

**RL 15 & 23 / 1987
FOSTERS MARSHS**

NORTH EAST TASMANIA

COMBINED ANNUAL REPORT

PERIOD ENDING 30TH MAY 2006



VAN DIEMAN MINES PTY LIMITED

10th September 2006

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EXECUTIVE SUMMARY

During the past twelve months the Company has continued to add to and consolidate the database of background information that supports the Great Northern Plains tin bearing ore resource. These additional data include new GIS information including:

A. IMAGES:

- 1 SECSRTM Elevation Images;
- SPOT5 Satellite Image; and
- DRIWE Aerial Photographic Image (Color Corrected)

B. VECTOR DATA:

- Drill Holes, fully attributed;
- Resource Outlines, fully attributed; and
- Tenement Boundaries.

These data, all in MGA55 projection are presented as a Mapinfo "Workspace" as an appendix to this report.

The location of old drill holes has continued and these are to have their locations picked up by DGPS methodology during the coming year. These will be added to the database and used to confirm and correct X, Y and Z coordinates for all old drill hole data.

At this time the resource remains unchanged from that previously calculated and as detailed in the Van Dieman Mines plc Prospectus dated November 2004.

TABLE OF CONTENTS

	PAGE NO
1.0 INTRODUCTION	1
2.0 LOCATION AND ACCESS	2 - 5
3.0 HISTORICAL BACKGROUND	6 - 7
4.0 GEOLOGY	8 - 16
4.1 REGIONAL SETTING	<i>8 - 13</i>
4.2 THE RESOURCE	<i>12 - 16</i>
4.3 DATA PRESENTATION	<i>16</i>
5.0 DISCUSSION	17
6.0 PROPOSED EXPLORATION PROGRAM	18 - 19
7.0 LIST OF FILES	20 - 21
8.0 BIBLIOGRAPHY	22 - 24

1.0 INTRODUCTION:

Previous work within these tenements by Mineral Holdings (Australia) Pty Ltd (MHAPL) delineated a substantial tin bearing alluvial resource contained within a Tertiary marine embayment. Following transfer of the title to Van Dieman Mines (VDM) in 2004 VDM carried out a re-assessment of the MHAPL resource base. In late 2004 that resource was reported as part of the VDM Prospectus for listing of the company on the AIM section of the London Stock Exchange.

The resource divided into two sections these are:

A. FOSTERS MARSHS RESOURCE:

“Measured Mineral Resource of 34.1 M bank cubic metres (bcm) containing 260.36 gm / bcm of SnO₂”

And

B. BRAITHWAITES RESOURCE:

“Measured Mineral Resource of 5.16 M bcm containing 281.97 gm / bcm of SnO₂”

VDM has estimated that areas peripheral to the these Measured Resources are estimated to contain 37 M bcm of alluvium containing between 100 and 300 gm / bcm of SnO₂.

Over the past twelve months the Company has acquired a number of data sets that it hopes will assist in better defining the limits of the above resource base and it continues to locate old drill holes and other cultural features. These data will be used to correct the X, Y and Z coordinates for holes digitized from old map sets and will enable VDM to produce a more accurate resource description.

DGPS survey work is ongoing and during the coming year will be supplemented with pre-feasibility data collection including cultural and Aboriginal heritage surveys, baseline water sampling and flora & fauna surveys.

2.0 LOCATION AND ACCESS:

The Great Northern Plain Project area is located in north eastern Tasmania in the Gladstone District approximately 90 kilometres north east of the northern City of Launceston. More specifically the cassiterite bearing estuarine and alluvial deposits are located approximately 10 km north-west of Gladstone and north and east of the Ringarooma River.

The tenements are located almost totally within private land, Rushy Lagoon and Red Hill pastoral holdings. Location plans are presented here in three formats, on an aerial photographic base (Figure 1), on 100K Topographic Mapping (Figure 2) and on SRTM Elevation Imagery (Figure 3).

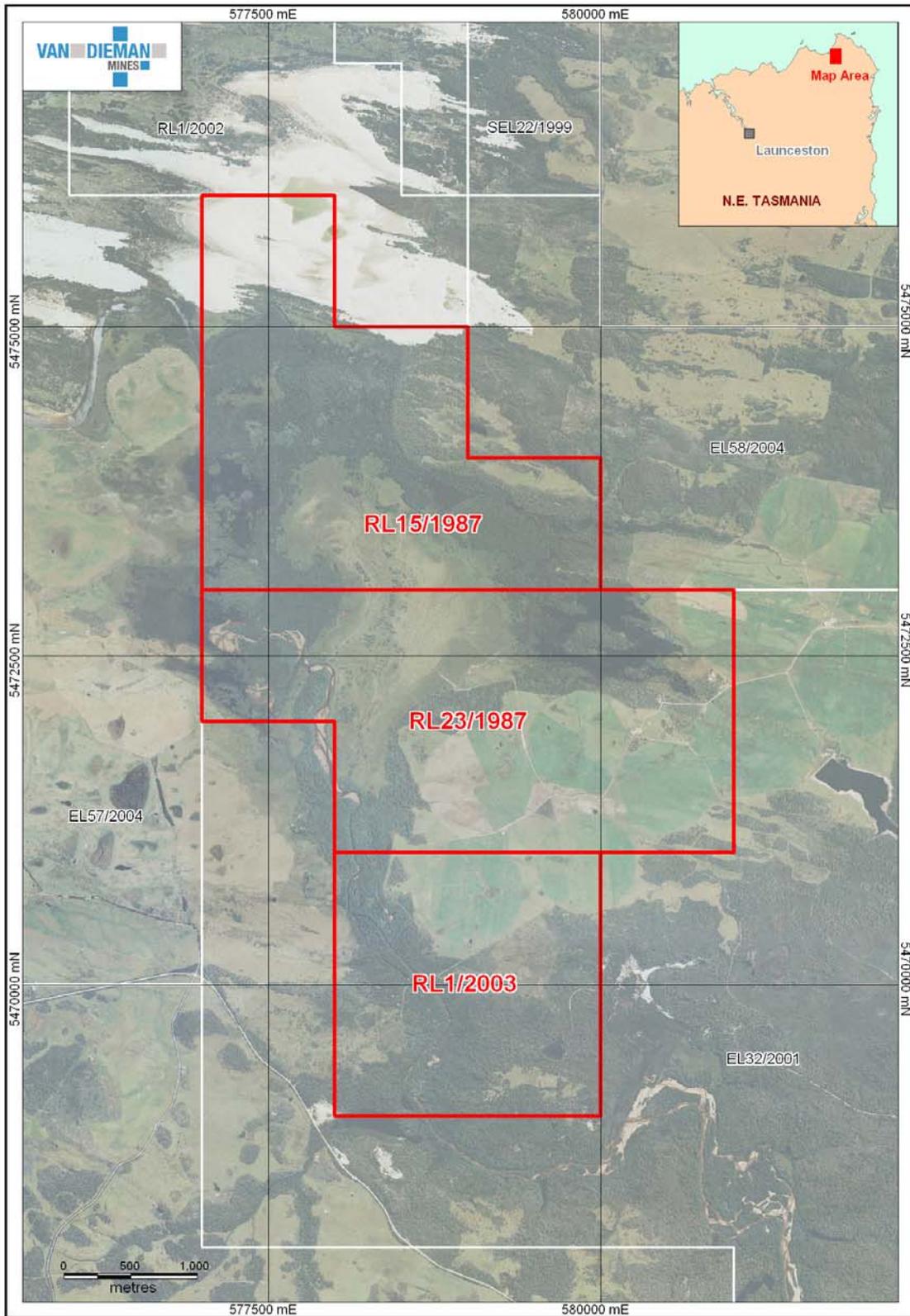


Figure 1 - Tenement Location Map (on aerial photography)

VDMmap0608-011

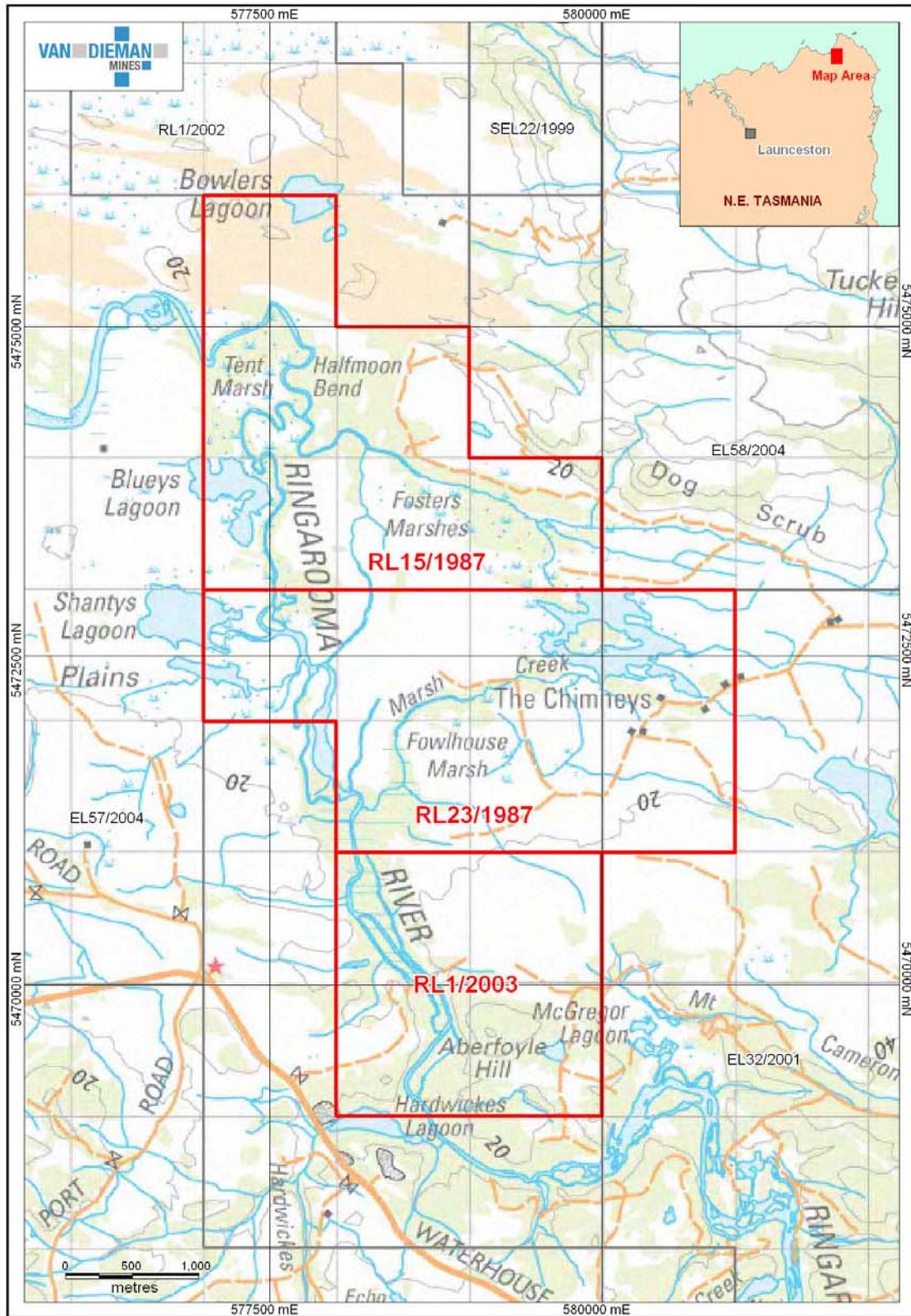


Figure 2 - Tenement Location Map (on 100K Topography)

VDMmap0608-011

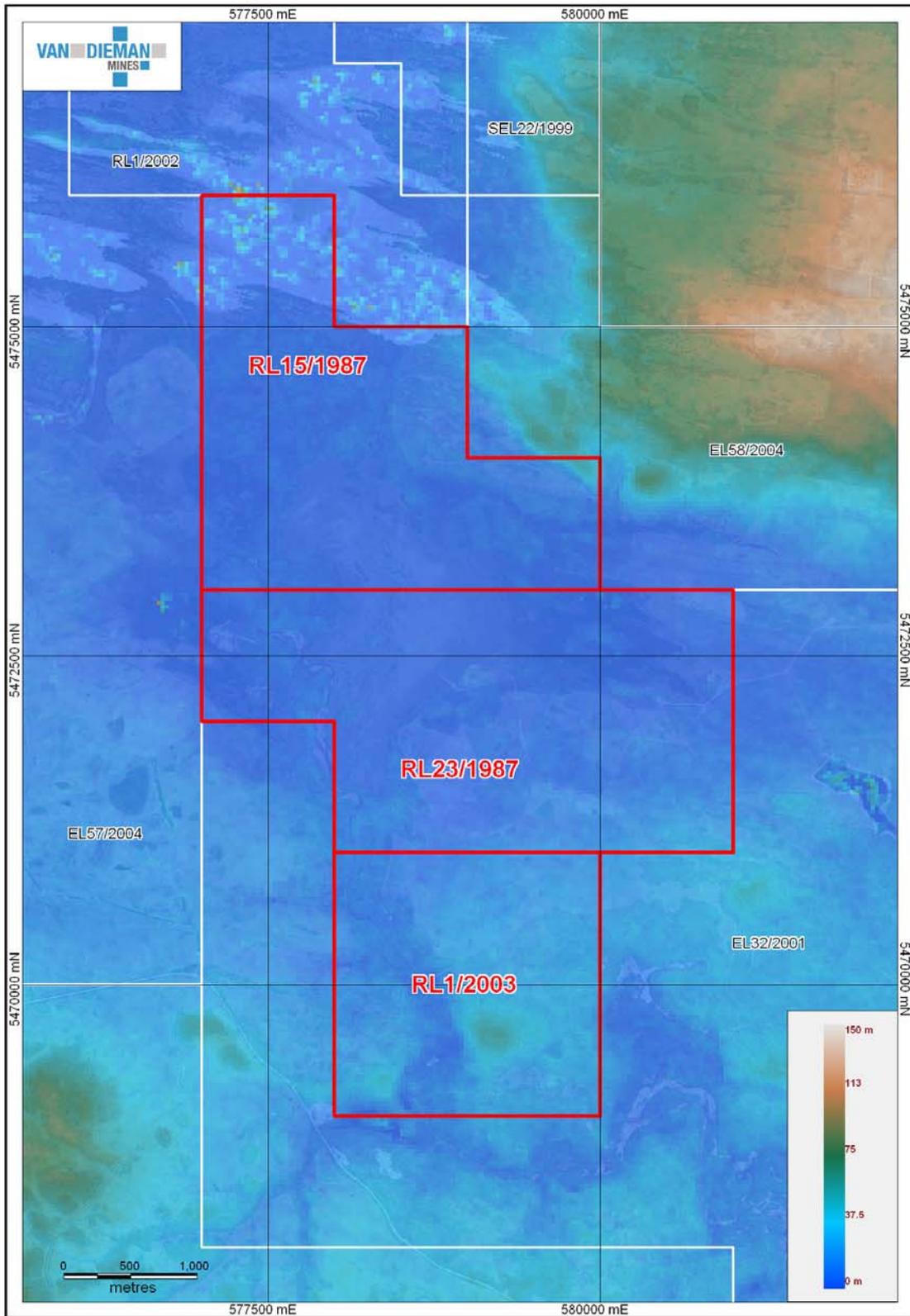


Figure 3 - Tenement Location Map (on SRTM elevation image)

VDMmap0608-011

3.0 HISTORICAL BACKGROUND:

Alluvial tin was first worked in the early 1880's in the Aberfoyle, McGregor's, Beltz and Taylor's areas, just south of RL'S 15 and 23/1987. The following text provides a summarized history of the main mining activity in the Great Northern Plain region. Specifically:

A. BELTZ WORKINGS:

Commenced by H. Beltz in 1911 and operated for a number of years.

Working continued by Ogilvie & Packett until water supply was cut-off in 1922.

In 1917 Roach drilled 39 bores in this area of those 23 drilled as three lines ahead of the face. These have not as yet been located either on the ground or on plan.

Subsequent drilling by Carey indicated deeper ground to the NW.

Little work was carried out after 1922.

B. MCGREGOR'S WORKINGS:

History uncertain but was worked prior to 1902.

Government drilled a line of bores, No 6 Line in 1902.

Mallinson worked an area to the west of McGregor's.

Difficulty encountered with water supply, main workings worked by races but became "Tailed In".

C. ABERFOYLE WORKINGS:

In 1906 the New Aberfoyle Company commenced operations.

New Aberfoyle was succeeded in 1909 by the Aberroe Tin Mining Co. N. L. but this group did not register its operations until 1912.

Mining continued until around 1916 at which time many of the working faces were connected resulting in three main worked cuts; the Eastern, the Main and the Western or Curnow's workings.

There are no production records for the early production years up to 1906.

From 1906 to 1916 the New Aberfoyle and Aberroe companies produced some 129.3 tons of concentrate with peak production of 22 tons occurring in 1910.

Development of all these deposits was limited by water supply and operating hydraulic head. Water races were developed from the Boobyalla River across the Ringarooma River by an inverted siphon system and from the Mt Cameron Water Race.

Work in the area and more specifically in the Great Northern Plains appears to have recommenced in about 1935, specifically these works include:

- 1935 - Austral Malay drilled on the Great Northern Plains just north of Aberfoyle;
- 1955 - 56 - Dorset Tin Dredging investigated the area and drilled north and east of Aberfoyle looking for a dredge path onto the Great Northern Plains;
- 1958 - Rio Tinto Exploration drilled in the region but generally west and east of Aberfoyle;
- 1966 - Utah development conducted regional auger drilling in the general area and it is believed conducted some backhoe pitting near Aberfoyle;
- 1967 - The Mines Department drilled a line of holes just north of Aberfoyle from the Delta Workings eastward to the Scoloch Lead;
- 1971 - Portland Holdings carried out pitting and auger drilling in the immediate vicinity of the old alluvial workings.
Portland reported some excellent grades however their testing was not sufficient to define further resources or the directions in which the alluvial leads were trending;
- 1974 - Mines Department Tasmania conduct geophysical survey of area;
- 1978 - Preussag Australia conducted work in the region including several lines of drill holes one of which was located just north of the Aberfoyle workings;
- 1978 - Renison Limited conduct assessment of area.
- 1980 to 83 - Hellyer conduct comprehensive drilling program across the area; and
- 1995 - MacArthur carries out independent assessment of the area for Mineral Holdings which was subsequently updated by Mason in 2001.

Since the work by MacArthur and a review of that work in 2001 by Mason no other work was undertaken until VDM commenced its studies in 2003. During 2004 VDM prepared a Prospectus to gain admission to the Aim Market of the London Stock Exchange, that listing was achieved on 23rd November 2004. Terrence Willstead & Associates prepared the Competent Persons report included in that Prospectus.

4.0 GEOLOGY:

Since acquiring tenure to this property VDM has continued to reassess the regional geological setting particularly as it pertains to the alluvial deposition during the Tertiary period. Construction of a Tertiary basement map (Figure 5) has confirmed the presence of a major marine embayment developed within the RL's. This feature is flanked to the south by an area of basement high, the Aberfoyle Hill area, the Great Northern Plains sediment pile within the southern section of the embayment deposit is apparently draped against this feature.

4.1 REGIONAL SETTING:

It is not proposed to provide a detailed description of the older geological units, a brief outline of the nature of each major unit is provided, in tabulated form as Table 1 and a geological map as Figure 4.

The tabulation sets out the significance of each unit. It is the Tertiary units, in particular the basal sections, that are of economic significance as they contain the heavy mineral concentrations; cassiterite, tantalite, gold and sapphire being the most economically important.

The Tertiary marine embayment, first recognized by Mineral Holdings, is a significant local feature and appears to have hosted a number of regressive and transgressive phases during that period. The presence of the embayment is supported by drill data (Great Northern Plains drilling (See Figure 6), by previous gravity geophysical surveys conducted by Shell Exploration in 1981 and by aeromagnetic data (See Figure 7).

Both terrestrial and marine sediments are represented in the Tertiary profile within and draped along the flanks of the embayment. A basement high located roughly along the boundary of RL 23 / 1987 and RL 1 / 2003 may host a near shore deltaic type and shoreline beach type environment with terrestrial sediments; grits, pebble and cobble beds representing terrestrial channel fill deposits and thick sands containing shelly fossils a near-shore marine environment.

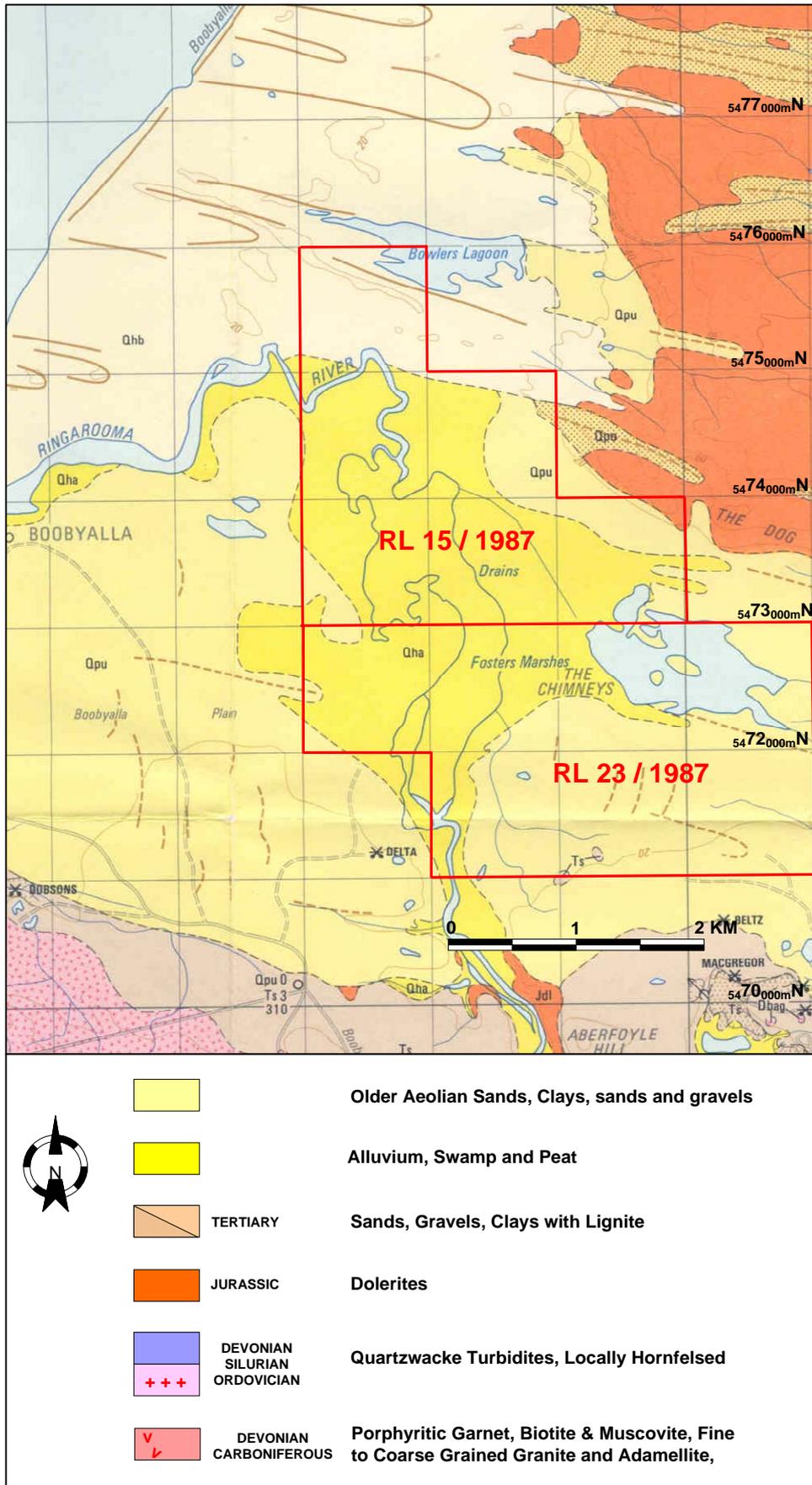
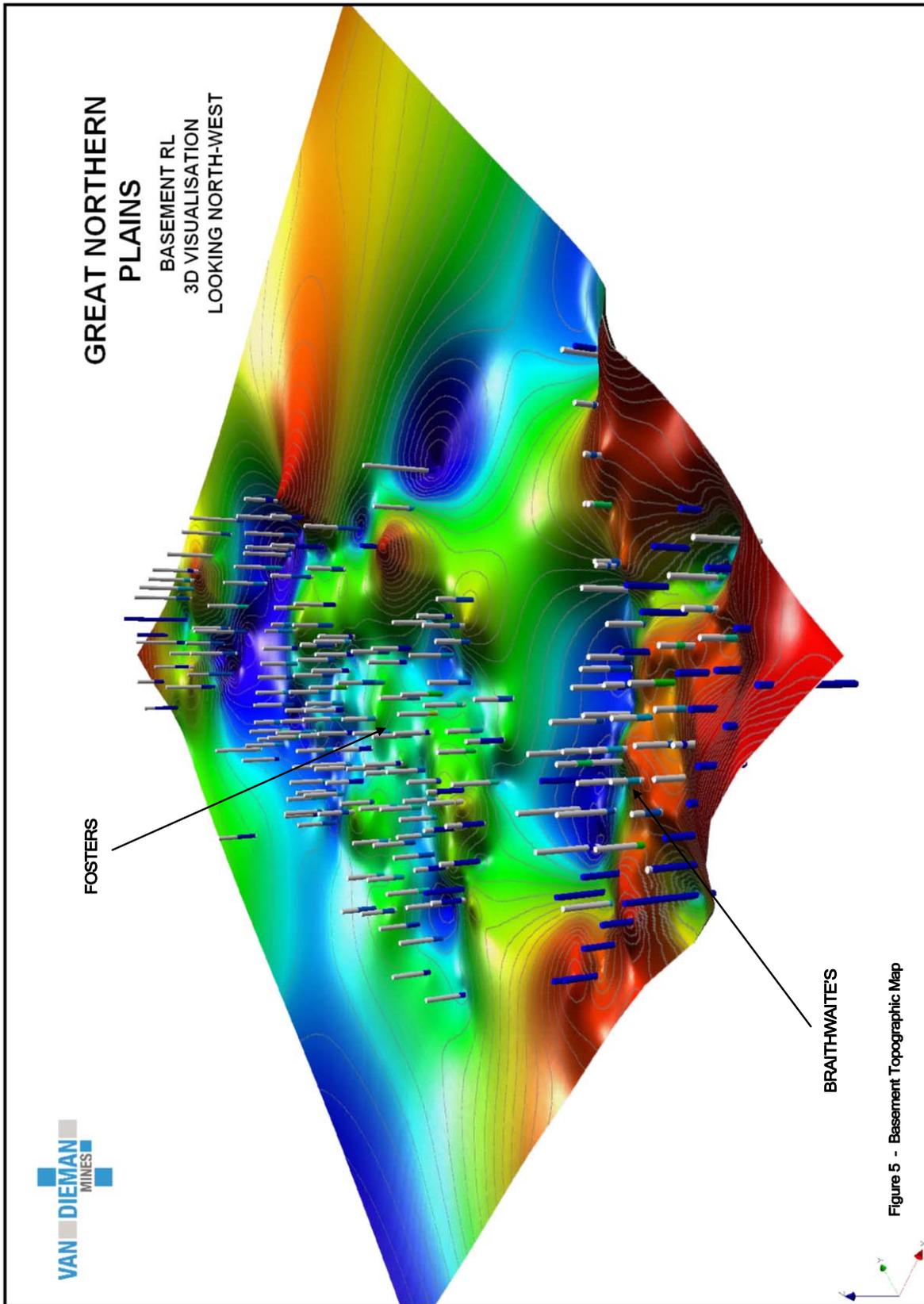
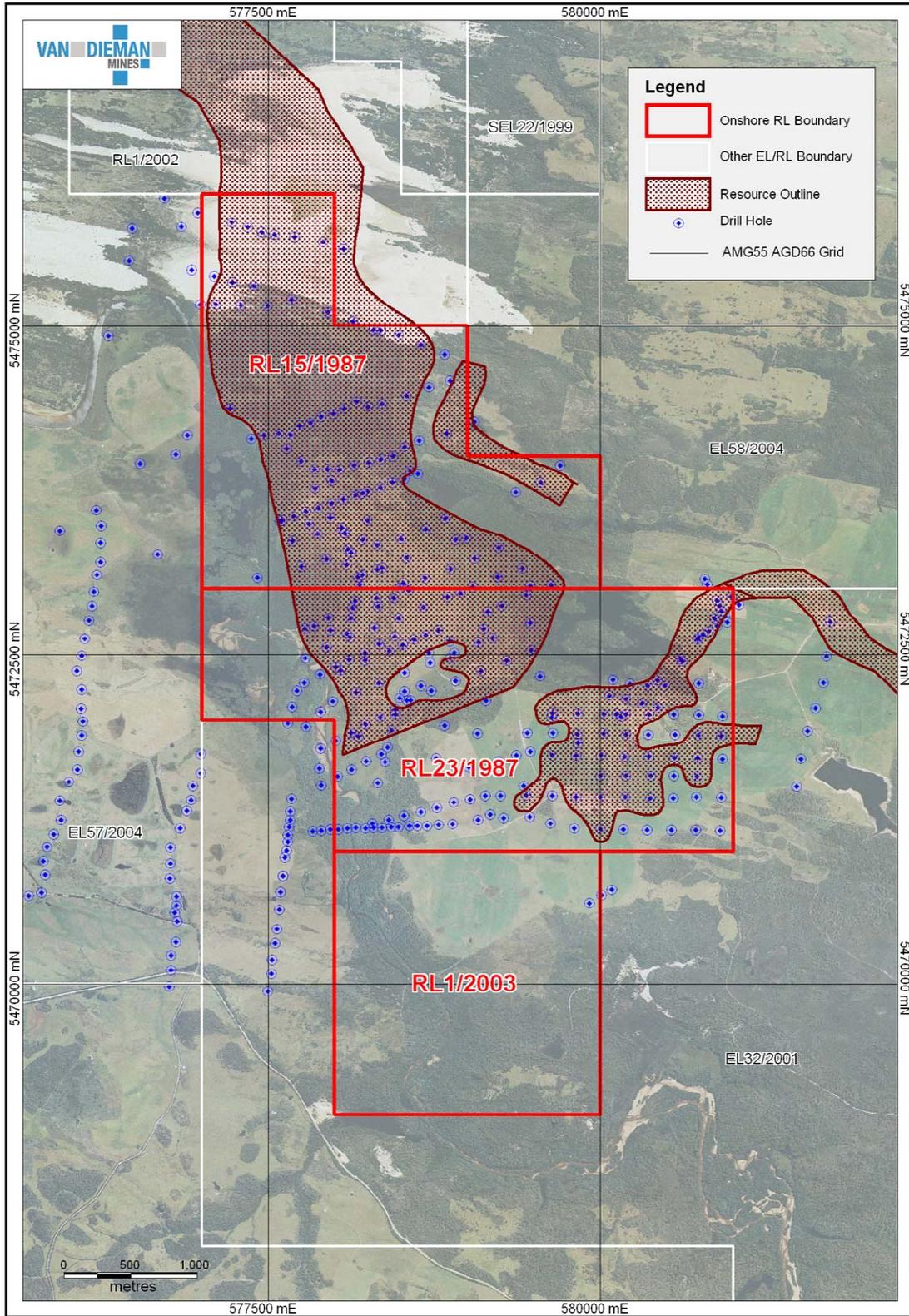


Figure 4 - Geological Map

TABLE 2 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 known 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

TABLE 1 - REGIONAL GEOLOGY
MAJOR GEOLOGICAL UNITS





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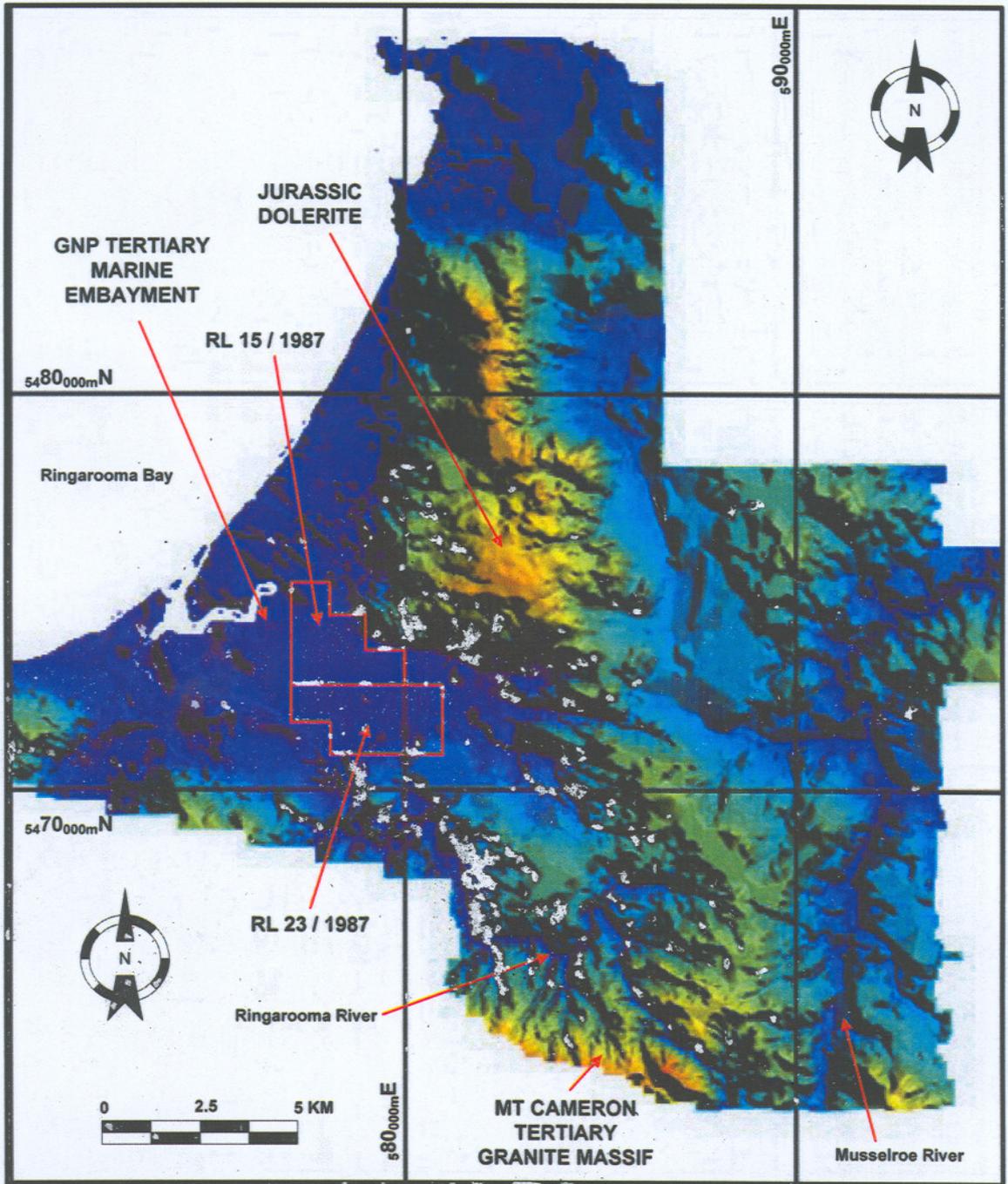


Figure 7 - Aeromagnetic Map (After MRT, January 2005)

The current shoreline at Ringarooma Bay hosts major aeolian and marine sand beds, their deposition caused by dominant westerly winds. It is most likely that a similar climatic environment existed during the Tertiary with sand build-up at Aberfoyle, deep inside the embayment being driven by both tidal and climatic factors and also by alternating periods of transgression and regression.

4.2 THE RESOURCE:

Since the recalculation of the resource VDM has upgraded its data base and is now able to present the data in various GIS formats.

Figure 8 and 9 are 3D representations of the orebody, they depict basement and surface contours, drill holes and the resource mass in red.

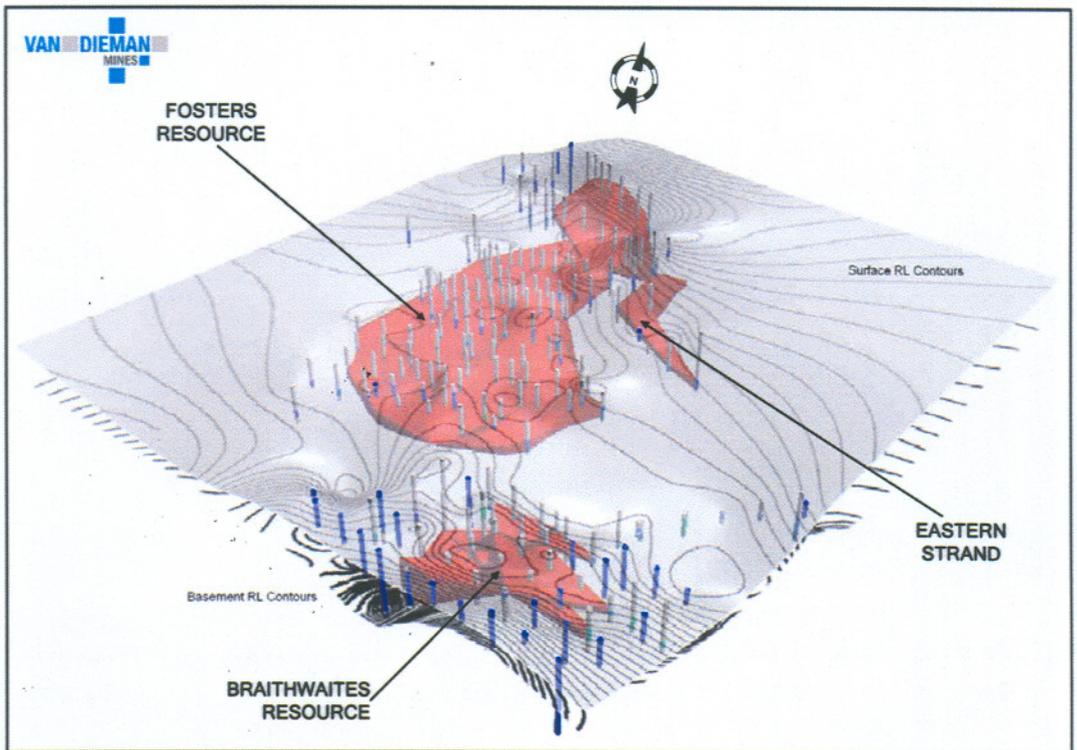


Figure 8 - 3D View Looking North Along The Resource

Several significant features are depicted in these presentations, specifically:

- The Braithwaite's Resource is clearly developed on the flank of the southern basement high at the edge of the marine embayment zone and may represent a reworked shoreline deposit as immediately to the north basement drops off into the main Fosters Zone;
- Braithwaite's resource may not be the outfall of the Scotia lead. That lead may in fact flow into the embayment as part of the Eastern Strand Zone;
- A lack of drilling may account for the break between the Fosters and Braithwaite's Resources; and

- The basement rises very slightly to the west of the Fosters Resource, this area has not been adequately drilled and the edge of this resource in this area may not represent the actual western edge of the embayment. The Boobyalla River may have deposited a similar Tertiary sedimentary sequence to the west of the Ringarooma River section of the basin. Plotting of further drilling in the Boobyalla River section is underway.

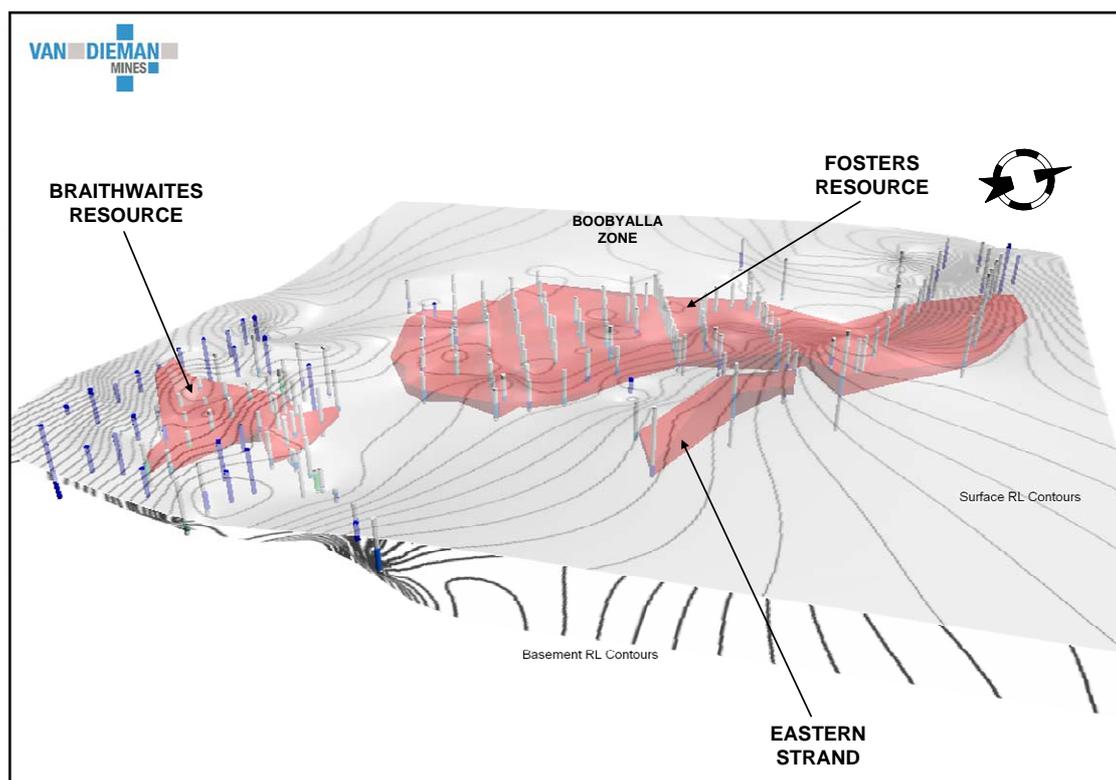
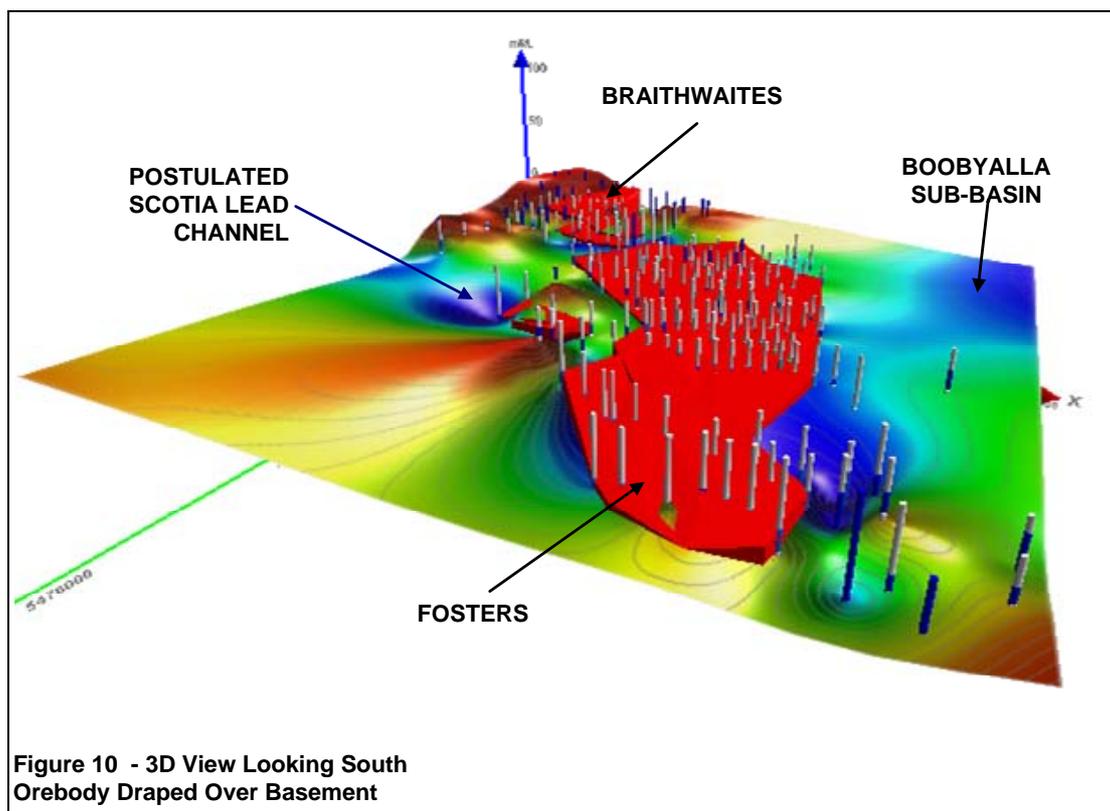


Figure 9 - 3D View Across The Resource Looking West

The 3D visualization appearing as Figure 10 more clearly depicts the basement contours, the channel through which it is postulated the Scotia Lead enters the embayment and the postulated position of the Boobyalla Sub-Basin. VDM is currently looking at ways to extend data into areas of little or no drilling, several techniques are being reviewed including shallow refraction seismic and Ground Penetrating radar using very low antenna frequencies.



4.3 DATA PRESENTATION:

The maps and plans reproduced here have been derived from Mapinfo files contained in a folder on the CD accompanying this report designated "Mapinfo Data". Interpretation and presentation was carried out using ENCOM Discover V 8.0 and ENCOM Discover 3D V 3.1.

The folder, "Mapinfo Data", contains 44 Files, specifically DAT, TAB, MAP, ID, ECW, TIF, ERS and WOR. To comply with reporting requirements these have been named using the following convention:

- Tenement-id RL15&231987
- YYYYMM 200609
- ## 02 to 45
- Data Type VDM Specific Naming
- File Extension DAT, TAB, MAP, ID, ECW, TIF, ERS and WOR

5.0 DISCUSSION:

One of the major difficulties in preparing the database has been the lack of accuracy in digitizing features from old archival paper maps. The last period of drilling was the Hellyer operation conducted between 1980 and 1983. Most of these holes have become obscured due to farming activity of by thick vegetation re-growth. The company has embarked on an active drill hole location program using the DGPS to “back locate” holes in the field. This has met with some success however it appears that many old locations are map plots rather than accurate field survey pick-ups. On more than one occasion holes have been located after considerable search time in locations 50 m or more out of plotted position. This new information is being progressively added to the database as is more archival data derived from MRT files.

Using recent accurate DGPS drill hole locations VDM has begun to correct old data and once reasonable confidence levels have been achieved the resource volumes will be recalculated using Minescape software. While it is possible to correct the “X” and “Y” coordinates of most holes with some degree of accuracy the same cannot be said for the “Z” coordinate. Within any one of the old drill programs there appear to have been several different datum points used, none of the “Z” coordinates appear to have been related to State survey points. VDM has managed to correct most information however this has been a time consuming exercise and until +90% of the holes are considered accurately located any advance of the orebody from a resource to a reserve will be difficult.

6.0 PROPOSED EXPLORATION PROGRAM:

VDM plans to continue its data acquisition during the coming year (2006 - 2007) and in broad terms proposes to commence work to elevate the ore resource to a reserve status. Further the company is mindful of a number of development issues. Activities relating to those issues will be commenced during the year and surveys such as "water quality" conducted on regular schedule basis.

Specifically the exploration program will involve:

➤ Field Activities:

Location of old drill holes will continue and this work will be supported by DGPS survey pick-up. Data will be transferred to the VDM database and used to adjust old survey data.

➤ Geophysics:

VDM has recently completed a GPR survey within EL's 32 / 2001 and 59 / 2005 and will review the success of that work prior to considering using the technique on the GNP areas. In addition VDM will review the use of seismic surveying however this work will have to be carefully coordinated with Rushy Lagoon Holdings who run large numbers of dairy cattle on the plains.

➤ Feasibility and Resource Issues:

VDM propose to commence pre-feasibility works including cultural and Aboriginal heritage studies, flora and fauna surveys and baseline water monitoring. In addition VDM have sought further advice from IHC Holland Dredging in Europe regarding the use of dredging as a mining technique.

The company is mindful of the presence of the RAMSAR site over the GNP however there are issues related to the clearing and use of that site by Rushy Lagoon that have to be addressed.

➤ Admin. And Reporting:

Much of the GIS work is conducted out of the Sydney office and thus travel costs will form a significant part of the GIS budget.

It is difficult to determine at this time how much will be expended on these activities, best estimates are:

•	Field Surveying			\$15,000.00
•	Geophysics			\$50,000.00
•	Feasibility	-	Cultural Heritage	\$6,000.00
			Aboriginal	\$4,000.00
			Flora & Fauna	\$7,500.00
			Water Sampling	\$15,000.00
				\$32,500.00
•	Travel			\$5,000.00
•	Administration			\$10,000.00
			TOTAL	\$112,500.00

7.0 LIST OF FILES:

It should be noted that naming of many of the GIS files in the required format is not practical, Mapinfo files are tagged as report numbers 02 to 45. It is not possible to use a normal file data type nomenclature and file names are based on map types or data type.

The following files have been submitted in electronic format.

RL15&231987_200609_01_report.doc
RL15&231987_200609_02_1SECSRTM
RL15&231987_200609_03_1SECSRTM.tab
RL15&231987_200609_04_GNPDrillholes.ID
RL15&231987_200609_05_GNPDrillholes.TAB
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RL15&231987_200609_07_Ortho1356_123.tab
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RL15&231987_200609_09_Ortho1356_143.tab
RL15&231987_200609_10_ResourceOutlines.DAT
RL15&231987_200609_11_ResourceOutlines.MAP
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RL15&231987_200609_13_RingaroomaFIPlainDrillholes.MAP
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RL15&231987_200609_45_ VDMmap0608_011_scalebar.TAB

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