

EL 58 / 2004
MAYFIELD FLATS
NORTH EAST TASMANIA

ANNUAL REPORT
FOR THE YEAR ENDING
7TH APRIL 2006



VAN DIEMAN MINES PTY LIMITED

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OVERVIEW

During preparation of the prospectus for the London Stock Exchange IPO in 2004 Van Dieman Mines Pty Ltd (VDM) as part of its technical presentation prepared basement topographic simulations for the Scotia and Great Northern Plains (GNP) alluvial tin deposits. These simulations, repeated in this report as Figure 6 indicated that previous interpretations of the relationship between the Scotia - Scoloch palaeo-channel and the GNP marine embayment may have been incorrect.

The studies indicated a sharp rise in basement immediately south and east of the Braithwaite's section of the GNP Resource. This basement rise raised doubts as to whether, as previously postulated, the Scotia - Scoloch palaeo-channel flowed eastwards into the GNP in the vicinity of Braithwaite's resource area. The simulation in fact appeared to indicate that the Scotia - Scoloch palaeo-channel flowed further northwards before turning west along the edge of the Jurassic dolerite and entering the GNP embayment further to the north of Braithwaite's.

VDM reviewing the historical drill data in the northern section of the Scotia palaeo-channel noted some major errors in location of old drill holes. Many digitized plots when corrected against actual DGPS survey locations appeared to be up to 50 metres "off location". This caused concerns as to the position of the postulated Scotia - Scoloch channel and thus the actual position of the channel after it passed out historical drilled areas.

In early 2005 VDM field staff commenced further field work aimed at accurately locating old drill holes and other mapped data that would enable more accurate location of the channel. In late 2006 the Company plans to trial GPR (Ground Penetrating Radar) and seismic geophysical survey techniques over selected sections of the Scotia Lead that lie within ML 15M / 2004. It is proposed to apply the most successful of those techniques within the Mayfield tenement in an effort to define the Scotia - Scoloch palaeo-channel extension towards the GNP embayment.

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1.0 INTRODUCTION:

The tenement encompasses a section of the GNP lying between the Scotia - Scoloch alluvial tin bearing palaeo-channel and the GNP marine embayment. The area is bounded in the north and west by high basement composed of Jurassic dolerite, that geological unit also forms the western boundary of the GNP marine embayment.

Previous geological interpretation postulated that the Scotia - Scoloch palaeo-channel flowed northwards and then turned abruptly east and flowed into the GNP embayment through the Braithwaite's resource area. Recent basement studies are less conclusive. The basement within the embayment rises very sharply at the southern edge (Braithwaite's) and appears to block any possible flow from the Scotia- Scoloch lead into the embayment at that point. It now appears that the palaeo-channel does not turn as sharply west and in fact runs more northwards across the Mayfield area before being forced westward by the high dolerite basement then flowing into the embayment well north of Braithwaite's.

Drilling in the northern end of the Scotia lead has proved difficult to accurately locate. Digitized plots of holes when corrected against current DGPS survey data are, in many cases positioned incorrectly by as much as 50 m. This makes accurate location and trend of the palaeo-channel difficult to interpret and much of the field work over the past year has been oriented toward location and accurate pick-up of previously mapped features such as drill holes, fence lines and creeks. This has met with some success but work is ongoing.

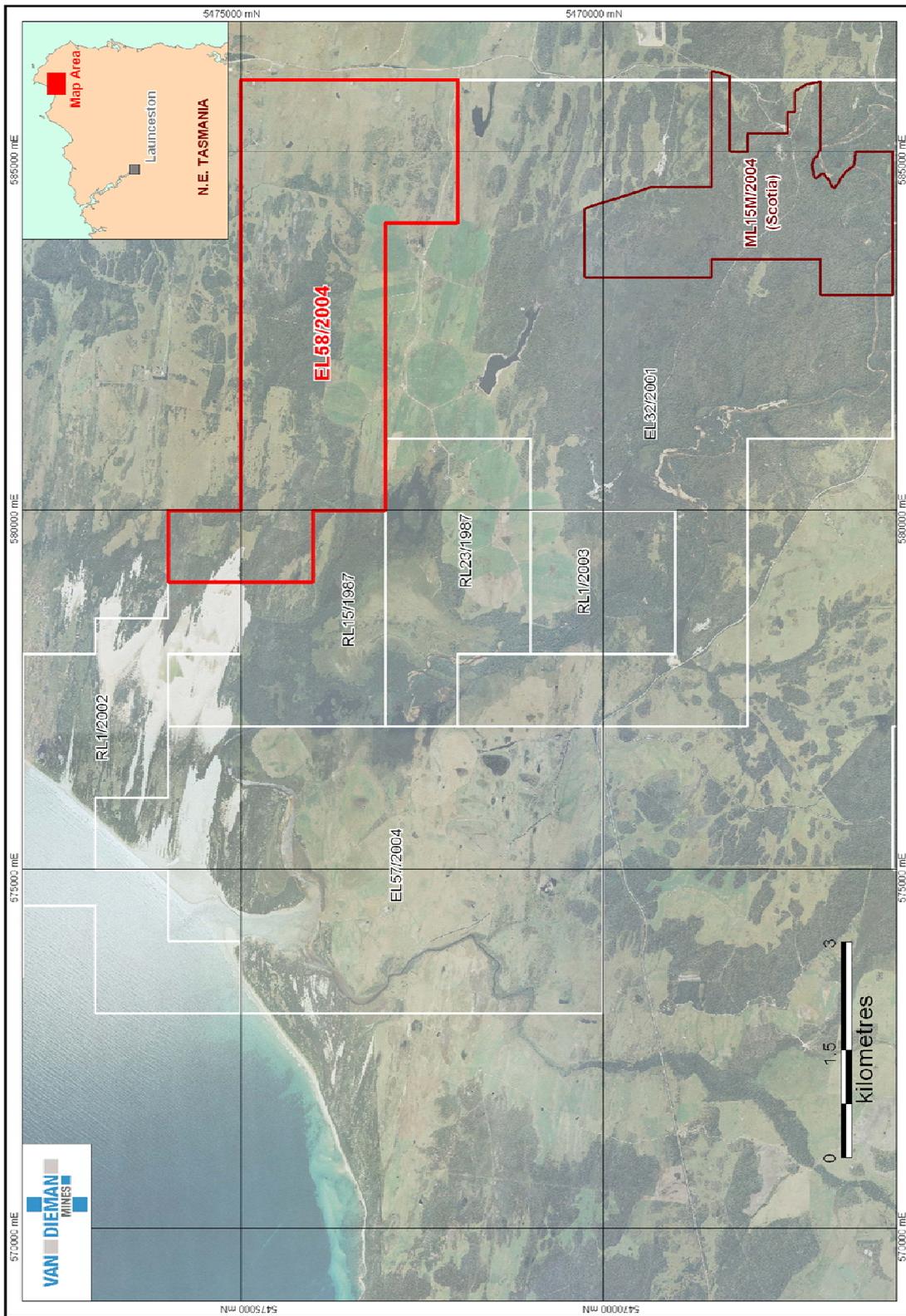
Trial geophysical surveys to be conducted during 2006 will have great significance if successful. Rapid traversing using GPR or the slightly slower but more accurate seismic survey techniques may allow VDM to accurately pinpoint the course of the palaeo-channel. This would allow accurate location of drill targets and remove the necessity of drilling regional fence lines of holes.

VDM is continuing to update its GIS database. In order to obtain 3D location data, X, Y and Z coordinates, the company is conducting local DGPS surveys and transferring those data onto the AMG map database.

2.0 LOCATION AND ACCESS:

The tenement is centered approximately 9 km north of the Township of Gladstone, the centroid of the area is located a 580300mE; 5470400mN. See Figures 1, 2 and 3.

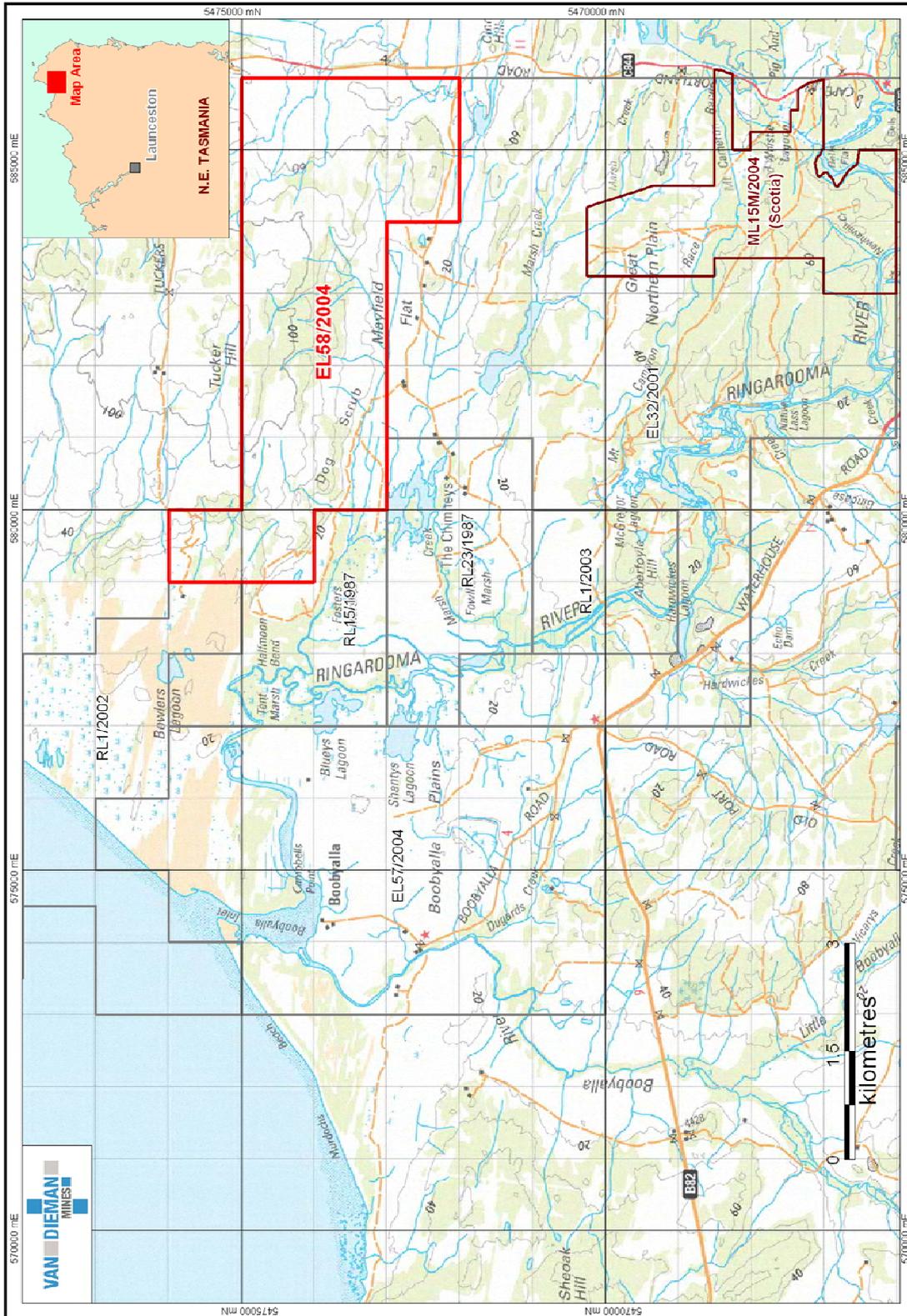
Access throughout most of the area is very good. The Gladstone to Cape Portland road runs along the eastern boundary of the tenement and locally farm tracks within Rushy lagoon pastoral holding provide access west from the main road throughout the tenement.



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Figure 1 - Tenement Location Map (on aerial photography)

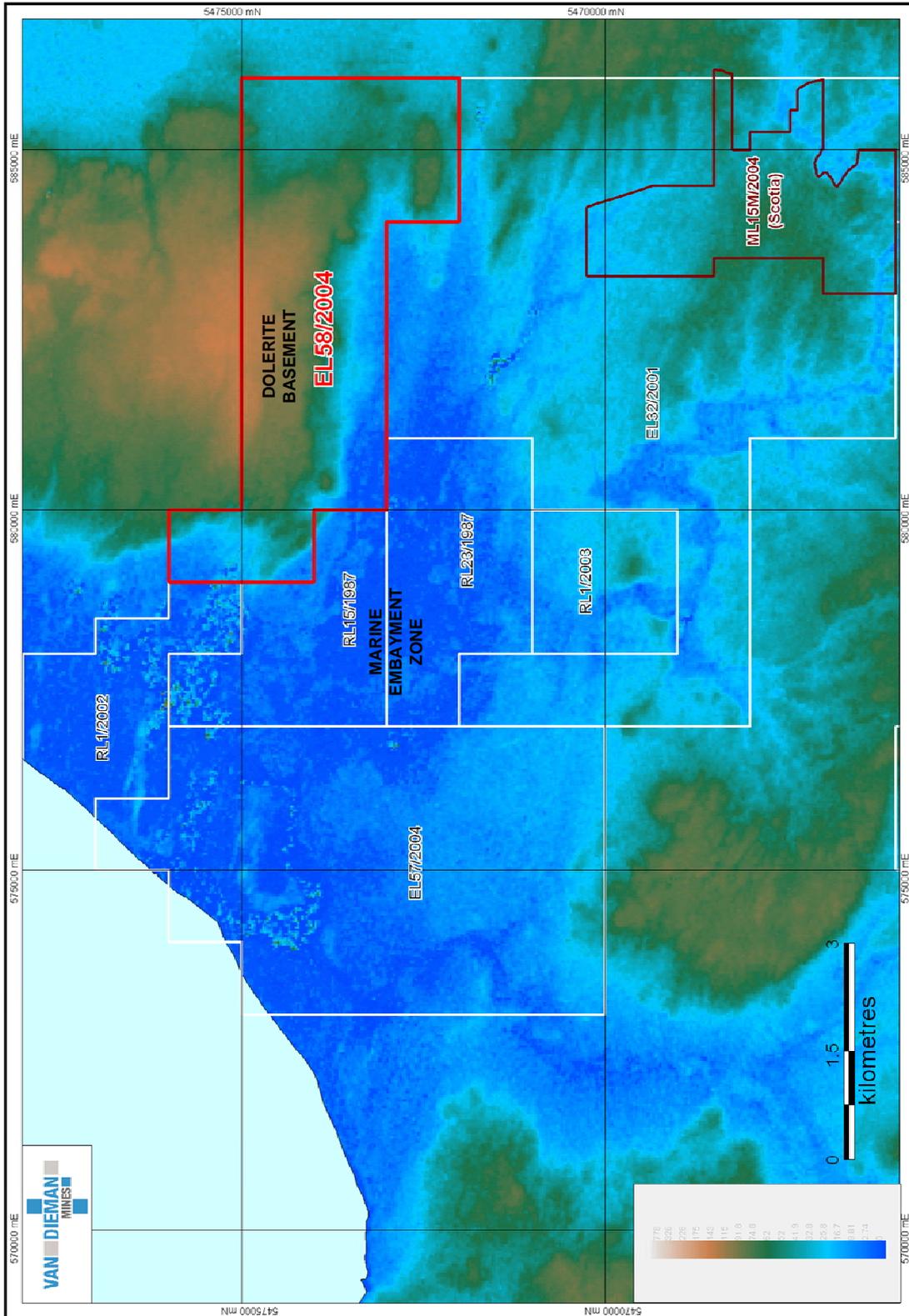
FIGURE 1 - LOCATION PLAN
AIRPHOTO BASE



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Figure 2 - Tenement Location Map (on 100k topography)

FIGURE 2 - LOCATION PLAN
TOPOGRAPHIC BASE



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

FIGURE 3 - LOCATION PLAN
SATELLITE IMAGE BASE

3.0 HISTORICAL BACKGROUND:

There is no record of any mining activity having been carried out in the area although several of the Braithwaite's drill holes are located just within the southern boundary of the tenement.

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. The company now recognizes that the Great Northern Plains, in this instance taken to include possible extension of the Scotia - Scoloch palaeo-channel within the Mayfield tenement, hosts significant terrestrial and marine alluvial tin and gem bearing resources.

4.1 REGIONAL SETTING

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

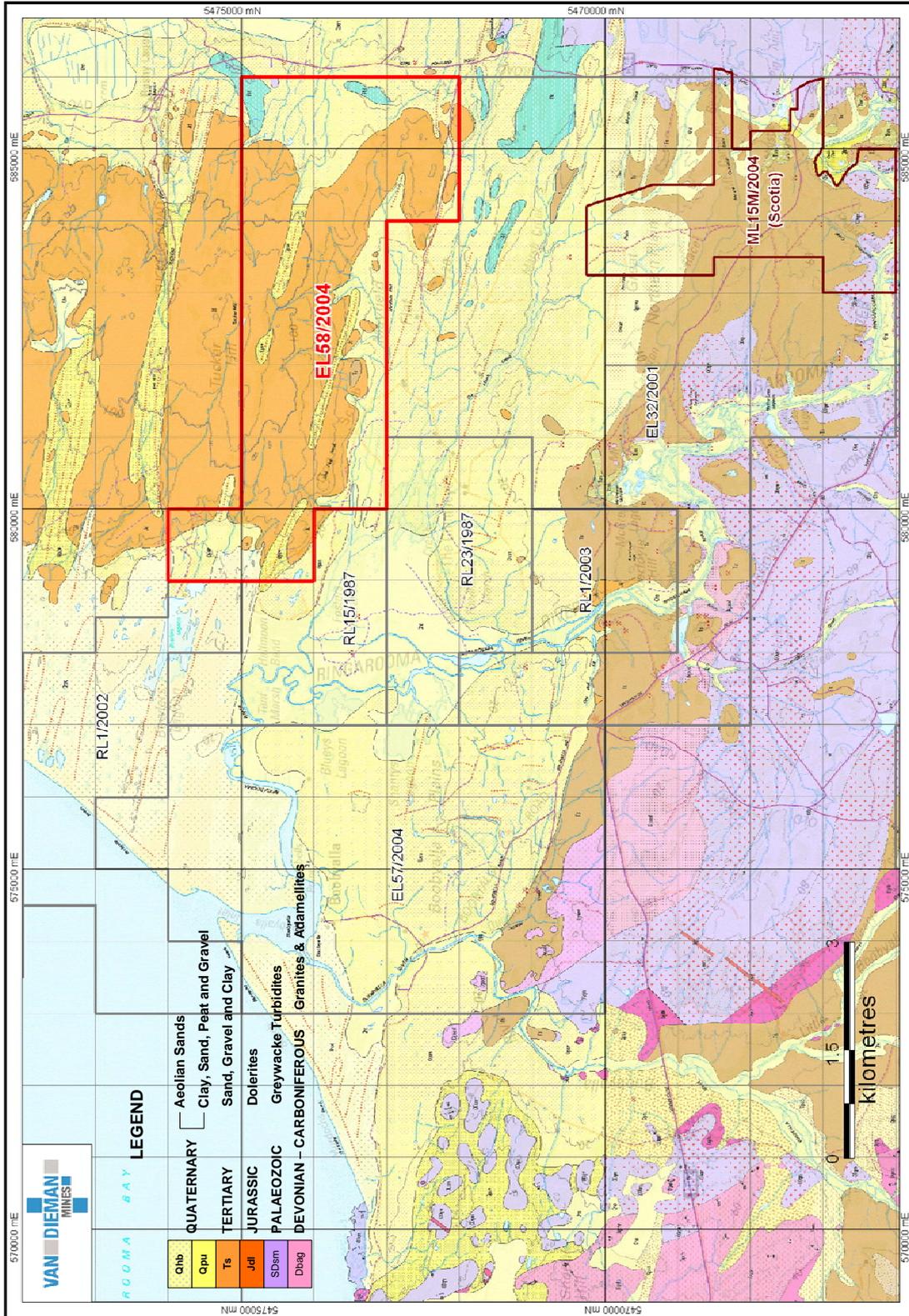
The tabulation sets out the significance of each unit. It is the Tertiary units, in particular the basal sections, that are of economic significance as they contain the heavy mineral concentrations; cassiterite, tantalite, gold and sapphire being the most economically important.

The Tertiary marine embayment is a significant local feature and appears to have hosted a number of regressive and transgressive phases during the Tertiary period. The presence of the embayment is supported by drill data, those data being encompassed in Annual reports for RL's 15 and 23 / 1987, by previous gravity geophysical surveys (Shell Exploration Bouguer Gravity, 1981) and by MRT aeromagnetic data.

While both terrestrial and marine sediments have been reported within the Tertiary profile on the GNP and its fringes it is most likely that the Tertiary alluvials occurring within the Mayfield tenement have a marine association.

Jurassic dolerites form a significant bounding basement high in the north of the tenement, this high forms the eastern edge of the postulated marine embayment. The discharge point of the Scotia - Scoloch palaeo-channel has not been located. There is evidence now to hand to suggest that the channel is located further north of previously postulated locations and runs along and just parallel to the edge of the dolerite basement high. Previous pitting within the adjoining tenement EL 32 / 2001 suggests that Dolerites form basement within the embayment in the Mayfield tenement. If this is the case there is an implication that the edge of the high is defined by Tertiary faulting, the embayment representing a graben like, fault block.

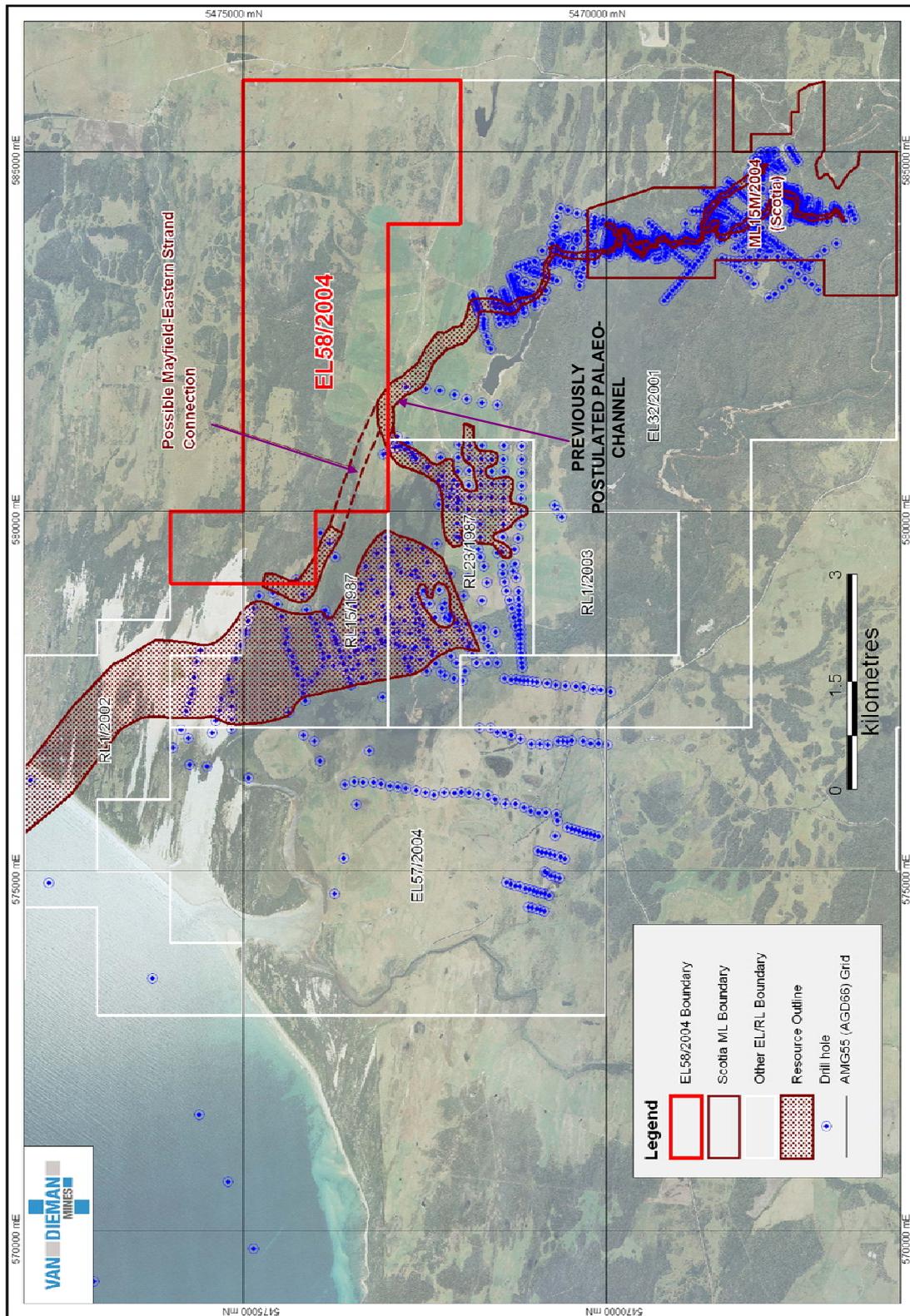
TABLE 1 REGIONAL GEOLOGICAL SETTING MAJOR GEOLOGICAL UNITS				
AGE	UNIT	DESCRIPTION	SIGNIFICANCE	
DEVONIAN - CARBONIFEROUS	Blue Tier Batholith	Porphyritic fine to coarse grained granite / adamellite and biotite-hornblende granodiorite	Forms the tin rich Mt Cameron Massif to the south of Aberfoyle and 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 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	



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Figure 4 - Tenement Location Map (on 25K regional geology)

FIGURE 4 - GEOLOGICAL PLAN OF EL 58 / 2004



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Figure 5 - Ore Resource and Drill Hole Location Map

FIGURE 5 - ORE RESOURCE AND DRILL HOLE LOCATIONS

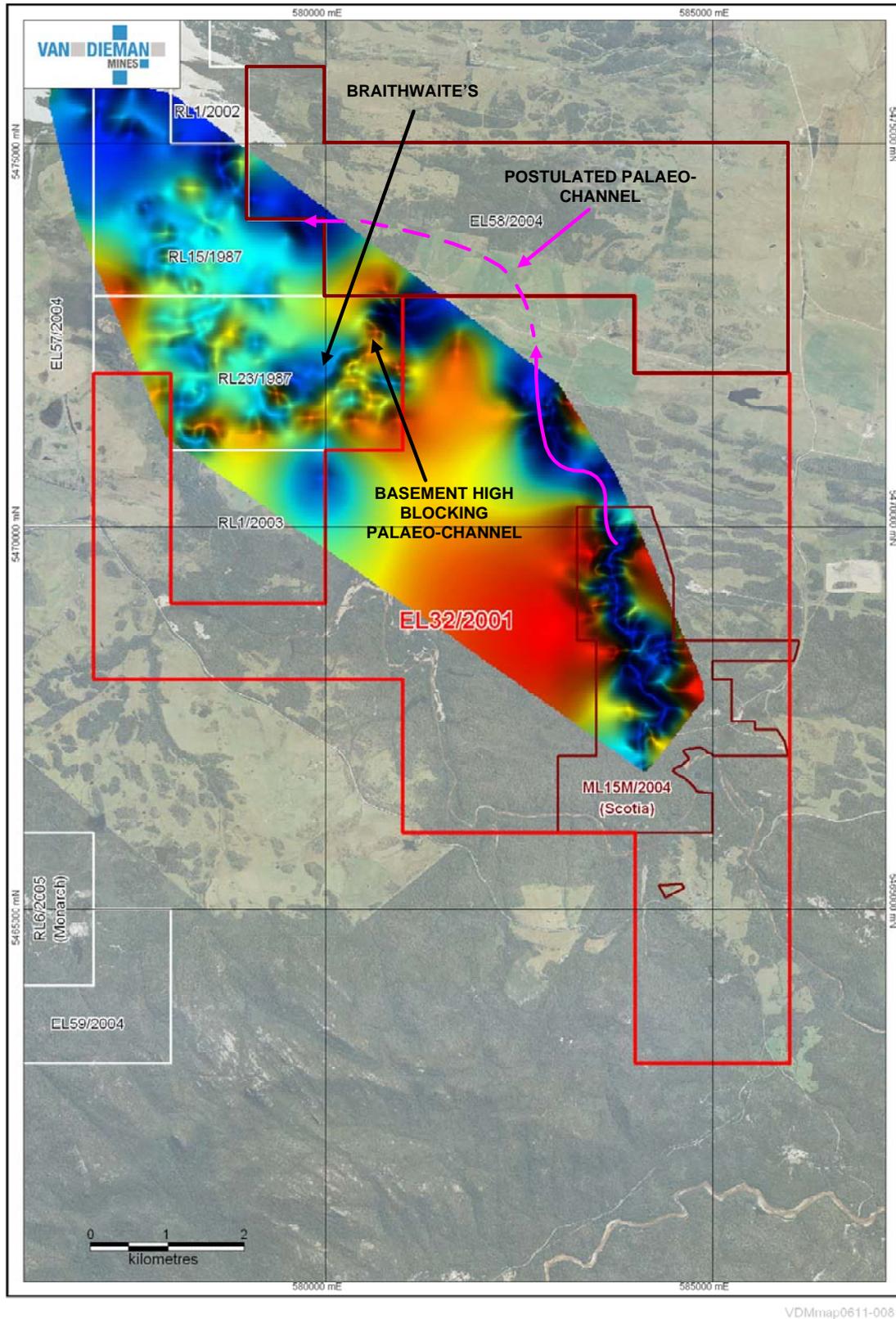


FIGURE 6 - BASEMENT TOPOGRAPHY

4.2 RECENT EXPLORATION:

Recent exploration activities have been oriented toward the location and accurate survey pick-up of old drill holes in the south and west of the tenement and in areas immediately adjoining the tenement within EL 31 / 2001 and RL 23 / 1987. This has met with limited success and work continues in effort to locate old drilling. The location errors have greatly hindered these works. It is unclear if errors are due to actual original misplots or due to stretching of plans over a 20 year period of storage. The location of a number of tie points in the northern section of ML 15M / 2004 has enabled some correction factoring to be applied and while the positions of holes has improved much has yet to be done before the plans can be used with any degree of confidence.

The VDM field crew continues to conduct DGPS survey pick-up of significant mine and cultural related features. These include old worked areas, water races, drill or sample hole locations and fence lines and fence corners. Those data are being continuously transferred onto the company GIS database.

5.0 PROPOSED WORK PROGRAMS:

Proposed work programs include:

- a. DGPS survey location of all old alluvial drilling, location of old workings and any mining cultural heritage sites;
- b. The company will consider trialing either GPR (Ground Penetrating Radar) and shallow seismic surveys in the tenement, in particular those surveys will be aimed at locating and defining the channel defined by the Utah drilling. The technique used will be dependent on which method is most successful in providing alluvial profile detail; and
- c. Using these data determine the most suitable method to define accurately drilling targets.
- d. Drilling of the postulated palaeo-channel dependant on geophysics being able to define that feature.

6.0 CONCLUSIONS:

Sufficient information now exists to suggest that the postulated position of the Scotia - Scoloch palaeo-channel as depicted on Figure 6 is incorrect. Basement topographic simulation suggests that the channel trends more northwards and in fact runs along and just parallel to the south of the Jurassic dolerite basement high. Figure 6 depicts the position of the channels, both the original position and the postulated new position.

Almost certainly the northern portion of the Scotia - Scoloch palaeo-channel contains marine and marine related sediments. Drilling in the vicinity of the tenement has recorded thick sequences of marine sands and strand line like deposits. The channel deepens quite rapidly north of ML 15M / 2004 and is certainly too deep to have flowed over the Braithwaite's basement high. Previous workers note a 10 m difference in levels between the base of the palaeo - channel and the Braithwaite's basement.

VDM believes a significant high volume - low grade economic tin resource may exist in northern section of the palaeo-channel between the northern boundary of ML 15M / 2004 and the GNP marine embayment. The channel appears to widen in this section and is certainly deepening northwards. Initial estimates place volumes within the channel at between 10 and 15M m³.

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