

EL 58 / 2004
MAYFIELD FLATS
NORTH EAST TASMANIA

ANNUAL REPORT
FOR THE YEAR ENDING
7TH APRIL 2007



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, 7 and 8 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.

During the past twelve months VDM has continued to refine the company GIS database with the addition of new drill hole locations and more definitive X, Y & Z drill hole co-ordinates. This work has dramatically altered the basement interpretation for the area encompassed by the Scotia Lead, Braithwaite' Deposits, the Great Northern Plain (GNP) and Mayfield Flats areas. The current interpretation agrees in part with previous work. It appears that the GNP marine embayment was a more complex structure than previously thought. The embayment appears to extend eastward into the Mayfield Flat area and as far south as the northern boundary of ML 15M/2004.

VDM is continuing to develop the depositional model based on this recent interpretation. In particular the apparent influence that dolerite basement highs have on the shape of the basin. Work is underway in the area between Braithwaite's Deposit and the dolerite high that bounds the Mayfield tenement to the north. The Dolerite appears to form a sharp edge to the embayment along this northern zone.

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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. That embayment is now interpreted to extend eastwards into the Scotia - Scoloch Lead depositional area. See Figures 6, 7 and 8.

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 and support a marine influence in the northern section of the "Leads". Improvement in X, Y and Z co-ordinates for many old drill holes has resulted in a more exact basement rendition.

The eastern side of the embayment is influenced by a number of basement high features, probably consisting of resistant dolerite. The embayment is thus developed around these features and is developed eastward of the main GNP section into a smaller subsidiary basin into which the Scotia - Scoloch leads flow. Marine influence appears to occur as far south as the northern boundary of ML 15M / 2004, see Figure 7. The Scotia - Scoloch palaeo-channel may in fact cease as a well defined channel and become part of a more broad marine outwash feature, similar to the GNP embayment.

Recent location of 1958 vintage Rio Tinto drill logs has expanded the knowledge base. These indicate that a combination of ground geophysics and fence drilling may be required to define the Scotia - Scoloch section of the marine embayment. The company awaits with interest the results of a recent MRT airborne geophysical initiative.

Trial geophysical surveys were conducted during 2006 and VDM is still waiting for final interpretation of seismic profiling in the adjoining EL 32/2001 area.

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.

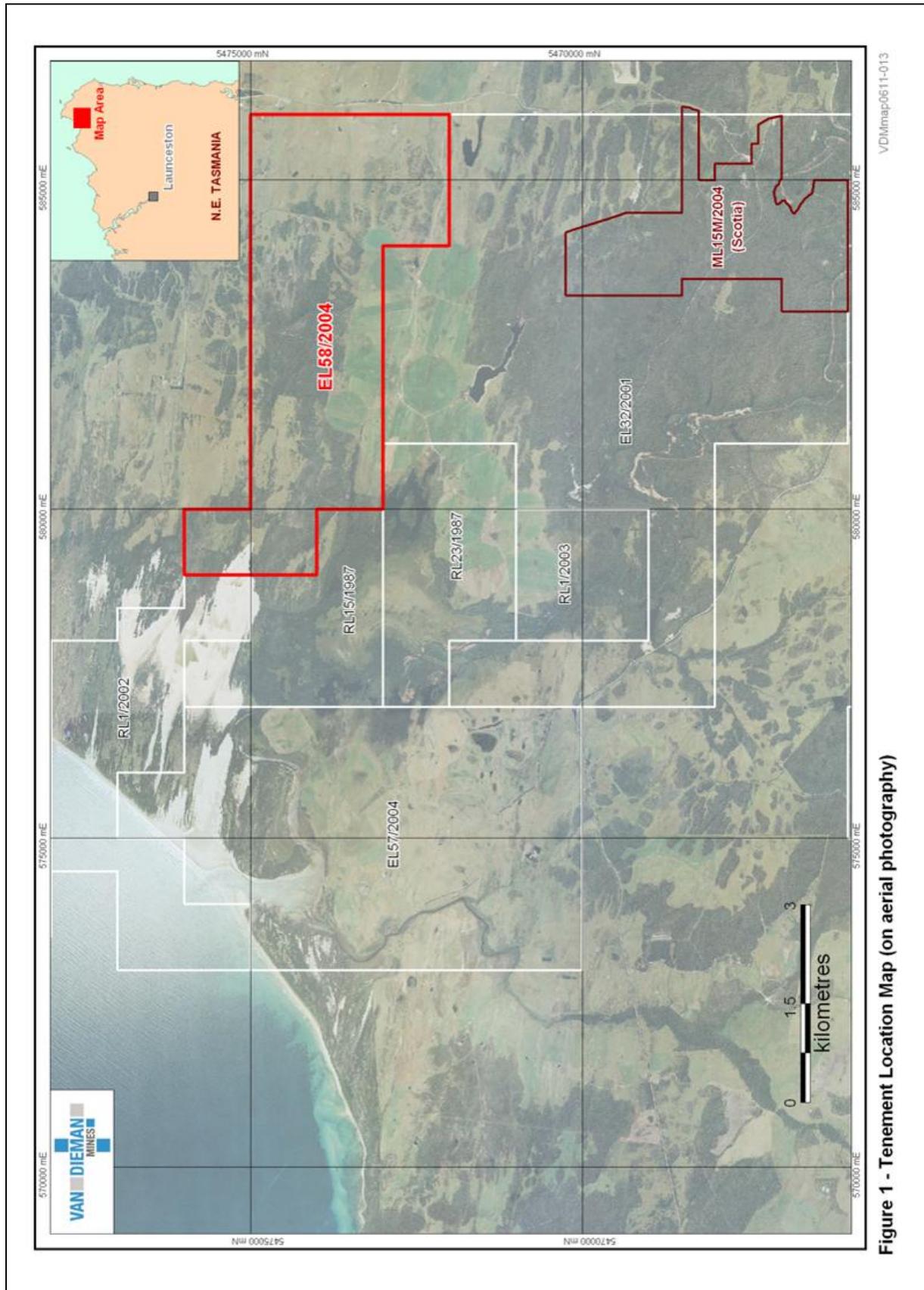
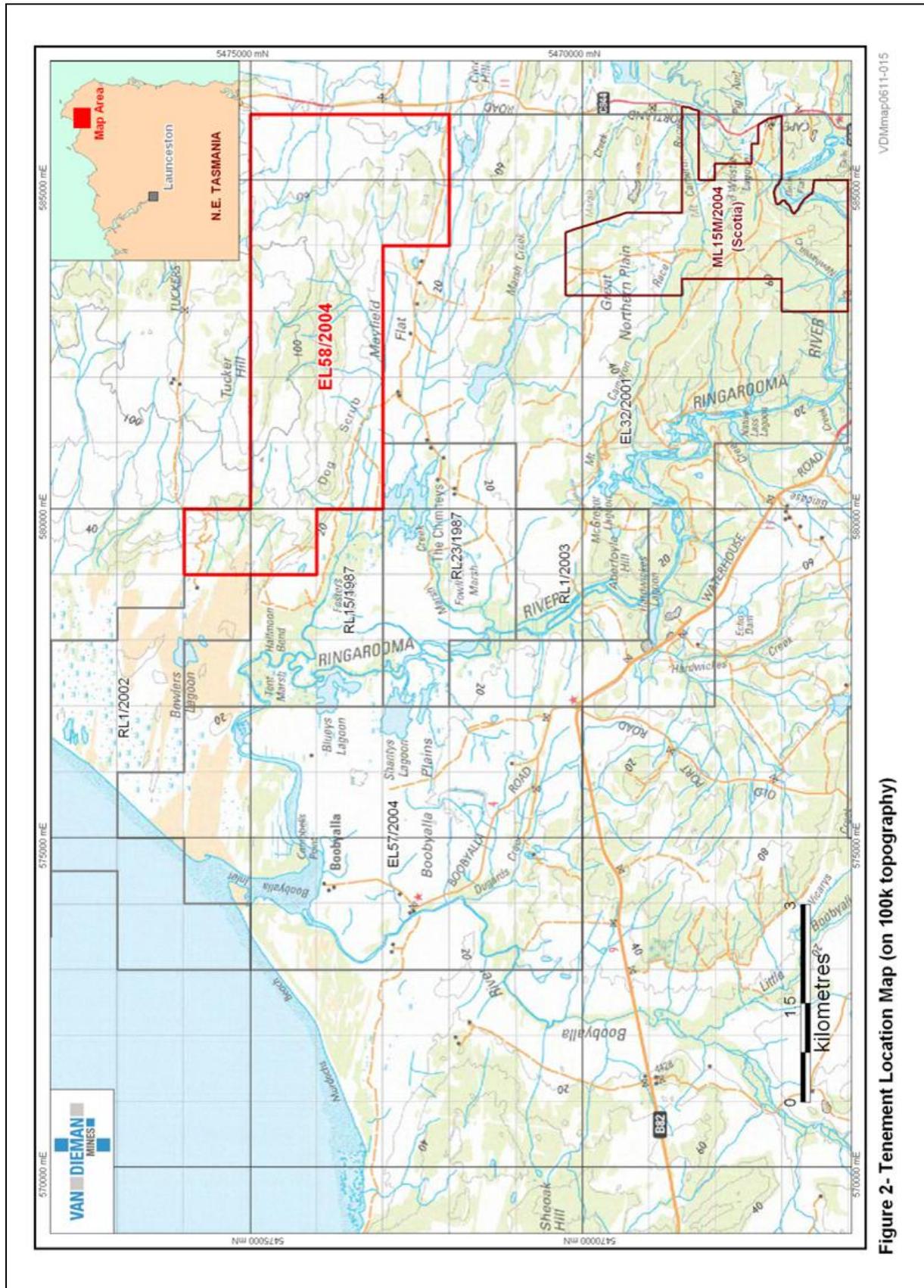


FIGURE 1 - LOCATION PLAN
AIRPHOTO BASE



VDMmap0611-015

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

FIGURE 2 - LOCATION PLAN
TOPOGRAPHIC BASE

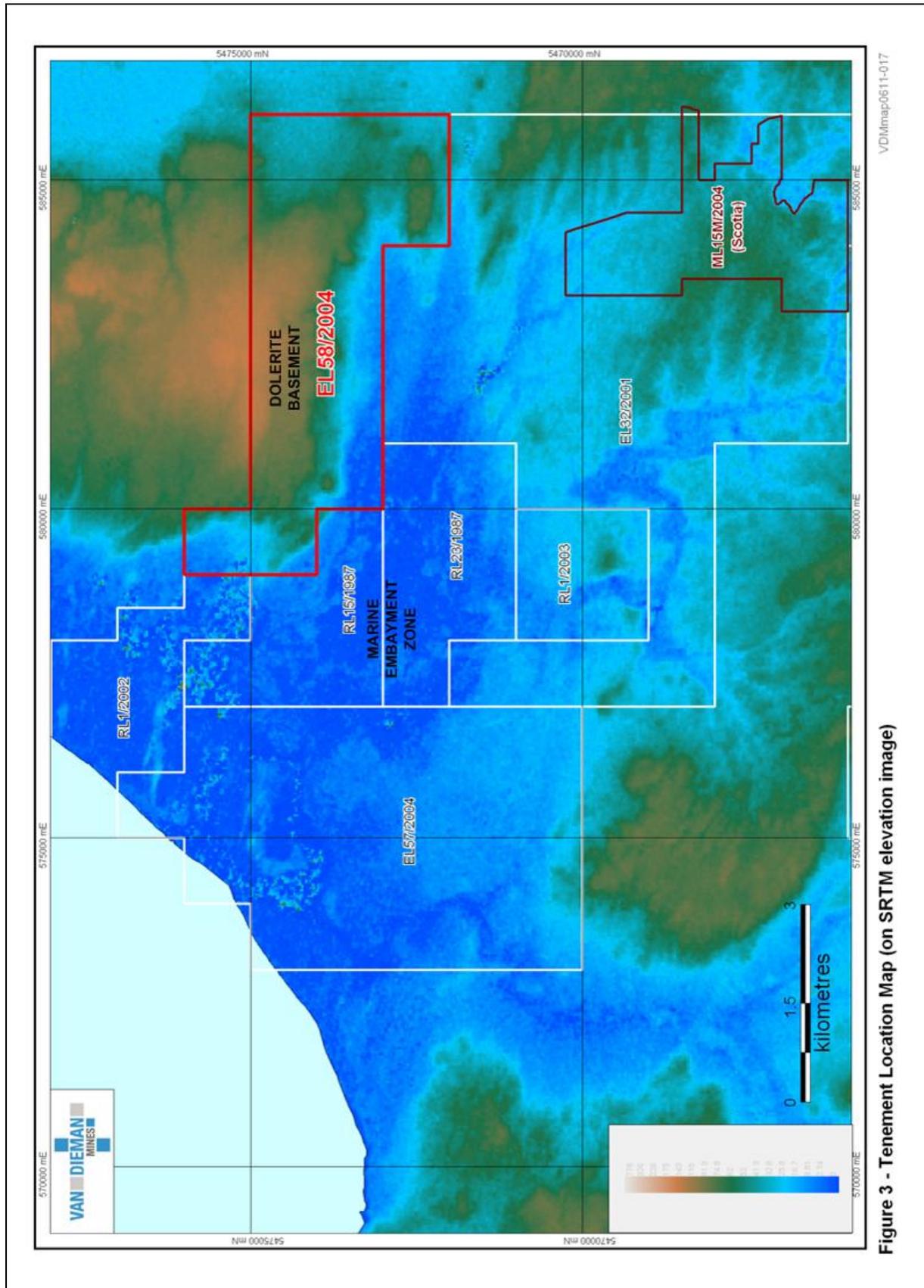


Figure 3 - Tenement Location Map (on SRTM elevation image)

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. Recent data acquisition indicates that Rio Tinto Australia Exploration (RTAE) conducted scout boring along the southern boundary of the tenement. Results of their work are presented (metric units) in Appendix 8.1.

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. The recent MRT airborne magnetic and radiometric survey will greatly enhance that database.

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.

Old Rio Tinto drill records indicate an abundance of plant fossil material including leaves and logs, lignite, marcasitic material and puggy clays. These are taken to represent deposition into a quiet almost deltaic marine environment.

Jurassic dolerites form a significant bounding basement high and mid embayment highs in the north and west of the tenement. The discharge point of the Scotia - Scoloch palaeo-channel appears to be close to the northern boundary of ML 15M / 2004. See Figure 7. It now appears that the restricted channel of the Scotia lead broadens dramatically after that point into a broad more basinal type marine deposit. The sharp nature of the bounding dolerite body is thought to be related to tertiary fault movements. The mid basin highs may also be developed due to faulting. Recent low level airmagnetics may clarify this situation.

TABLE 1
REGIONAL 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 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 sections near Aberfoyle and Monarch and its low weathering resistance may lead to the development of tin rich Tertiary channels cut into the 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. Swamps and marshy deposits	Locally represent overburden zones over Tertiary tin bearing alluvial deposits. Some recent gravels may be tin bearing

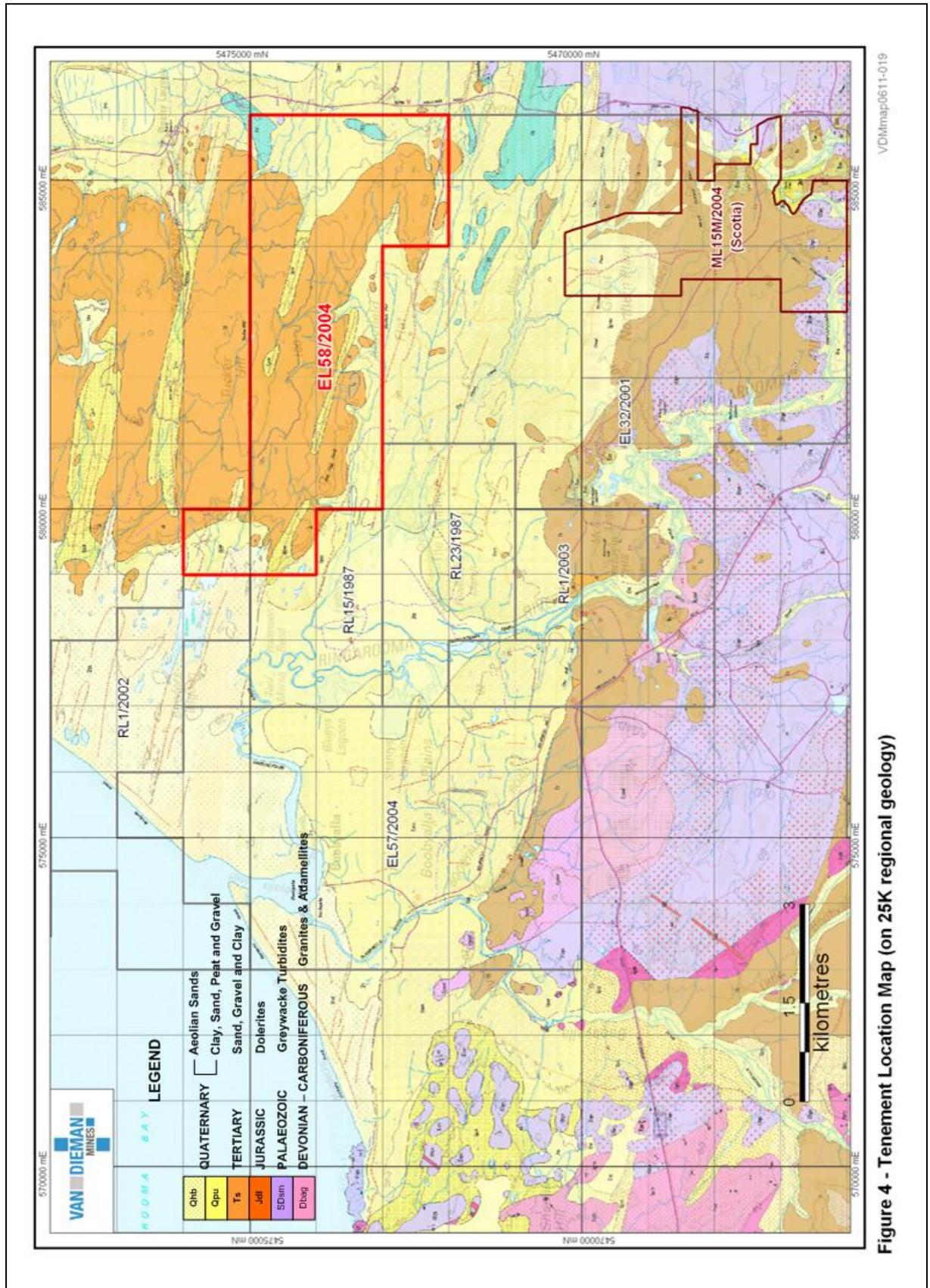


FIGURE 4 - GEOLOGICAL PLAN OF EL 58 / 2004

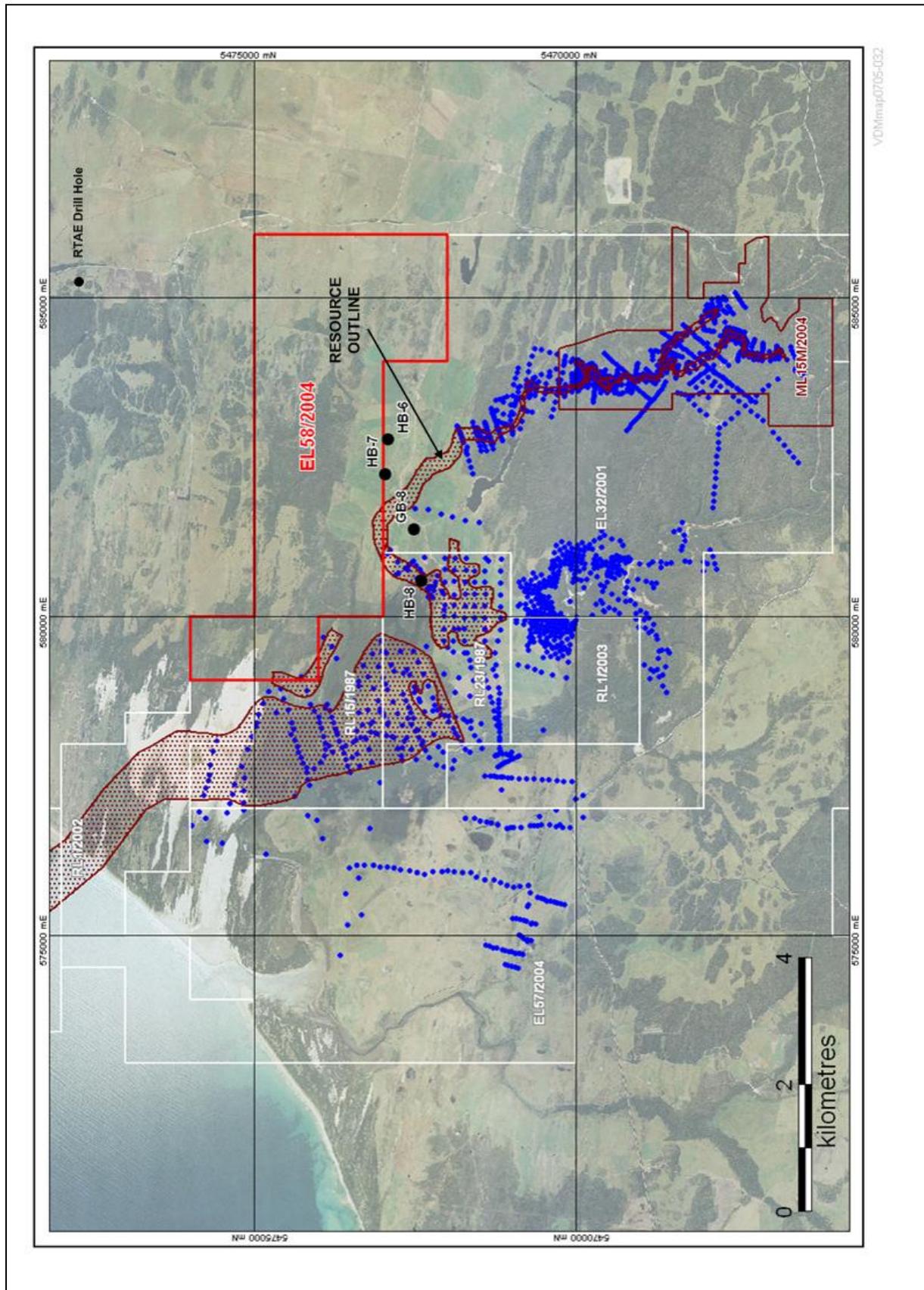


FIGURE 5 - ORE RESOURCE AND DRILL HOLE LOCATIONS

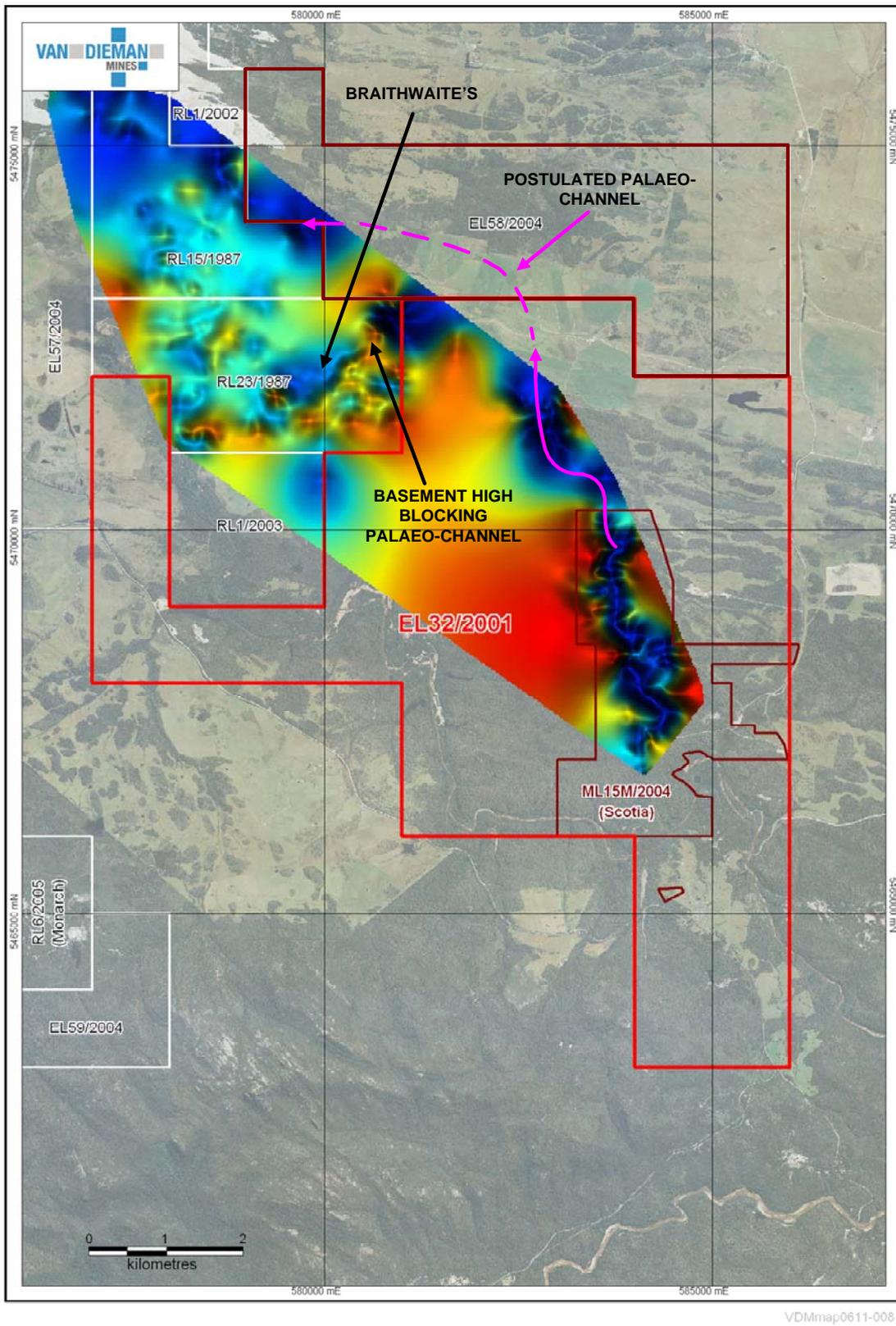


FIGURE 6 - BASEMENT TOPOGRAPHY (2006)

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 32 / 2001 and RL 23 / 1987. This has met with limited success and work continues in effort to locate old drilling. The location of a number of tie points in the northern section of ML 15M / 2004 has enabled more accurate correction factoring to be applied. This has in turn resulted in the creation of a new basement depositional model.

Figure 7 is a colour rendition of the basement topography, significant features are labeled including:

- The dolerite embayment basin highs;
- The approximate boundary between the terrestrial and the marine depositional environments;
- The position of a postulated subsidiary channel to the Scotia lead; and
- The broad area of the Scotia - Scoloch section of the marine embayment.

Figure 8 depicts basement line contours, interpreted embayment outlines appear as blue boundaries.

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.

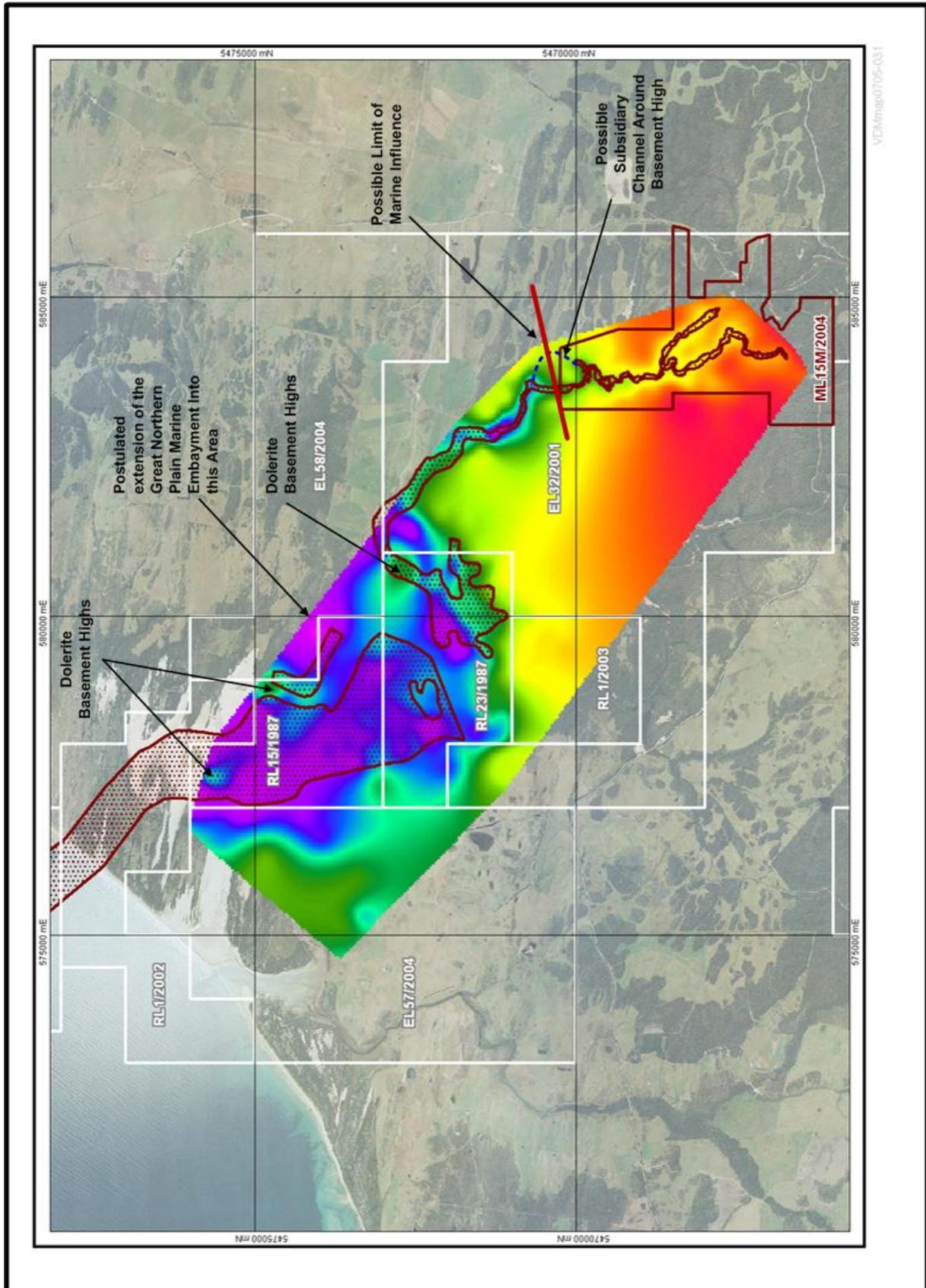


FIGURE 7 - BASEMENT TOPOGRAPHY (2007)

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 to be continued;
- b. Results of shallow seismic surveys are to be assessed and their merit in the Mayfield area, more open and less apparent ferricrete material, will be reviewed.
- c. Undertake interpretation of recent airmagnetic and radiometric surveys (When available from MRT).
- d. Drilling of the postulated palaeo-channel dependant on interpretation of the various geophysical surveys being able to define a channel target.

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 has created a depositional model that suggests that the narrow and more restricted Scotia palaeo-channel terminates at about the northern boundary of ML 15M / 2004. From that point the channel broadens out into an eastern arm of the GNP marine embayment. This eastern arm is defined by an abrupt and steep northern edge; the Jurassic Dolerite block, a southern edge of less resistant granitic and meta-sediment basement and is separated from the main embayment by a series of sharp dolerite basement "bullseye" highs.

It is now doubtful that there is a distinct, or well defined channel, in the Mayfield tenement. In the Mayfield section the Scotia palaeo-channel appears to broaden and a more blanket like alluvial deposit has developed. Marine reworking and some terrestrial outwash influences are likely to have reduced tin grades to similar levels as seen in the GNP embayment. The upside of this interpretation is that an increase in volume can be expected and the better defined relationship to the GNP embayment may make future dredge type development more feasible.

VDM believes a significant high volume - low grade economic tin resource may exist between the northern boundary of ML 15M / 2004 into the Scotia - Scoloch section of the embayment through into the GNP marine embayment. Initial estimates place volumes within the channel at between 10 and 15M m³.

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8.0 APPENDICES:

8.1 RTAE DRILL LOGS (Metric Conversion)

		HISTORICAL DRILL LOGS			LITHOLOGY AND GRADE	
		SOURCE: Rio Tinto	MRT FILE#: N / A	DATE: 1958		
		DRILLER: N / A	LOCATION: Stinking Creek	LEASE#: EL.58 / 2004	SHEET 1 OF 1	
LINE NUMBER	HOLE NUMBER	INTERVAL			GRADE Gm/ m ³	LITHOLOGY
		FROM m	TO m	INT m		
	GB 5	0	1.52	2.74		Light Gry Silty & Puggy sand
		1.52	12.19	10.67		Fine, LtBrn & Gry Shds, Shdy Sts, Carb. Material & Plant Frags
		12.19	24.38	12.19		LtBrn Unsorted Grits & Sty Shds, Carb. Material & Marcasite
		24.38	27.43	3.05		Fine Grey Sands
		27.43	28.96	28.65		Fine Brn Sty Carb. Sands
		28.96	32.92			Grey, Qtz veined Sates & Ssts
	GRADE	0	28.96	28.96	Nil	
	GB 6	0	3.05	3.05		Lt Grey Med Grained sand
		3.05	6.10	3.05		Grey Med Grained sandstone
		6.10	8.23	2.13		Fine White Micaceous Stst (May be Permian)
	GRADE	0	8.23	8.23	TRACE	
	GB 7	0	1.07	1.07		Surface Soil, Brn Ferruginous cemented sand
		1.07	4.57	3.50		Lt Gry Sands & Sty Sands
		4.57	5.03	0.46		Pebble Wash, Small Pebbles in Sty Shd Matrix
		5.03	6.10	1.07		Lt Gry Med Grained Sand
		6.10	11.28	5.18		Lt Brn Fine sands & Sty Shds, Carb. & Lignite
		11.28	13.72	2.44		Gry Qtz veined Sates & Ssts
	GRADE	0	11.28	11.28	Toe Au & Sn	
		SOURCE: Rio Tinto	MRT FILE#: N / A	DATE: 1958		
		DRILLER: N / A	LOCATION: Mayfield	LEASE#: EL.58 / 2004	SHEET 1 OF 1	
	GB 8	0	0.46	0.46		Surface Clay & Soil
		0.46	3.05	2.59		Fn Gry Sty & Puggy Shds With Narrow Wash Bands
		3.05	8.53	5.48		Fn Gry Shdy Clays & Puggy sands With Plant Fossils
		8.53	9.75	1.22		Fossil Tree Trunk
		9.75	11.28	1.53		Fn Puggy Gry-Grn Shds, Carb. Grits & Pebble bands
		11.28	15.85	4.57		Fn Gry-Grn Puggy Shds & Shdy Clays
		15.85	18.29	2.44		Black Clay
		18.29	23.47	5.18		Fn Gry-Grn Puggy Sands
		23.47	24.69	1.22		Fn Gry Ssts & Sates
		24.69	27.43	2.74		Dark Grey Sates
	GRADE	0	23.47	23.47	NIL	

VAN DIEMAN MINES		HISTORICAL DRILL LOGS			LITHOLOGY AND GRADE	
		SOURCE: Rio Tinto		MRT FILE	N / A	DATE: 1958
		DRILLER: Hand Bores		LOCATION	Mayfield	LEASE #: EL 58 / 2004
						SHEET 1 OF 2
LINE NUMBER	HOLE NUMBER	INTERVAL			GRADE Gm/m ³	LITHOLOGY
		FROM m	TO m	INT m		
	HB 7					Mayfield Flats
		0	1.22	1.22		Black & Dark Grey Clays
		1.22	1.83	0.61		Fn Puggy Sand with Pebbles
		1.83	6.71	4.88		Fn Gry Clayey & Silty Sands
		6.71	7.62	0.91		Heavy Black Clay with Plant Fossils
		7.62	8.69	1.07		Dark Grey Fine Sandy Clays
		8.69	10.06	1.37		Crse & Fn Snds with Pebble bands
		10.06	11.28	1.22		Drk Brn & Gry Pug, Plant Fossils & Secondary Marcasite
		11.28	14.02	2.74		Drk Gry & Gry-Grn Fn Puggy Snds, Plant Fossils & Marcasi
	GRADE	0	14.02	14.02	Nil	Not To Basement
	HB 8					Humfrey's Terrace, Mayfield
		0	1.52	1.52		Light Grey Pebbly Sand
		1.52	4.57	3.05		Pebble Congl. Rounded - SubAng Qtzite in Puggy Snd.
		4.57	7.92	3.35		Pebble Congl. In Sandy Matrix
		7.92	11.28	3.36		Dark Grey Muds & Fine Sandy Clays
	GRADE	0	7.62	7.62	77.13	Not To Basement
	HB 9					Great Northern Plain
		0	0.46	0.46		Black Surface Clayey Soil
		0.46	6.10	5.64		Light Grey Med. Grained Sands
		6.10	7.92	1.82		Drk Earthy Carb. Snds & Fn Gry-Grn Puggy Sands
		7.92	8.38	0.46		Small Pebble Wash, Auriferous
		8.38	9.45	1.07		Dark Green - Brown Dolerite
	GRADE	0	8.38	8.38	Tce Au & Sn	Dolerite Basement