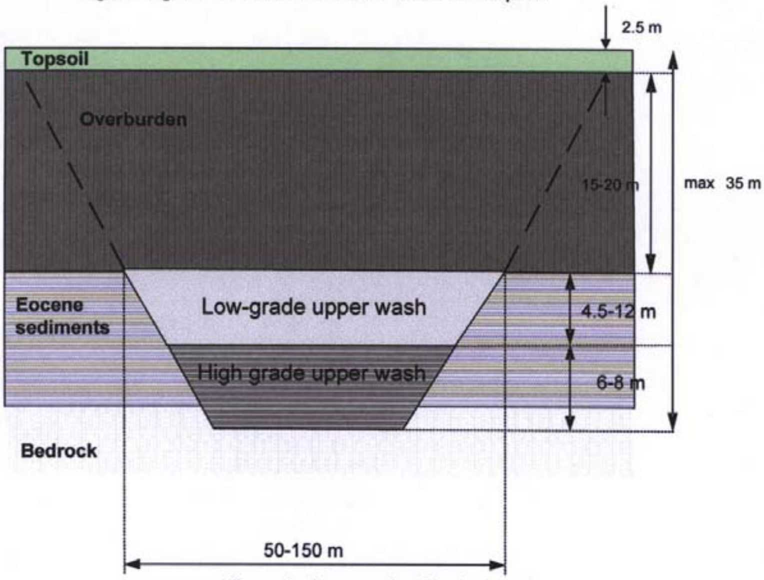

Figure 1: Cross-section Scotia deposit

Soil conditions

Overburden:

The overburden of the Scotia project has a thickness of 15-20 metres and consists of sands, pugs and sandy clays with some lignitic layers and some large pebbles, especially along the edges of the channel deposit. With respect to dredgeability the overburden can be removed with a hydraulic type of dredge, preferably with cutting blades of teeth. Due to the presence of clay variations in production may be expected.

Lead deposit:

The lead deposit consists of a low grade upper wash and a high upper wash. Both should be considered as ore. Gravely and pebbly wash, which becomes more angular near the flanks. Large boulders may be present. Cassiterite and gravel have the same hardness. The bedrock around the lead deposit is hard and irregular, while highest grades of cassiterite can be expected in these irregularities. With respect to recovery of valuable material part of the bedrock should be dredged as well. However, there is no data about the condition of this bedrock. If its completely weathered a mechanical type of dredging would be best. If not a hydraulic dredging method would give the best results in cleaning these irregularities. The hardness, shape and size of the bedrock and gravely wash will result in high wear rates of the dredging installation.

Resources + Values

An evaluation of the resources is attached in appendix 1. In the evaluation the overall recovery of the cassiterite is expected to be 80% (from mining questionnaire).
The average grades for the Scotia project and Endurance are from Surface to Basement. The Pioneer project gives the average cassiterite grade for the lead only.

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MEMO	MTI HOLLAND BV	No. M04/0023	d.d. 12-01-2004

The total value of the deposit is calculated with today's tin prices and is the value of the tin metal in the deposit present. When only a tin-concentrate is produced, smelter/refining costs will significantly lower the total value. The value/m^3 dredged material includes both dredging of overburden and ore.

Niugini Resources indicates the presence of accessory minerals, especially gold and gem-stones (sapphire) are mentioned. No data about grades are given, but if present they could increase the value of the deposit, but also require higher processing costs to separate these accessory minerals from the tin-concentrate. If these accessory minerals are not separated from the concentrate these could lead to extra deductions in the concentrate price.

In appendix 1 it can be seen that the costs for dredging and concentrating the mineral should be lower than $ 1,10 per m^3 dredged material. This is calculated with current tin prices, which are at the highest level in several years.

Benchmarking Tin

The benchmark of today's tin operations is PT Timah in Indonesia. This company produces around 40.000 tonnes of Tin annually and has its own smelter facilities. The worldwide production of Tin in 2001 was 242.000 tonnes. The worldwide demand for tin remains more or less constant over last few years.

Pt Timah operates 22 Bucket ladder Dredges in Indonesia both onshore and offshore. Their deposits cover a large area and overburden is sometimes pre-stripped by CSD's. The average overburdens of these deposits are more than 20 metres and the are mined in several benches. The maximum dredging depth of the Bucket ladder dredges is around 40-50 metres. Their equipment is already completely depreciated and they have a very low cost-price. The average grade of their deposits is around 400-500 gr/m3 (Surface to Basement).

Mining scenarios

The most prosperous project is the Scotia project in terms of value in the ground. Table 1 gives an overview of the different mining scenarios.

Years	Annual Amount to be dredged		Annual Amount to be dredged	
	Proven only [m3]	Annual Value [USD]	Proven + indicated [m3]	Annual Value [USD]
5	4.277.470	$4.699.487	8.546.870	$9.678.461
10	2.138.735	$2.349.743	4.273.435	$4.839.231
15	1.425.823	$1.566.496	2.848.957	$3.226.154
20	1.069.368	$1.174.872	2.136.718	$2.419.615

Table 1

For the Scotia project a stripping ratio of 1.2 to 1 can be considered as mentioned in the Ore Resource Assessment of Niugini. In terms of value only the 5 and 10 years are interesting.

	5 years	10 years	Unit
Overburden	2333166	1166583	m3
Ore	1944305	972152	m3
Production rate ore	761	380	m3/h
Production rate overburden	913	457	m3/h

Number of shifts	1	
Hours per shift	10	hrs
Working days/a	365	days
Working hours	3650	hrs
Operating efficiency	70%	
Production hours	2555	hrs

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MEMO	MTI HOLLAND BV	No. M04/0023	d.d. 12-01-2004

The plant feed capacity is planned to be 300 m3/hr in-situ solids. For this case the 10 years mining scenario would suit the plants feed capacity. However the planned annual production hours of the dredge are considered very low compared to the capital investment of a dredge. With a 10 years mine life the annual amount of tin metal that would be produced from this mine will be around 700 tonnes.

For mining this deposit at least two dredges are needed.
The overburden is 15-20 metres thick and would be difficult to control when mined with one bench. The best option is to mine the overburden in two benches of each maximum of 10 metres, with a cutter suction dredger. In case this is dredged with one dredge it will involve more relocations of the dredge. The maximum inclination of the overburden is not reported and should be determined.

The lead deposit consists of both high and low grade basal wash. In case only one dredge pond is chosen for both overburden and ore dredges, this indicated that the ore dredger must be capable of dredging as deep as 35 metres. This requires a large sized dredge with a rather low capacity. A Bucket Ladder Dredge could mine the complete thickness of the lead. In case of a hydraulic dredge probably two benches are required. This increases the size of the dredge pond.

Another option could be pre- stripping the overburden completely and than lowering the water table and using same dredge for mining the lead.

Discussion

Conclusions:
The geotechnical information about the overburden, lead deposit and bedrock is limited, no data about hardness, cementation, rate of weathering and cohesion are given. This means that at this stage it is difficult to select the best type of dredge, especially for the mining the tin layers.

The maximum dredging depth of the deposit is 35 metres. A new dredge which is capable of dredging at these depths will require high capital costs. PT Timah has a similar dredging depth sometimes even higher, but their dredges and treatment plants are already completely paid off. Furthermore their deposits cover a large area, while this deposit is a narrow channel. This means that dilutions of tin bearing material can be quite high. The bedrock consists of hard rocks and is very irregular. This could lead to difficulties in dredging all the valuable material, because the cassiterite has the highest grade near the bedrock and in these irregularities.

No indication of grades of accessory valuable minerals are given. This means that only a forecast was made of the total value of the tin in the deposit. The total costs for overburden removal, dredging of ore and concentrating the mineral should be less than $ 1,10 m3 dredged material with current tin prices. With two dredgers of which one is capable of dredging at 35 metres and a treatment plant and probably high wear rate due to angular shaped gravel and bedrock, this is most likely not a viable project. The other projects Endurance and Pioneer have even lower values per m3 dredged material.

Further Steps:
The presence of accessory minerals such as gold and sapphire could significantly increase the total value of the deposit. This should be investigated first.

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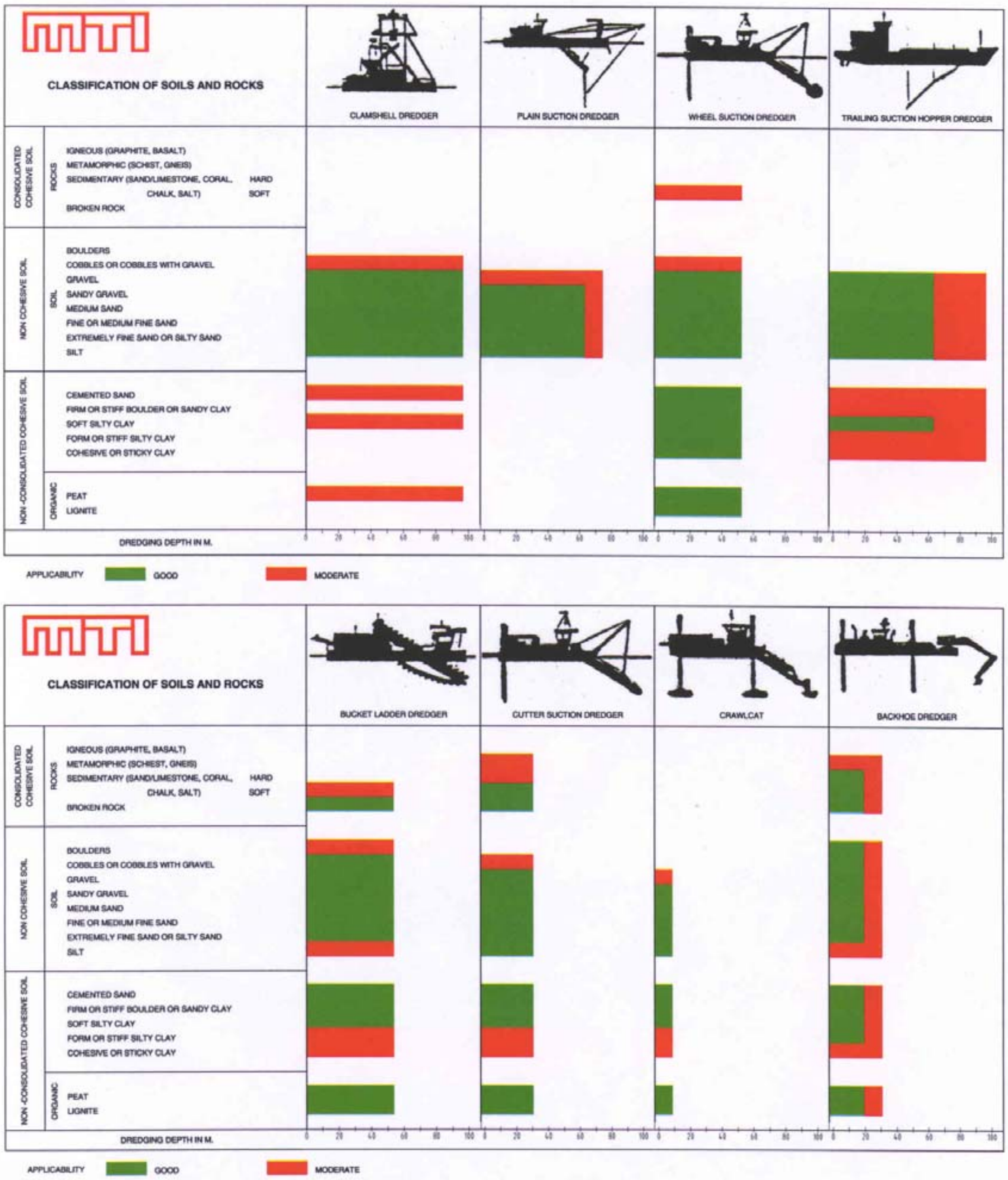

DREDGING EQUIPMENT AND APPLICABILITY