

EL 1 / 2003
NORTH EAST TASMANIA

ANNUAL REPORT
PERIOD ENDING 11TH NOVEMBER 2005

VAN DIEMAN MINES PTY LIMITED

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EXECUTIVE SUMMARY

During the period November 2004 to November 2005 company staff and geological consultants carried out extensive field surveys within the tenement aimed at locating previous backhoe pit locations and associated sample locations. Thick vegetation re-growth on the river terraces particularly in previously worked areas hindered those activities and the work was abandoned in favor of re-sampling and surveying. In June 2005 the company made application to bulk sample four sites in the southern section of the tenement, approval for the proposed works was received on the 22nd August 2005, the company immediately commenced access road works and by early October was in a position to commence sampling.

By November, three 50 m³ samples had been excavated from two sites, however extremely wet weather precluded the sampling of the third site. Samples were stockpiled for treatment after December 2005. Of the three samples one was from an old rock oversize heap and the other two from virgin ground.

The company has reviewed old data from Departmental archives. Test data reported by Geophoto Resources in 1974 was converted from Imperial to Metric units and the resource reported by that group re-assessed.

In the year 2005 to 2006 the company proposed to complete bulk sampling, to re-survey the area using DGPS equipment and to reconstruct the resource base within the tenement. Both tin and gem material will be collected, the latter sent to a USA laboratory for assessment and treatment.

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1.0 INTRODUCTION

During the period 1973 to 1974 Geophoto Resources as consultant to Texins Development Pty Limited conducted a comprehensive program of backhoe pitting and sampling along the river terraces flanking the Wyniford River. As a result of those works Texins established two distinct resource volumes, specifically:

- Quaternary Alluvium (including Tailings)
352,000 m³ at a grade of 320 gm / m³ of 72% SnO₂

And

- Tertiary Alluvium
Between 23,700 m³ and 34,500 m³ at grades of between 759.5 and 979.0 gm/m³ of 72% SnO₂

Work by Van Dieman determined that this resource was contained only in the central section of the current tenement and that potential for extension of the Texins resource to the north (Argus Bridge) and to the south were highly probable. Field inspections were conducted to determine, if possible, the extent of any additional alluvial deposits. Field crews encountered difficult conditions; re-growth, very wet ground conditions and old workings made traverses in many upstream areas difficult and dangerous and the inspections were finally abandoned.

In mid 2005 the company decided to make application to conduct bulk sampling at four locations in the southern section of the tenement. Approvals for these activities were obtained on the 22nd August 2005. The Company subsequently commenced road access works and by early November had three samples from two locations in stockpiles on the ground. One sample represented old rock oversize material the other two virgin alluvial ground. Wet weather precluded the collection of the last sample and relocation of the pilot plant from its location at Weldborough.

The company proposes to complete sampling and treatment of the samples early in 2006.

2.0 LOCATION AND ACCESS

The tenement is located south of the township of Pioneer and straddles the valley of the Wyniford River. The centroid of the area is located at approximately 580,500mE; 5,447,000mN AMG. See Figure 1.

Access along the river is very good. Access from the main Pioneer to Gladstone road is via the Tebrakunna Road to the Three Notch Track. The Three Notch Track follows the east bank of the River southwards the whole length of the tenement. Minor side tracks provide access to the western bank at the Wildcat Mine site and a new forestry access road and bridge crosses the river south of the Wildcat Mine.

Sample sites are accessed by upgrading and re-establishing old mine access roads.

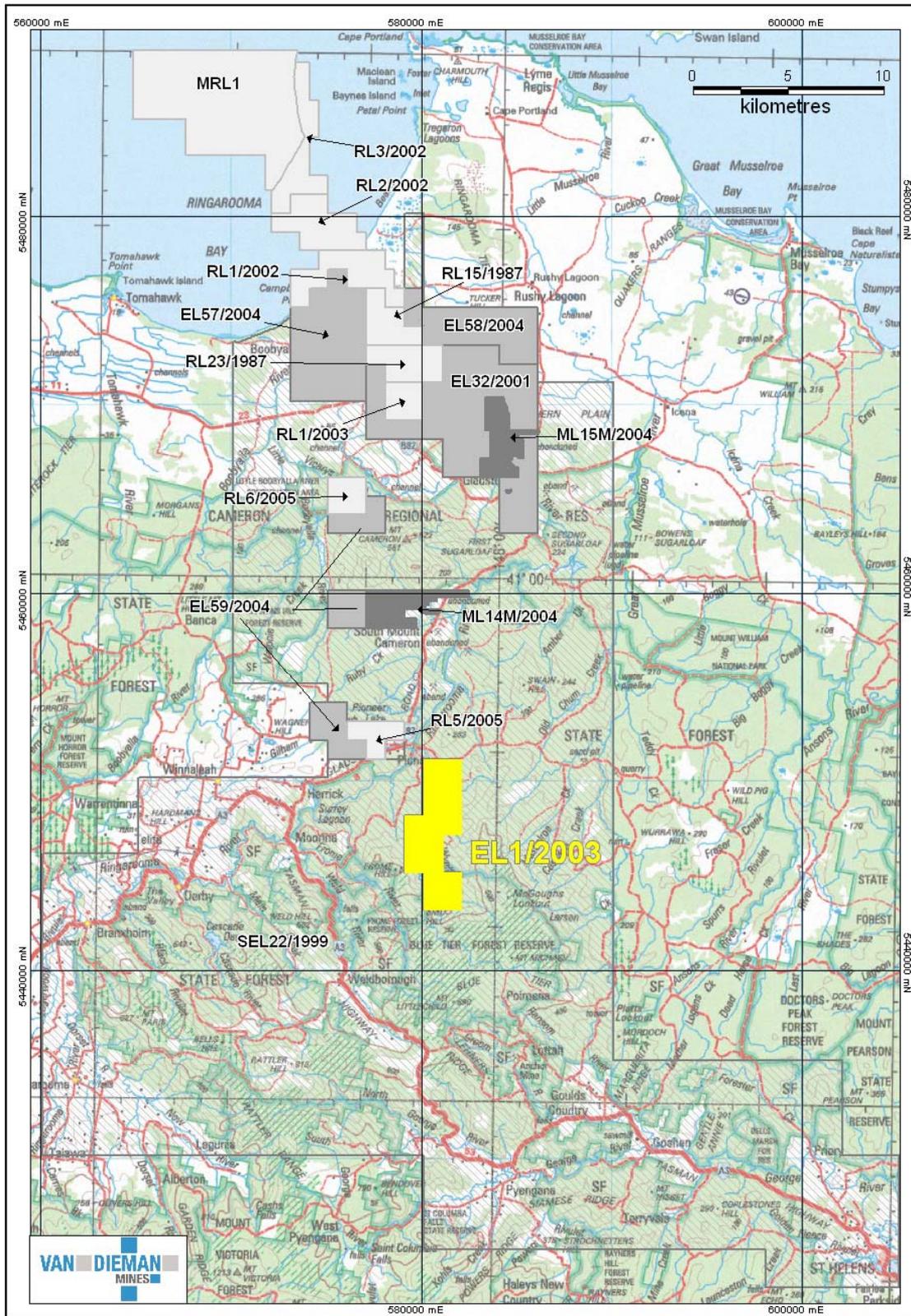


Figure 1 - Regional Tenement Location Map

VDMmap0605-011

3.0 HISTORICAL BACKGROUND

Tin mining was probably commenced in the Wyniford area in the 1870's by Chinese miners. By the year 1888 a town had become well established at Garabaldi on the western bank of the river some 3 km south of Pioneer. Mining appears to have peaked in the area in about 1891 and by 1893 was in decline as most of the easily worked ground had become exhausted. Subsequently European miners constructed water races throughout the area, particularly around Garabaldi and worked extensions to the older workings. See Figure 2.

The area appears to have attracted little interest from around the turn of the century to the mid 1970's when several small machine mining operations commenced in the upstream areas (the Wildcat areas) For a short period B.M.I Mining held a small 10 acre lease in the upstream section but did not conduct any work on the ground. See Figure 2.

In 1968 Texins Development Pty Limited were granted an exploration Licence over the Wyniford and surrounding areas (EL 6 / 68). During the period 1973 to 1974 Geophoto Resources Consultants conducted reconnaissance field work, pitting and sampling on Wyniford alluvial deposits. A total of 172 backhoe pits were dug, 152 of these were channel sampled and a total of 300 samples processed. Their study area was surveyed and subsequently "Geophoto" derived resource volumes and grades.

By the early 1980's all mining activity had ceased.

In 2002 Mineral Holdings Australia Pty Limited defined an area of prospectivity for alluvial tin and gemstones in the Wyniford River valley. The company made application for the area in January 2003 and were subsequently granted the area as EL 1/2003 in November of the same year. In June 2004 the tenements were acquired from Mineral Holdings by Van Dieman Mines Pty Limited.

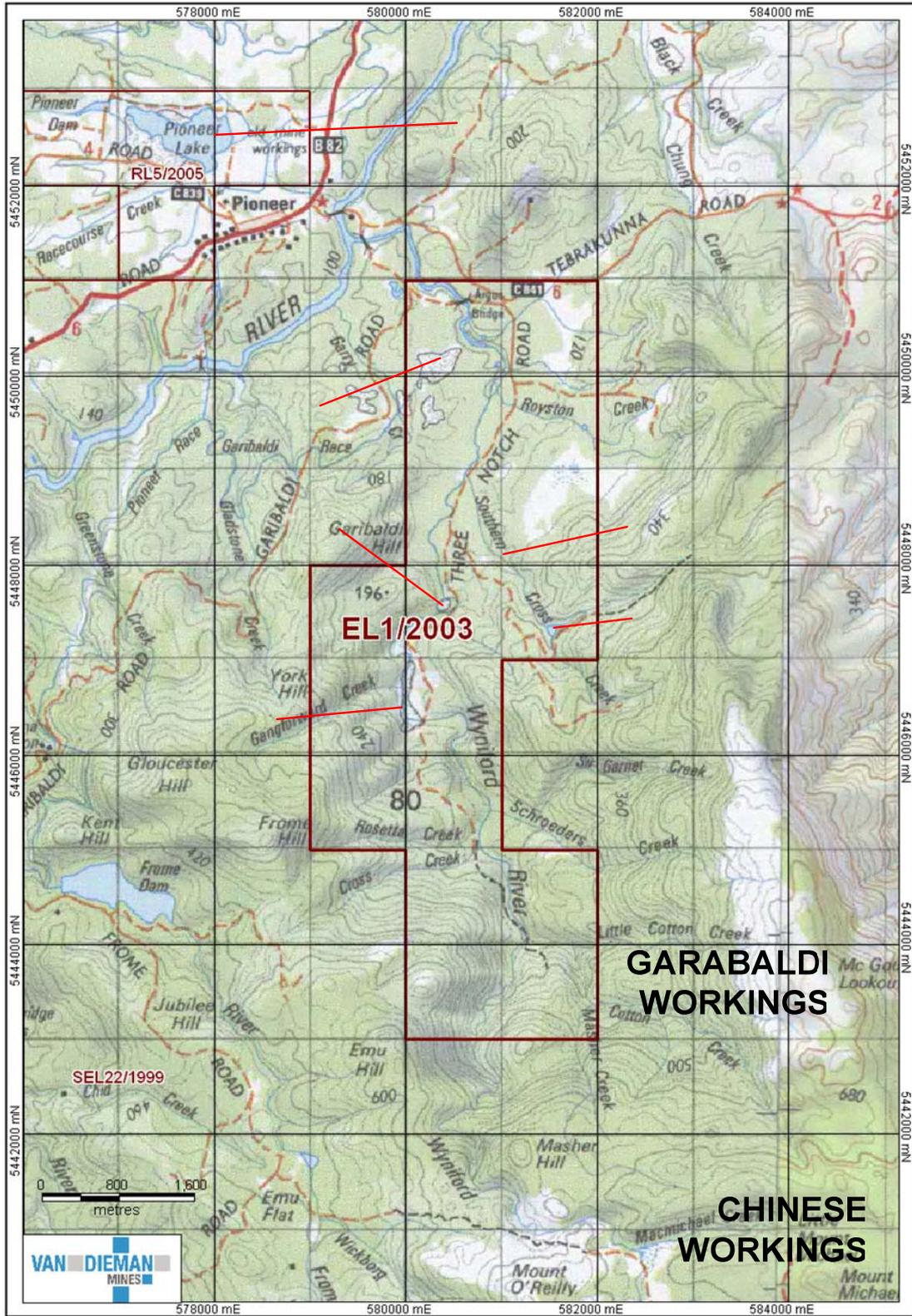


Figure 2 - EL1/2003 Location Map

VDMmap0605-012

4.0 GEOLOGY

It is not proposed to deal with the regional geology in any great detail as no changes to the geology as depicted on the 1:50,000 Series Geological Atlas - Ringarooma have been noted during exploration.

4.1 REGIONAL SETTING

The Upper Devonian to Lower Carboniferous Blue Tier Batholith acid igneous intrusive rocks form basement throughout the tenement. These intrusives are generally porphyritic, coarse grained biotite or biotite - muscovite granites and adamellites. Locally there are minor coarse to very coarse grained varieties (pegmatitic suites). The tin in the Wyniford River alluvials is considered to be derived from these intrusives and / or their coarser variants which are almost pegmatitic in nature.

The alluvial deposits of the Wyniford River valley comprise both older Tertiary and younger Quaternary units. They are masked in many places by thick layers of old alluvial mine tailings particularly in the vicinity of Garabaldi Township.

4.2 LOCAL GEOLOGY

Two units are significant, both contain significant quantities of cassiterite and gemstones; sapphire, zircon, spinel and topaz.

a. TERTIARY ALLUVIUM

This unit consists of unconsolidated boulder, gravel and sand deposits resting on a granitic basement. They are developed as semi-mature deposits immediately adjacent to the active river or perched several meters above the river. The well rounded nature of the clasts reflects the extremely active nature of their deposition. They are generally overlain by a either the Quaternary Alluvial deposits or directly by a sandy horizon, often strongly humic that is most likely also of Quaternary age.

Thickness varies from thin wedges developed on rising basement to several metres of loose, very wet, bouldery material developed in basement hollows. "Geophoto" report that the deepest sections tested measured up to 5.5 metres in thickness. Cassiterite and associated heavy minerals occur throughout the unit with very high concentrations in the basal sections or in sections where bouldery material predominates.

b. QUATERNARY ALLUVIUM

These consist of unconsolidated gravel and sand units resting either older Tertiary deposits or directly on granitic basement. They are also developed immediately adjacent to the active river and are similar to the Tertiary unit in that they contain well rounded clasts but they do contain fine sand and clay horizons not seen in the older unit. They are overlain by a Quaternary age sandy horizon that is usually strongly humic.

The deposits vary in thickness from fractions of a metre to several metres and vary from 30 to 70 metres in width. They are heavy mineral rich although the "Geophoto" work indicates the higher concentrations to be confined to channels and runs within the deposits.

4.3 RECENT EXPLORATION

The company crew and consultants carried out numerous reconnaissance traverses aimed at locating the old "Geophoto" backhoe pits. Very thick re-growth vegetation, wet ground conditions and water filled old workings made this task tedious, time consuming and dangerous. Almost no evidence of old pits was located during these traverses and the company decided to terminate this work in favor of DGPS surveying and bulk sampling.

Following approval to excavate four test pits the company re-opened several old mine tracks and excavated two pits before wet weather made further progress impossible. The first two sites were located on the east bank of the river just downstream from the Wildcat Mine site. See Figure 2. Specifically:

SITE 1: SALTERS PLANT SITE

Two samples

- Sample A: A 50 m³ sample of an old (1970's) rock oversize heap containing abundant coarse and fine sand; and

- Sample B: A 30 m³ sample from virgin ground immediately adjacent to the oversize heap. See Appendix 8.1. The machine encountered heavy water at 2.5 metres depth that caused the hole to be abandoned before basement was reached.

SITE 2: SALTERS MINE PIT

One sample

- Sample C: A 30m³ sample excavated from immediately adjacent to an old test pit, circa 1970's. The hole encountered heavy humic sand grading downwards into clayey sand and finally into cobbly and bouldery wash. Water was encountered at about 1.8 metres however the hole was able to be excavated to a sloping bedrock at 3.2 metres.

The company has commenced DGPS survey pick-up of all roads and tracks, any old workings and pits and recent excavator pits. Using fixed DGPS stations the old Geophoto maps will be digitized and the resource recalculated. This work is planned for 2006.



Figure 3 - EL1/2003 Bul Sample Location Map

VDMmap0605-013

5.0 PROPOSED WORK PROGRAMS

During the 2006 year the company intends to conduct the following exploration activities:

- a. DGPS Surveys - conduct further survey work as weather permits and use that data to create tie points for digitizing of old "Geophoto" maps;
- b. Bulk Sampling - treat samples in stockpile prior to collection and treatment of remaining samples.
- c. Sample Treatment - process heavy mineral concentrates into a high grade tin concentrate; analyse for Sn, Ta and Nb. Gem component to be hand picked. Sapphire component to be sent to USA for analysis, heat treatment (if required), cutting and valuation. Minor gem components; spinel, topaz and zircon, to be assessed.
- d. Rehabilitation - all pits to be backfilled and landscaped as required, humic topsoil replaced.
- e. Ore Resource - to be defined by survey and digitizing work, resource re-calculated and reported.

6.0 CONCLUSIONS

It is clear from activities to date that:

- a. The Wyniford River tenement contains a small but high grade cassiterite rich alluvial resource however the resource is masked by old tailings and its outline confused by old mine workings;
- b. The resource is only shallow, that is no deeper than 6 metres and could be developed by a small mobile treatment plant using minimal earthmoving and crew; and
- c. Prior to any further consideration relating to such development of the resource detailed surveys to determine limits and outlines will be required to be undertaken along with detailed environmental studies.

7.0 BIBLIOGRAPHY

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8.2 BACKHOE TEST RESULTS, TEXINS DEVELOPMENT, 1974

 BACKHOE TEST PIT SAMPLING									
PROJECT		Wyniford River			TENEMENT		EL 1 / 2003		
DATA: TEXINS DEVELOPMENT, 1974					CONVERSION OF DATA TO METRIC UNITS				
LINE NO	HOLE NUMBER	AMG COORDINATES		HOLE DATA				COMMENT	
		NORTHING	EASTING	O: BURDEN	FROM m	TO m	INT m		GRADE gm / lcm 72% SnO ₂
A	2			2.70	2.70	4.10	1.40	350.03	
	3			0	0	2.09	2.09	83.06	
	4			0	0	3.00	3.00	296.64	
	5			0	0	2.30	2.30	177.98	
	6			0	0	3.29	3.29	1,150.96	
	7			0	0	2.50	2.50	243.24	
	8			0	0	1.50	1.50	17.80	
	9			0	0	1.99	1.99	94.92	
	10			0	0	1.70	1.70	563.61	
B	15			0	0	4.01	4.01	919.58	
	16			0	0	1.99	1.99	88.99	
	74			0	0	1.30	1.30	326.30	
C	25			0	0	1.90	1.90	47.46	
	26			0	0	1.40	1.40	100.86	
	77			0	0	1.90	1.90	71.19	
	78			0	0	2.09	2.09	59.33	
	79			0	0	1.99	1.99	35.60	
D	29			0	0	2.20	2.20	41.53	
	30			0	0	2.09	2.09	41.53	
	88			0	0	0.80	0.80	59.33	
	89			0	0	2.09	2.09	148.32	
	90			0	0	2.40	2.40	177.98	
E	37			0	0	0.60	0.60	172.05	
	38			0	0	2.70	2.70	628.87	
	39			0	0	1.30	1.30	5.93	
	40			0	0	3.49	3.49	47.46	
	41			0	0	2.09	2.09	160.18	
	42			0	0	0.90	0.90	71.19	
F	43			0	0	1.40	1.40	302.57	
	44			0	0	1.70	1.70	142.39	
	45			0	0	1.40	1.40	118.66	
	46			0	0	1.80	1.80	94.92	
	47			0	0	2.80	2.80	94.92	
	49			3.40	3.40	4.01	0.61	771.26	
	54			4.10	4.10	5.50	1.40	990.77	
	55			4.19	4.19	5.39	1.20	480.55	
	96			3.19	3.19	4.78	1.59	1,429.78	
G	64			0	0	2.30	2.30	978.91	
	98			0	0	1.65	1.65	2,966.38	
	99			0	0	1.00	1.00	433.09	
	100			0	0	1.50	1.50	83.06	
	101			0	0	1.00	1.00	575.48	
H	103			0	0	0.90	0.90	29.66	
					0.9	2.80	1.90	106.79	
	104			0	0	2.30	2.30	23.73	B/Ment Not Reached

VAN DIEMAN MINES		BACKHOE TEST PIT SAMPLING							
PROJECT		Wyniford River		TENEMENT		EL 1 / 2003			
DATA: TEXINS DEVELOPMENT, 1974		CONVERSION OF DATA TO METRIC UNITS							
LINE NO	HOLE NUMBER	AMG COORDINATES		HOLE DATA				COMMENT	
		NORTHING	EASTING	O: BURDEN	FROM m	TO m	INT m		GRADE gm / lcm 72% SnO ₂
H	105			0	0	1.80	1.80	11.87	
	106			0	1.80	2.60	0.80	883.98	
					2.09	3.39	1.30	NS	Not Sampled
J	107			0	0	0.80	0.80	59.33	
	108			0	0.80	1.69	0.89	106.79	
					0	2.50	2.50	172.05	
K	113			0	0	1.59	1.59	77.13	
	114			0	0	1.90	1.90	510.22	
					0	0	1.50	1.50	172.05
L	117			3.00	3.00	3.40	0.40	385.63	
	119			0	0	0.70	0.70	1,328.94	
					2.40	2.40	3.79	1.39	1,809.49
M	134			2.41	2.41	3.69	1.28	189.85	
	121			0	0	1.40	1.40	415.29	
					0	0	1.50	1.50	148.32
N	122			0	0	2.30	2.30	118.66	
	123			2.30	2.30	2.80	0.50	391.56	
					2.80	2.80	3.79	0.99	71.19
O	127			0	0	1.34	1.34	320.37	
	128			0	0	1.70	1.70	332.23	
					0	0	1.30	1.30	29.66
P	130			0	0	1.59	1.59	142.39	
	139			1.90	1.90	2.80	0.90	551.75	
					2.60	2.60	3.00	0.40	332.23
Q	141			2.70	2.70	3.69	0.99	2046.8	
	149			0.00	1.20	1.20	237.31	Tails	
					1.20	1.80	0.60	183.92	Tails
R	150			0.00	1.40	1.40	41.53	Tails	
	151			1.40	1.90	0.50	225.44		
					0.00	1.90	1.90	551.75	Tails, Not To B/ment
S	152			2.60	2.60	3.59	0.99	628.87	
	142			0	0	1.50	1.50	77.13	
					0	0	1.30	1.30	118.66
T	143			0	0	1.30	1.30	486.49	
	144			0	0	1.59	1.59	142.39	
					0	0	1.30	1.30	154.25
U	145			0	0	1.30	1.30	154.25	
	146			1.10	1.10	3.00	1.90	937.38	

8.3 RESOURCE SUMMARY AFTER TEXINS, 1974

		VAN DIEMAN MINES PTY LIMITED					
		DATA DERIVED: Texins Development, 1974					
TENEMENT:		EL 1/2003			LOCATION:		Wyniford River
DATE:		11/01/2006			METRIC CONVERSION:		11/01/2006
LINE	AVERAGE O/BURDEN	ZONE OF INFLUENCE			VOLUME bcm	AVERAGE GRADE 72% SnO ₂	VOL X G
		WIDTH	AREA	DEPTH			
	m	m	m ²	ORE m			
A		75	15,052.00	2.63	39,587	444.96	17,614,525
B		55	12,125.00	2.43	29,464	575.48	16,955,799
C		81	15,052.00	1.86	27,997	59.33	1,661,045
D		79	15,971.00	1.92	30,664	100.86	3,092,803
E		84	16,473.00	1.85	30,475	213.58	6,508,861
F		76	15,302.00	1.81	27,697	142.39	3,943,722
G		76	15,470.00	1.50	23,205	1,127.22	26,157,140
H		86	16,306.00	1.74	28,372	59.33	1,683,337
J		60	12,710.00	1.47	18,684	379.70	7,094,201
L		60	14,383.00	1.43	20,568	302.57	6,223,166
N		46	10,118.00	1.60	16,189	290.71	4,706,246
O		75	12,710.00	1.48	18,811	189.85	3,571,230
				21.72	311,712		99,212,075
K		60	14,383.00	1.50	21,575	No Values Allocated	
M		60	11,707.00	1.50	17,561	No Values Allocated	
RESOURCE VOLUME:					311,711.65	Bank Cubic Metres	
RESOURCE AVERAGE GRADE:					318.28	72% SnO ₂ Concentrate	
RESOURCE AVERAGE DEPTH:					1.81	Metres	