

VAN DIEMAN MINES PTY LTD

COMBINED ANNUAL REPORTS

RL 1 / 2002 - RINGAROOMA RIVER

RL 2 / 2002 - BOOBYALLA BEACH

AND

RL 3 / 2002 - RINGAROOMA BAY

ANNUAL REPORT
PERIOD ENDING 30th JUNE 2006

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DATE PREPARED:

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EXECUTIVE SUMMARY

During the period Van Dieman Mines (VDM) completed compilation of the MHAPL data and also acquisition of additional data from the archives of Mineral Resources Tasmania. All available drill data were re-assessed, drill hole locations were digitised and all of hole data transferred to database.

While the company is reasonable comfortable that the X and Y coordinates are correctly located it has encountered difficulty in plotting the Z coordinate. Previous companies appear to have used an artificial datum that is not compatible with the current AHD being created by the company's Trimble GPS unit. The company is continuing to try to resolve height discrepancies and is basing the adjustments on accurate locations on the ground of old drill holes.

VDM, as part of this work, has confirmed that the previously defined alluvial tin resource is correct although some adjustments to volume will result from recent GPS acquisition.

VDM has located a drill rig suitable for the proposed palaeo-channel drilling program but to this date has been unable to locate a driller with experience in cable tool machines and who is currently available. While not wishing to use another technique VDM is now looking at the possibility of using a track mounted machine with reverse circulation capability. In addition VDM has reviewed the offshore section of the tenement and proposes, subject to receiving results of the regional airmagnetic and radiometric survey to be carried out in the north east, to consider marine seismic and bathymetric survey and a drill program within the tenement.

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1.0 INTRODUCTION

During the year VDM completed compilation of the MHAPL data and also acquisition of additional data from the archives of Mineral Resources Tasmania. All available drill data from previous drilling programmes were re-assessed, drill hole locations were digitised and all of hole data transferred to database. While the company is confident of the X and Y coordinate locations of all drill holes there appear to be discrepancies in Z coordinates due to the past practice of using artificial datum and not AHD.

Replotting of the holes and thus the resource boundaries indicate that previous resource estimates were substantially correct although some small increases in volumes are expected when the datum problem is resolved. VDM is now confident that the pre IPO reporting was correct and that the tenement contains a substantial and potentially economically viable tin bearing resource. Specifically, the north westward trending tin bearing resource of the Great Northern Plains that continues offshore into the tenement. The resource totalling around 200 M m³ at grades of between 150 and 250 gm / m³ of cassiterite is contained within these three adjoining tenements and continuing on into MRL-T2.

VDM has been seeking a cable tool drill rig to drill one hole in the palaeochannel. A rig was located in Tasmania however at the time of preparation of this report a driller experienced in this type of rig and alluvial drill sampling techniques could not be located. The company is now looking to a reverse circulation machine provided the operator can exhibit suitable recovery in deep, wet alluvial ground. This type of rig is not really suited as it does not provide adequate detail of the grain sizing of the deposit.

In addition the company has contracted to extend the "NETas" regional air geophysical survey to cover its offshore holdings. While a further program of work is proposed here it is recommended that any decision in relation to that work is delayed until the airborne data becomes available

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 the Ringarooma River in north east Tasmania. See Figure 1. The tenement lies offshore of the Great Northern Plain.

3.0 EXPENDITURE STATEMENT:

The following are the expenditure figures for each of the three tenements for the period ending 31st June 2005:

RL 1 / 2002	Expenditure	\$20,957.00
	Accrual	\$30,417.00
RL 2 / 2002	Expenditure	\$24,708.00
	Accrual	\$26,618.00
RL 3 / 2002	Expenditure	\$26,189.00
	Accrual	\$28,099.00

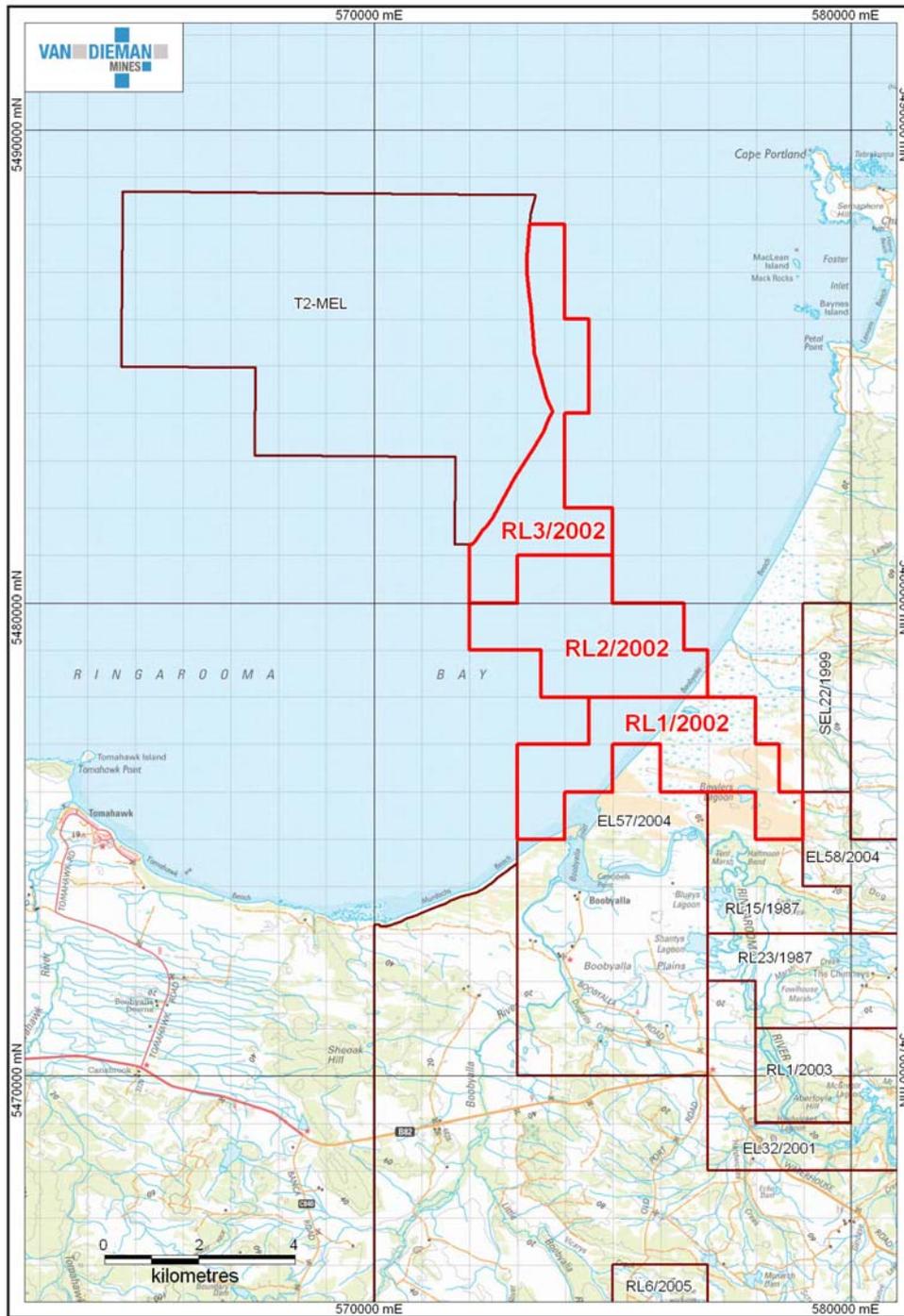


Figure 1 - Tenement Location Map (on 100K topography)

VDMmap0608-012

FIGURE 1 - LOCATION PLAN, RL's 1, 2 & 3 / 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 AG) 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 (See Figure 3). A distinct cassiterite bearing channel was delineated and a resource of some 190 to 200 M m³ 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 / m³ 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

VDM has extended the previous work conducted by MHAPL and now has the bulk of the available historical data into its own GIS database. This work recognises and confirms the previous regional geologic interpretation that saw the development, during the Tertiary period, of a major marine embayment that now hosts the marine tin bearing deposits.

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 the 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 3), by previous gravity geophysical surveys conducted by Shell Exploration in 1981 and by aeromagnetic data. Marine reworking of the older alluvial sediments is thought to have created the broad Great Northern Plains deposits. The offshore channel delineated in this tenement has been confirmed by marine seismic and drilling activity.

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. To the north west of the tenement depths again increase to in excess of 35 metres (See Figure 5). 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.

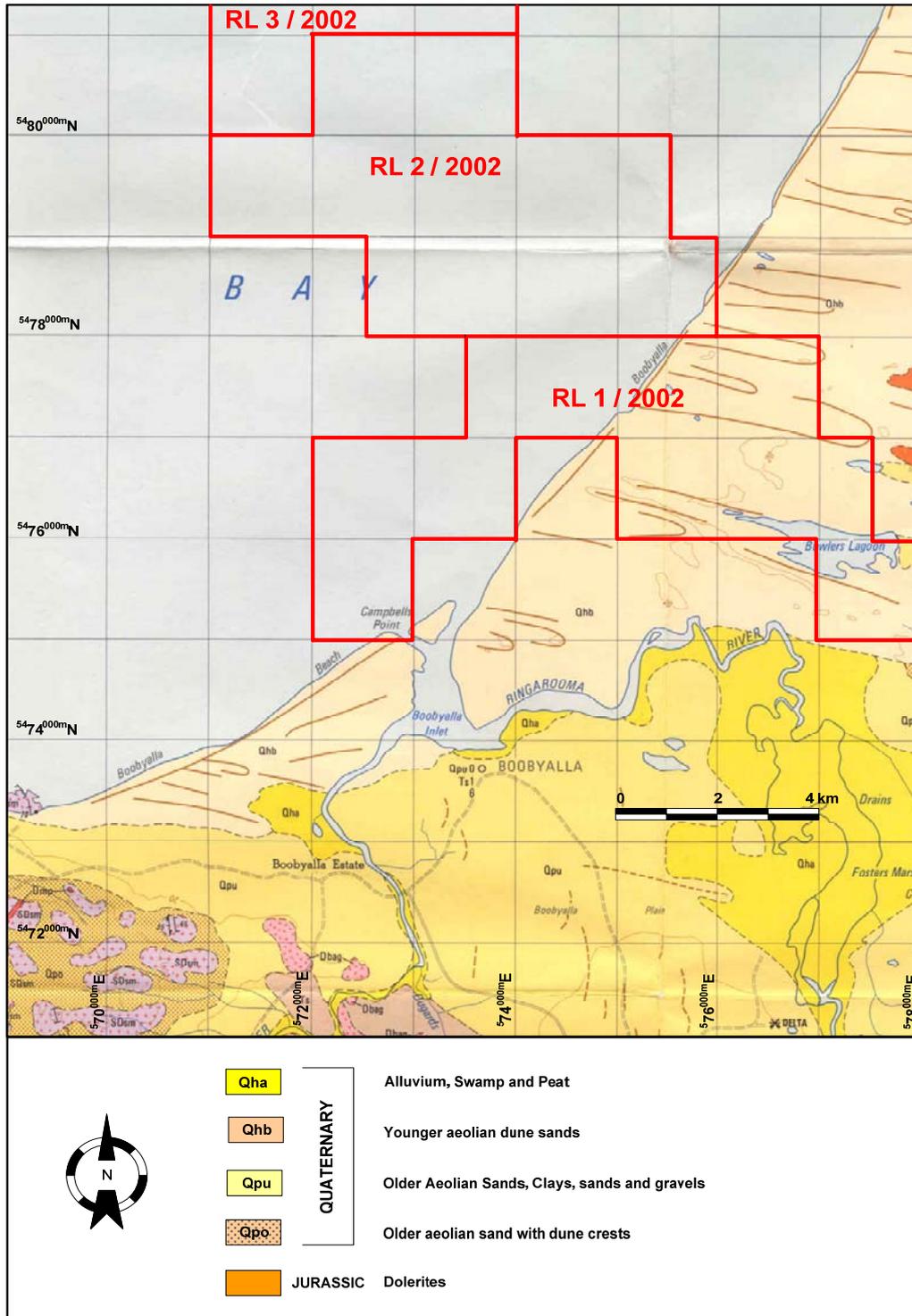


FIGURE 2 - REGIONAL GEOLOGICAL MAP

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.

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

6.0 PROPOSED EXPLORATION PROGRAM:

The ore resource defined within the palaeo-channel extends offshore from RL 1 / 2002 at Boobyalla Beach into RL 2 / 2002 and thence further offshore into RL 3 / 2002 and MRL T2. See Figure 3.

There is a noticeable gap in drill data at several locations along the postulated palaeo-channel. Within RL 1 / 2002 there is a 2 km gap between the northernmost line of onshore drilling within RL 15 / 1987 and Hole 228. A further 2 km gap occurs northwest of Hole 228 to Hole 2. Offshore data does however confirm that the tin bearing channel trends north westward into Bass Strait for some 15 km.

The channel is best defined at a distance from the shoreline within MRL 1 where drilling is more intensive. Closer to shore drilling is more widely spaced apparently due to more difficult drilling conditions encountered in the shallow nearshore environment (See Figure 5). Strong longshore currents and short sharp seas in even the lightest of wind conditions make work in that section of the tenements difficult. There is a requirement for drilling offshore within the RL's, suitable equipment is being sourced for that task. In addition VDM is currently investigating various techniques, shallow marine seismic, bathymetry and airborne geophysics to assist it in better defining the palaeo-channel. Table 2 is the program currently being investigated.

Bathymetry (See Figure 5) indicates that the sea bed shelves rapidly at about 1 km from the shoreline thus it may prove difficult to complete Line 1 geophysics and drilling in the nearshore shallow water section.

Onshore both drilling and refraction seismic have been considered. The latter has been discounted at this time due to poor results obtained in a recent survey within EL 32 / 2001. Drilling remains the best option however the country within RL 1 / 2002 and up to the shoreline of the bay consists of high dunes (See Figure 4). While that map indicates the proposed location of two lines of drill holes between dunes this may be difficult to achieve. The inter dune areas are still extremely sandy and consist of residual dune sands covered by light scrub and grasses. The proposed program will require the rig to be dragged by a bulldozer and support vehicles will be required to be fitted with sand tyres or tracks.

**TABLE 2
PROPOSED OFFSHORE EXPLORATION**

TENEMENT	LINE NUMBER	SEISMIC & BATHYMETRY Line Km	DRILLING
RL 1 / 2002	1	3.0	1
RL 2 / 2002	1	3.0	4
	2	4.5	5
	3	4.5	3
	4	4.5	4
	5	3.5	2
RL 3 / 2002	5	1.0	1
	6	4.0	2
	7	3.5	3
	8	1.0	2
	9	1.0	1
	10	1.5	1
	Other		2
MRL1	8	2.0	
	9	3.5	
	10	3.0	
TIE LINE		12.0	
TOTALS		55.5	31

The aim of the program is to determine the location of the extension to the Great Northern Plains alluvial channel, spacing in the postulated central channel area is 100 m with hole spacing being closed in to 50 m along the edges of that channel. Two lines, 1 and 2, each of 10 holes are proposed.

The company has recently contracted to have a section of the offshore tenements included in the "NE Tas" regional airborne geophysical survey, magnetics and radiometrics. It is hoped those results will become available late in 2007.

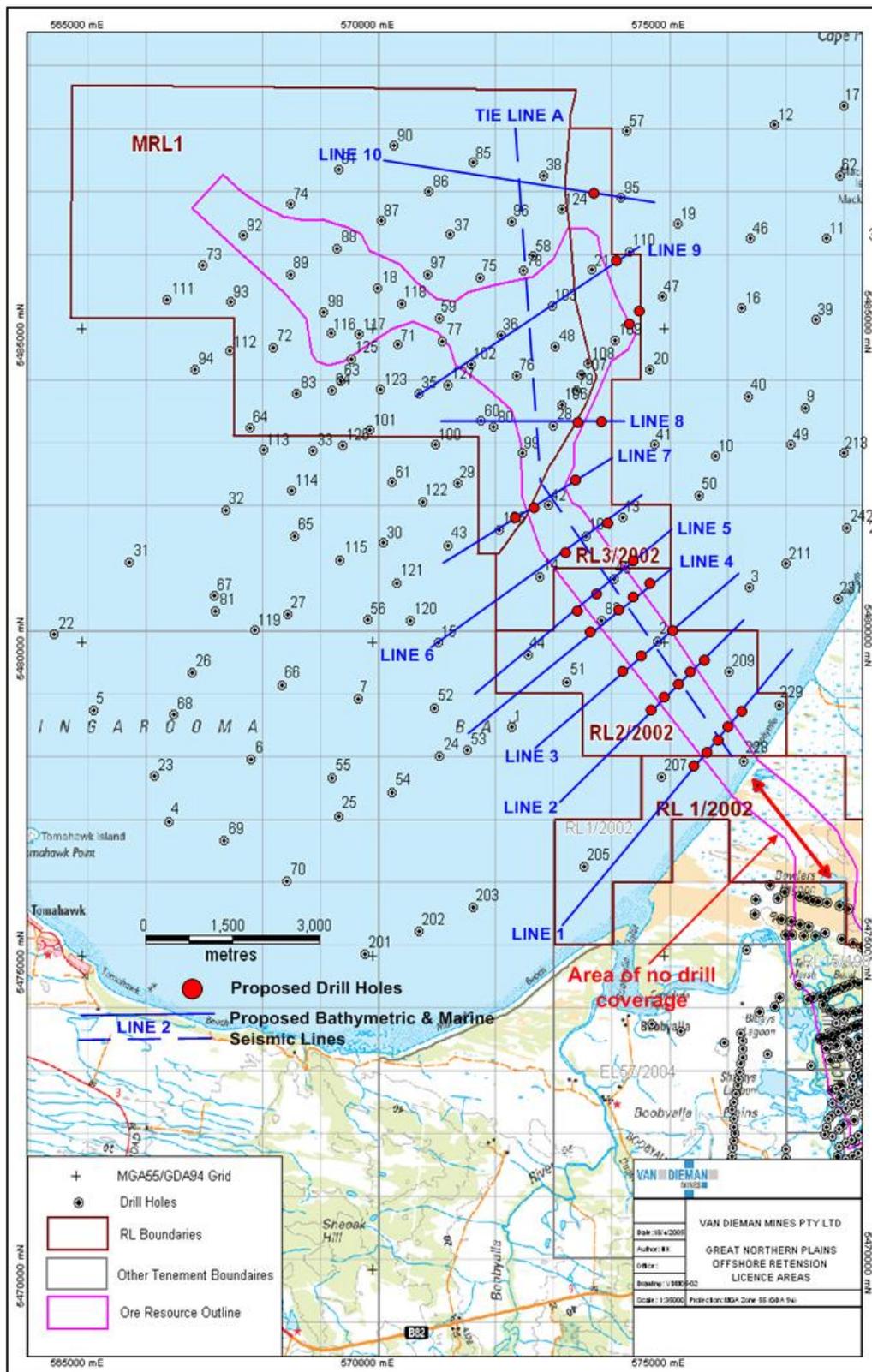
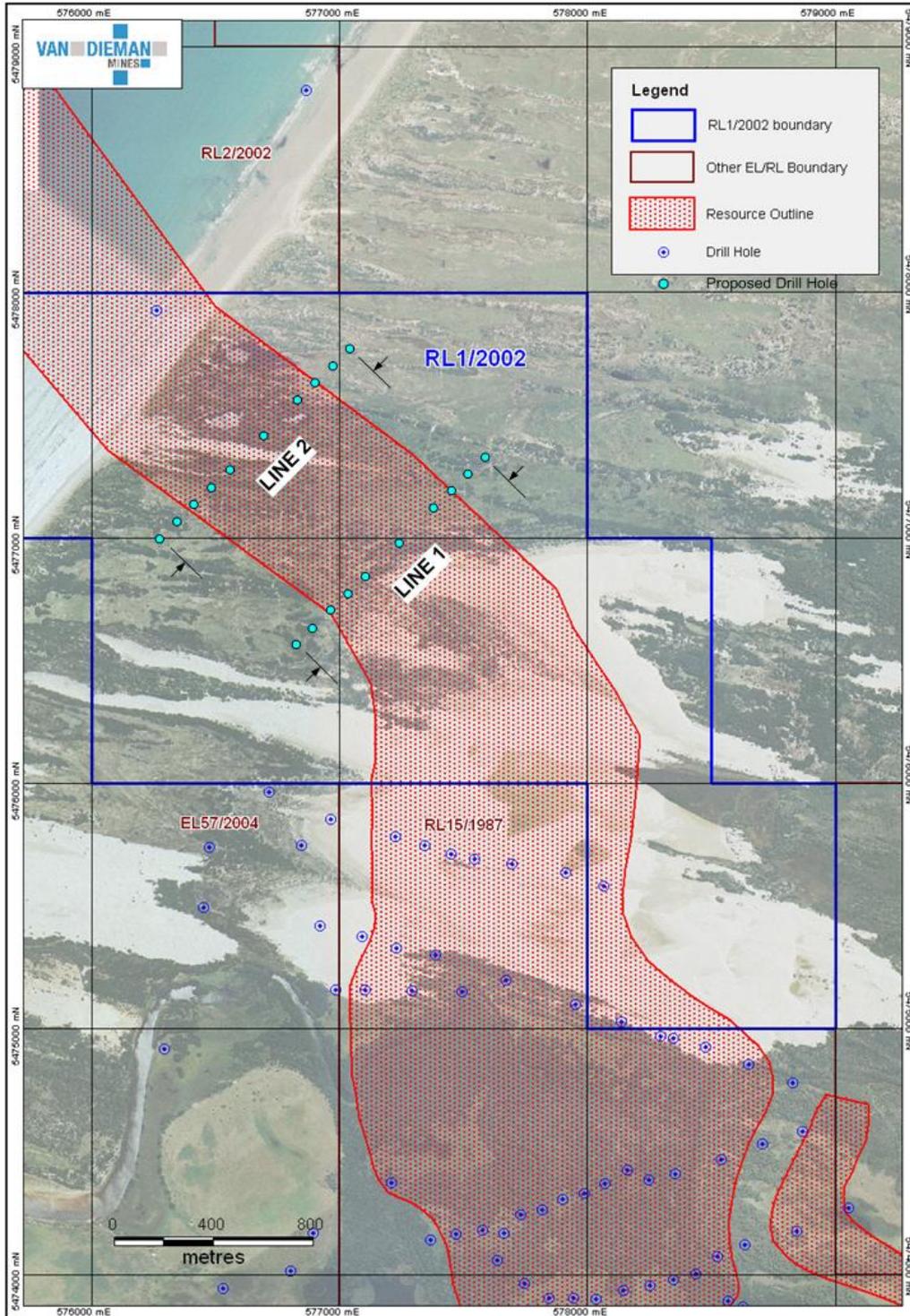


FIGURE 3 - DRILL HOLE, BATHYMETRIC & SEISMIC SURVEY LOCATIONS OFFSHORE SECTION



VDMmap0703-003

**FIGURE 4 - PROPOSED DRILL HOLE LOCATIONS
ONSHORE SECTION**

7.0 CONCLUSIONS:

The offshore section of the tenement is considered to contain tin bearing resource of in the order of 200 M m³ of alluvium containing between 150 and 250 gm / m³ 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.

Several sections of the palaeo-channel have been targeted as requiring additional defining data, either geophysically derived or derived by a drill program data. Final planning of any such works will be dependent on the results obtained from the "NETas" regional airborne geophysical survey that VDM have contracted to extend to cover the offshore tenements. Onshore geophysics such as seismic will prove difficult. High shifting sand dunes will make placement of cabling difficult and the vegetation layer buried beneath the advancing dunes will, it is believed, provide a layer that may prove difficult to penetrate using shot shell or steel plate sound generation. The use of explosives in these shifting dunes is not considered safe or practicable.

8.0 RECOMMENDATIONS:

In relation to the areas lying offshore it is recommended that:

- a. Any final planning for marine seismic, bathymetric and rill programs be delayed until the results of the airborne geophysical survey are to hand;
- b. Notwithstanding a. above the company further investigate suitable contractors for the program of offshore marine seismic, bathymetry and drilling as set out in the text;

In relation to the onshore section of the tenements lying within RL 1 / 2002 the company:

- c. Conduct further field investigations of the area in which drilling is proposed with particular emphasis on location of suitable access and ground conditions along the lines of proposed holes;
- d. Further discussions be held with drilling contractors to source a suitable alluvial rig and experienced driller. Stacpoole Drilling and Richardsons have been shortlisted for this work.

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