

RL 1 / 2003
ABERFOYLE HILL

NORTH EAST TASMANIA

ANNUAL REPORT

PERIOD ENDING 30TH MAY 2008

VAN DIEMAN MINES PTY LIMITED

31st July 2008

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TABLE OF CONTENTS

	PAGE NO
1.0 INTRODUCTION	1
2.0 LOCATION AND ACCESS	2
3.0 HISTORICAL BACKGROUND	6
4.0 GEOLOGY	
4.1 REGIONAL SETTING	9
4.2 THE EXPLORATION DATABASE	13
4.3 THE RESOURCE	13
5.0 WATER SAMPLING PROGRAM	16
6.0 PROPOSED EXPLORATION PROGRAM	18
7.0 BIBLIOGRAPHY	19
8.0 APPENDICES	
8.1 WATER SAMPLING RESULTS	20

LIST OF FIGURES

		PAGE NO
FIGURE 1	LOCATION MAP ON 2005 AERIAL PHOTOGRAPHY	3
FIGURE 2	LOCATION MAP ON 100K TOPOGRAPHY	4
FIGURE 3	LOCATION MAP ON SRTM (ELEVATION) IMAGE	5
FIGURE 4	DRILLING PROGRAMS BY OPERATOR	8
FIGURE 5	REGIONAL GEOLOGICAL PLAN	10
FIGURE 6	DRILL HOLE AND BASEMENT TOPOGRAPHY MAP	12
FIGURE 7	DGPS LOCATION MAP	14
FIGURE 8	TMI IMAGE OF GREAT NORTHERN PLAINS	15
FIGURE 9	WATER SAMPLE LOCATION MAP	17

LIST OF TABLES

TABLE 1	REGIONAL GEOLOGICAL SETTING MAJOR GEOLOGICAL UNITS	11
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LIST OF PLATES

PLATE 1	WATER SAMPLE SITE ON RINGAROOMA RIVER	16
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1.0 INTRODUCTION:

Previous work within this tenement by Mineral Holdings (Australia) Pty Ltd (MHAPL) including bulk sampling indicated that tin and sapphire bearing resources remain peripheral to the old Aberfoyle workings and between those workings and the McGregor's workings lying to the north east. Following transfer of the title to VDM in 2004 the company conducted a re-assessment of the MHAPL database and results of their test work. In late 2004 those data were reported as part of the VDM Prospectus for listing of the company on the AIM section of the London Stock Exchange.

During 2005 and 2006 VDM continued to acquire old data from the Mineral Resources Tasmania archives and after conversion of results from "imperial" to "metric" units those data were added to the ever increasing regional database.

During 2007 and 2008 (to-date), a VDM Gladstone-based field survey crew has continued to locate and survey :

- historic exploration data, such as drill hole locations, pit locations and survey markers
- cultural heritage features such as dams and water races
- geological features such as basement outcrops

Recent emphasis has been placed on locating the Wanex 1972 drilling, which has further consolidated the exploration database, and enabled the company to generate enhanced basement topographic images.

The company has downloaded 2007 "TasExplore" geophysical survey data, recently released by MRT. This data has been incorporated into the GIS database and we have begun to visualize this data against basement topography.

Baseline water sampling and analysis of the Ringarooma River has continued (AMG55 578,695mE, 5,470,044mN). A tabulation of results appears in Appendix 1.

2.0 LOCATION AND ACCESS:

The Aberfoyle Hill area is located in north eastern Tasmania in the Gladstone District approximately 90 kilometres north east of the Launceston. More specifically the cassiterite bearing estuarine and alluvial deposits are located approximately 7 km north-west of Gladstone on the northern side of the Ringarooma River.

The tenement is located almost totally within private land, Rushy Lagoon and Red Hill pastoral holdings. Location plans are presented here in three formats, on a 2005 vintage aerial photographic base (Figure 1), on 100K Topographic Mapping (Figure 2) and on SRTM elevation imagery (Figure 3).

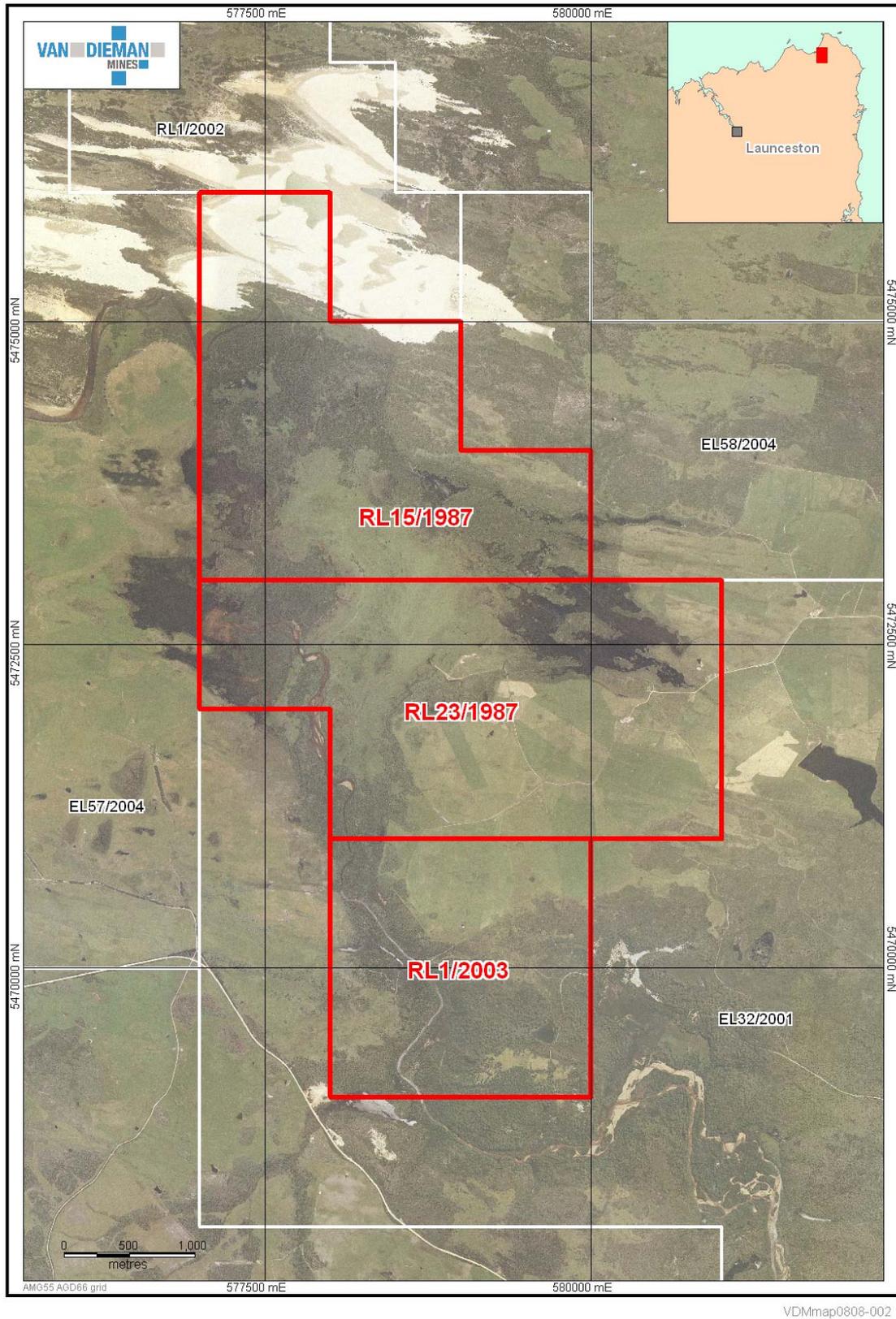


FIGURE 1 LOCATION MAP ON 2005 AERIAL PHOTOGRAPHY

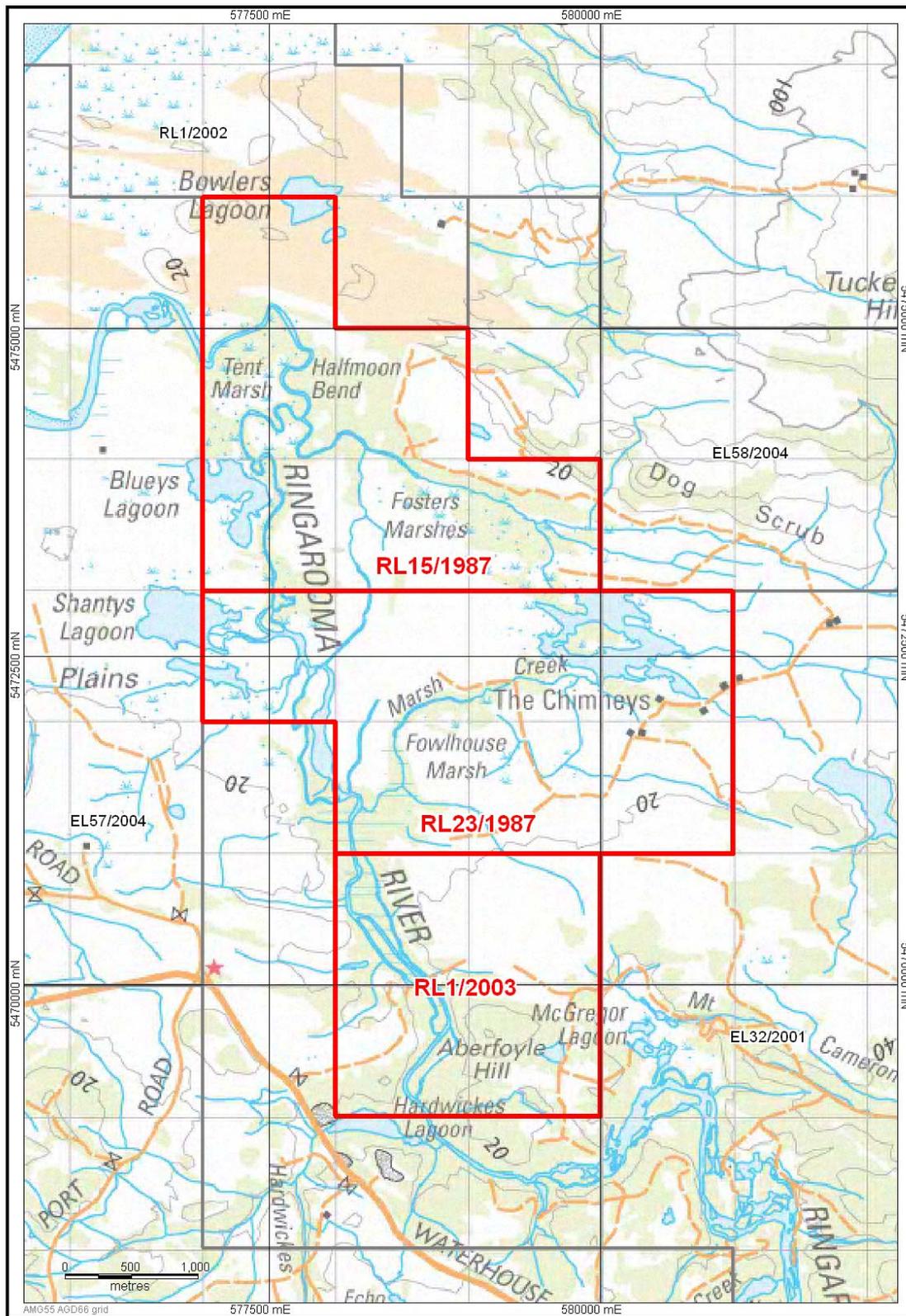


FIGURE 2

LOCATION MAP ON 100K TOPOGRAPHY

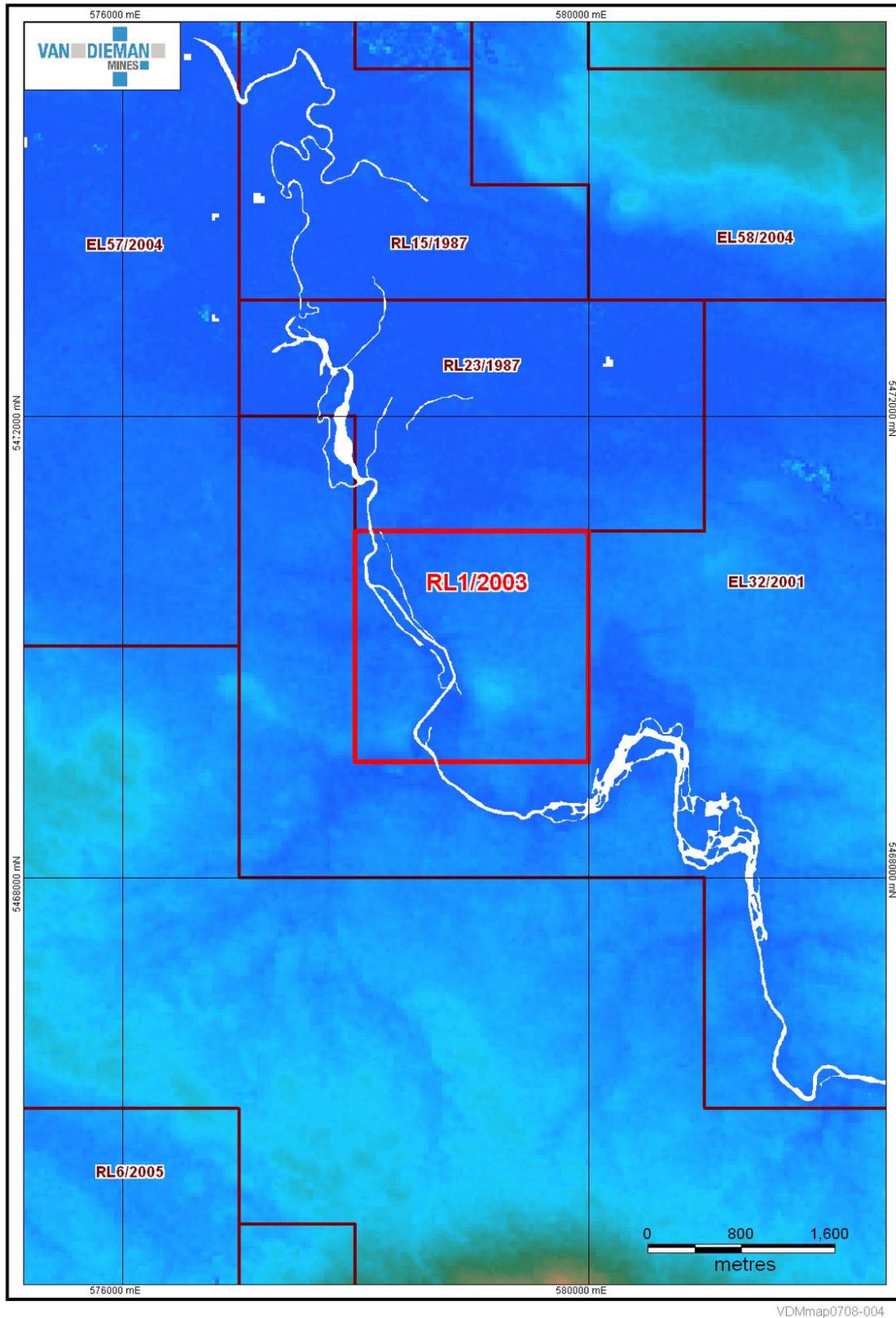


FIGURE 3 LOCATION MAP ON SRTM (ELEVATION) IMAGE

3.0 HISTORICAL BACKGROUND:

Alluvial tin was first worked in the Aberfoyle area in the early 1880's. For a number of those early years the main workings were controlled by the Aberfoyle Company and peripheral workings such as the Boomerang and Sea-Shell were operated by You Hen and other Chinese miners. VDM has located several Chinese dwelling and camp areas along the south western edge of the Aberfoyle workings adjacent to the current access track.

In 1906 the New Aberfoyle Company commenced operations and was succeeded in 1909 by the Aberroe Tin Mining Co. N. L. The latter 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 these deposits was limited by water supply and operating hydraulic head. Water races were developed from the Boobyalla River and across the Ringarooma River by an inverted siphon system and from the Mt Cameron Water Race to a Government Dam just north east of the old workings.

In the period 1902 to 1916 the Mines Department conducted drilling on behalf of various parties around both the Aberfoyle and McGregor's workings. Many holes did not reach basement particularly a line of holes in the base of McGregor's workings while others peripheral to McGregor's pit encountered thin alluvium and marine sands resting on shallow basement.

It is doubtful if any further development occurred at Aberfoyle after 1916 probably due to a large fall in tin price after 1918. After 1922, most work in the region was drill based, specifically:

- 1935 - Austral Malay drilled on the Great Northern Plains just north of Aberfoyle;
- 1937 - Delta Tin drilled on Boobyalla Plains north of Aberfoyle;
- 1955 - 57 - 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;

- 1960 - 68 - Storeys Creek Tin Mining drilled various programs around Aberfoyle, McGregors and Black Duck areas which they termed “New Dorset”.
- 1966 - Utah development conducted regional auger and percussion drilling in the general area of “Dugards” and “Delta”;
- 1967 - The Mines Department drilled a line of holes (“Line 14”) 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:

Sea-Shell Workings	7 Channeled pits;
	1 Auger holes; and
	2 Percussion drill holes.
Curnow’s Workings	2 Channeled pits; and
	1 Percussion drill hole.
Aberfoyle Hill	3 Pit samples; and
	3 Percussion drill holes.

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.

- 1979 - Preussag Australia conducted work in the region including several lines of drill holes one of which was located just north of the Aberfoyle workings.

Since the Preussag drilling little further work was conducted in and around Aberfoyle with the exception work performed by Mineral Holdings, who :

- carried out pitting and bulk sampling along the northern edges of the old worked faces at Aberfoyle
- conducted a small program of auger drilling along the southern reaches of Dry Gut Creek.

Figure 4 shows the main drilling programs, by operator, in and around RL1/2003.

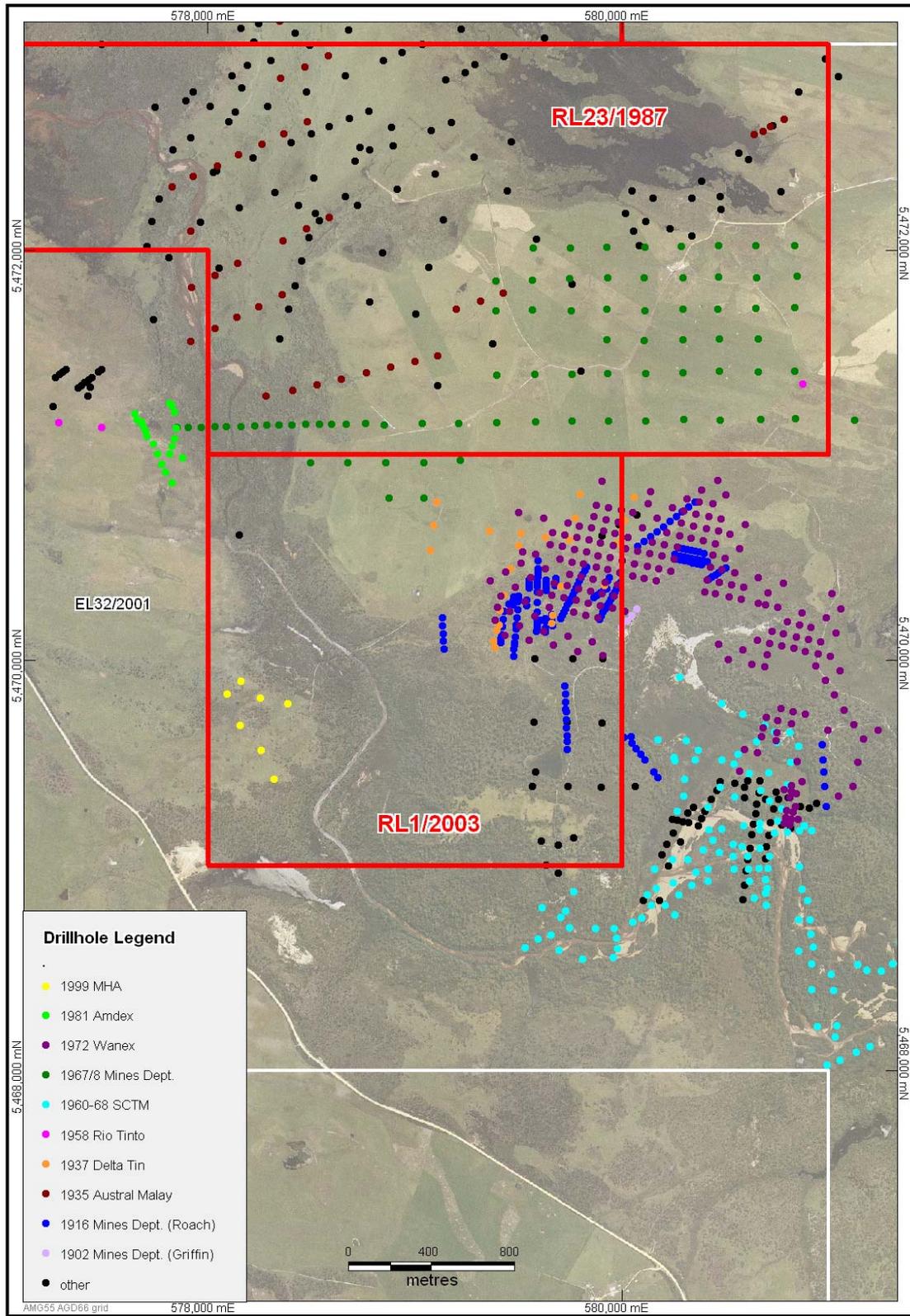


FIGURE 4

DRILLING PROGRAMS BY OPERATOR

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.

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 5.

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), by previous gravity geophysical surveys conducted by Shell Exploration in 1981 and by MRT aeromagnetic data.

Recent survey work and re-plotting of historical drill data indicates that both the McGregor's and Aberfoyle worked deposits are proximal to a pronounced basement high, See Figure 6. Marine sediments are reported from both workings and from several of the holes drilled peripheral to the workings. These results indicate that at least some of the shallow cassiterite-bearing deposits may have formed as a result of marine action, either shore or strand line reworking of the Tertiary cassiterite bearing terrestrial alluvials.

At the Aberfoyle West Pit, the marine or estuarine sequence is represented along the north edge of that pit at the "Sea Shell Face" and the terrestrial sequence along the southern edge of the same pit. Fine marine sands are recorded from drilling within the McGregor's pit.

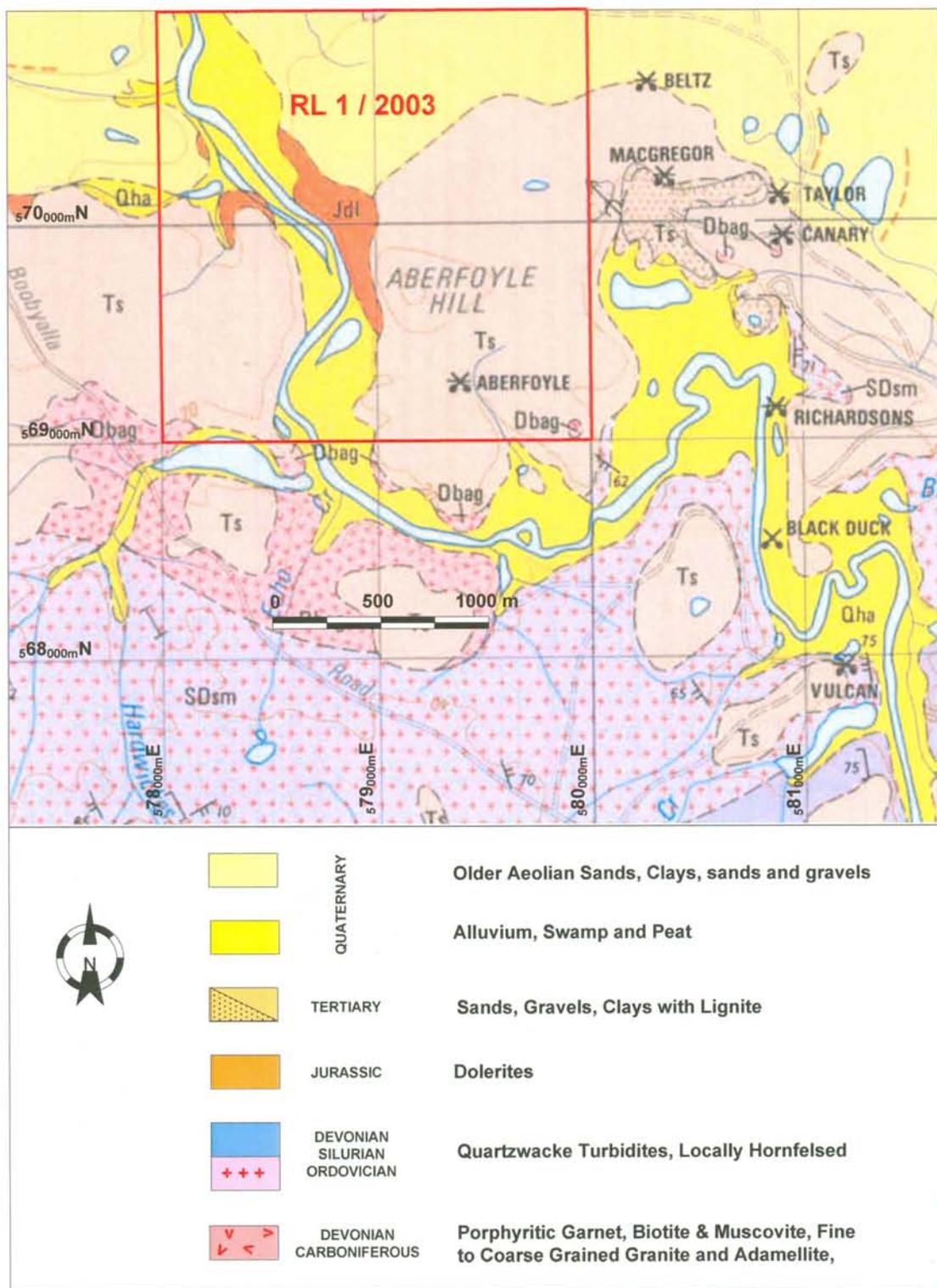


FIGURE 5

REGIONAL GEOLOGICAL PLAN

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

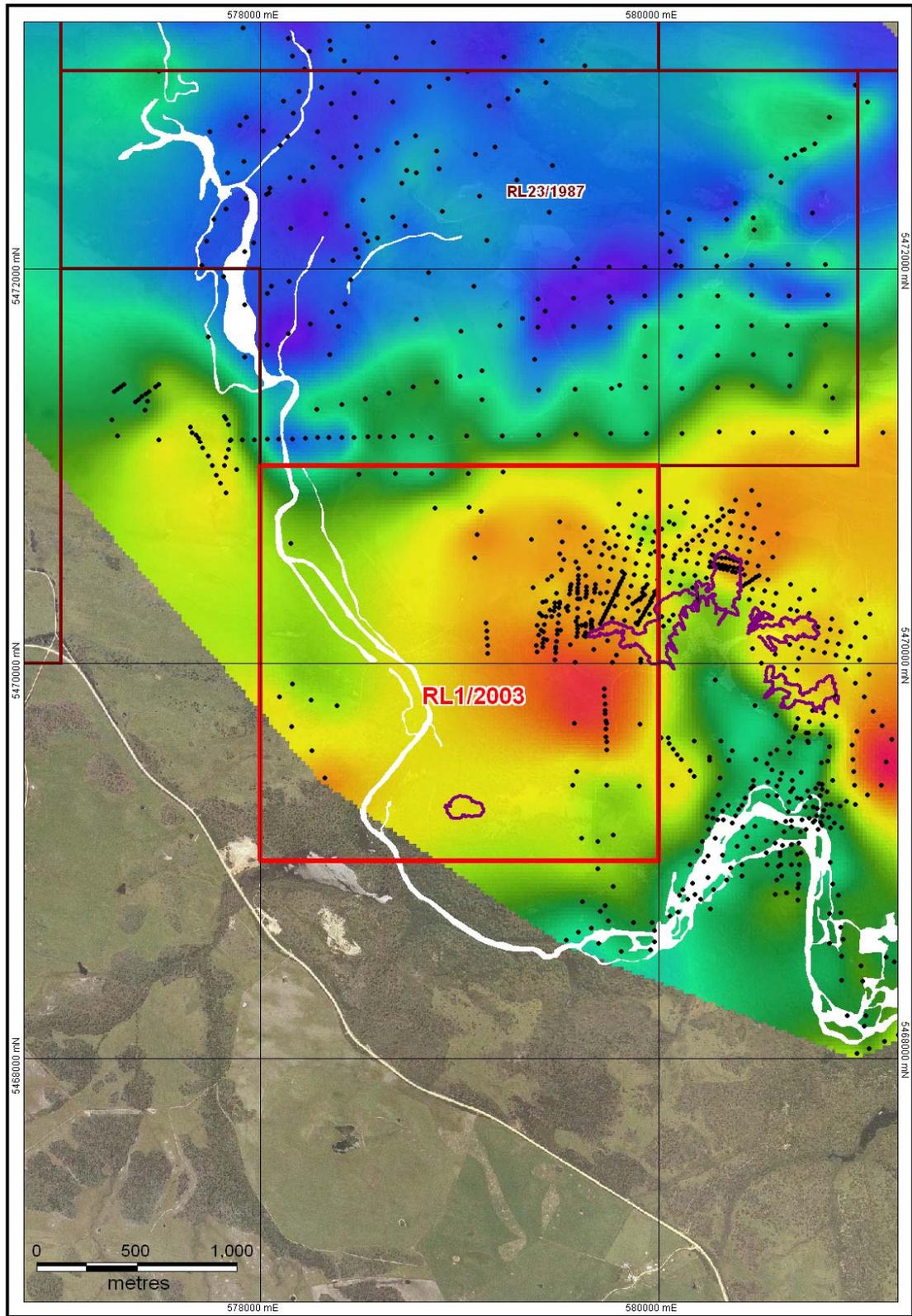


FIGURE 6 - DRILL HOLE AND BASEMENT TOPOGRAPHY MAP

4.2 THE EXPLORATION DATABASE

The Company's GIS-based exploration database covering RL1/2003 has expanded with the :

- 1 Digitised location of a 16 hole drilling program in the Aberfoyle area
- 2 DGPS location of 1972 "Wanex" drilling at McGregors and Beltz
- 3 Re-positioning of MHA "Dry Gut" drilling west of Aberfoyle Hill
- 4 Re-positioning of Storeys Creek drilling at Aberfoyle/McGregors/Black Duck areas
- 5 DGPS location of basement outcrops

Although the database can be said to be "upgraded" with this data, the regional basement topography has not changed in any major way. To do so, additional data would have to be generated via drilling/pitting and/or by location of basement outcrops either on the land surface or within existing mine workings. The latter has been attempted by the Company at the Aberfoyle , however the very rugged terrain and thick surface vegetation has hindered progress. A location map showing all features DGPS-surveyed to-date appears as Figure 7.

The company has downloaded 2007 "TasExplore" geophysical survey data, recently released by MRT. This data has been incorporated into the GIS database and we have begun to visualize this data against basement topography. A TMI image covering RL1/2003 and surrounds appears as Figure 8. This work is on-going.

4.3 THE RESOURCE

For various reasons, it has proved extremely difficult to create a resource outline within RL1/2003. Some reasons include :

- lack of historic exploration data
- many drill holes did not reach basement
- doubt exists that many holes reached basement as reported
- difficulty in locating drill holes and test pits on the ground

Field work indicates that the workings in the Aberfoyle area are not deep and rarely exceed 6 metres to basement. This shallow depth would suit auger drilling or pitting as a testing method. Further, the area with its high basal grades and shallow depths, appears suited to small scale alluvial mine development, that is strip and fill type mining using a mobile plant of somewhere in the 50 m³ per hour capacity range.

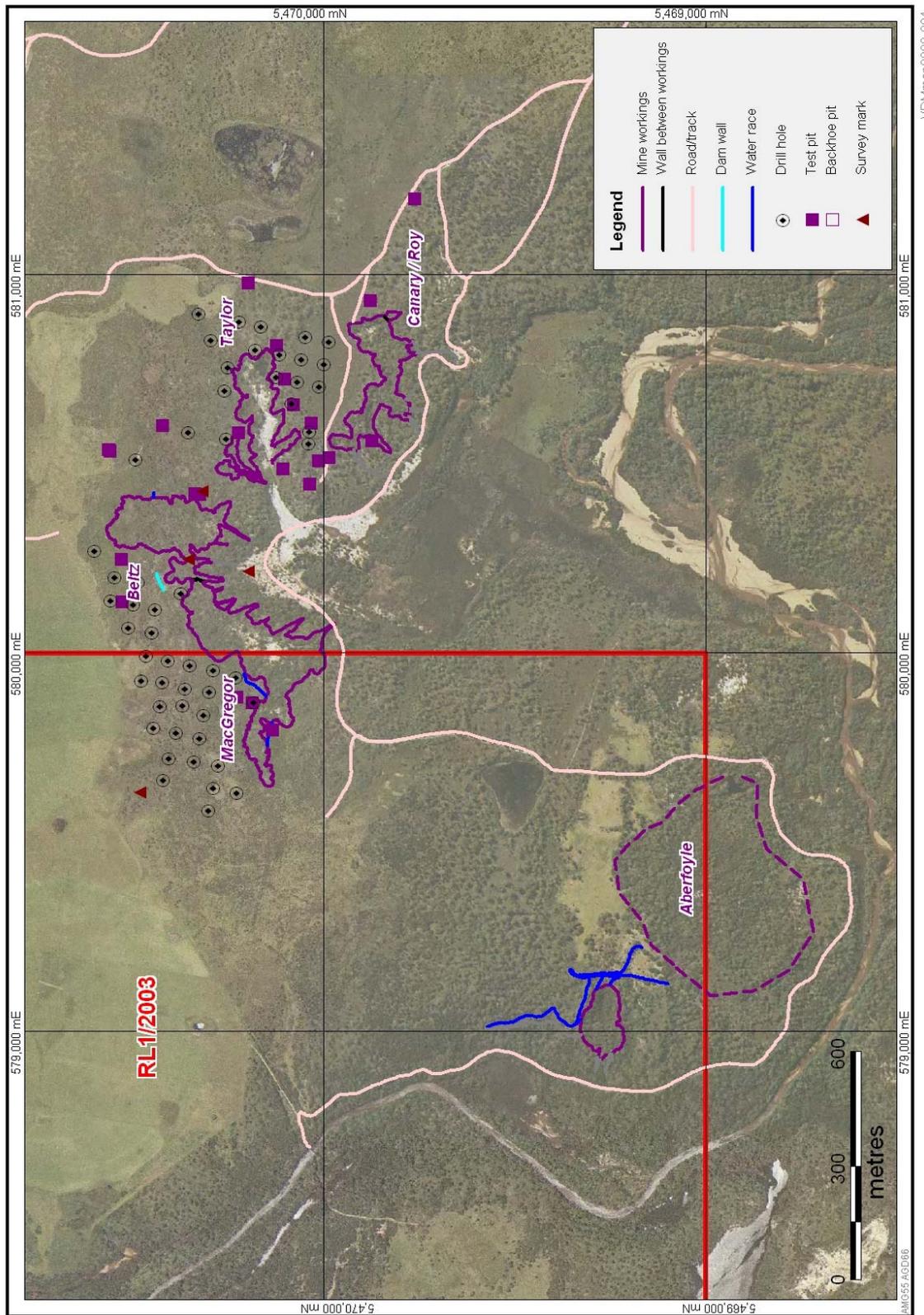


FIGURE 7 DGPS LOCATION PLAN

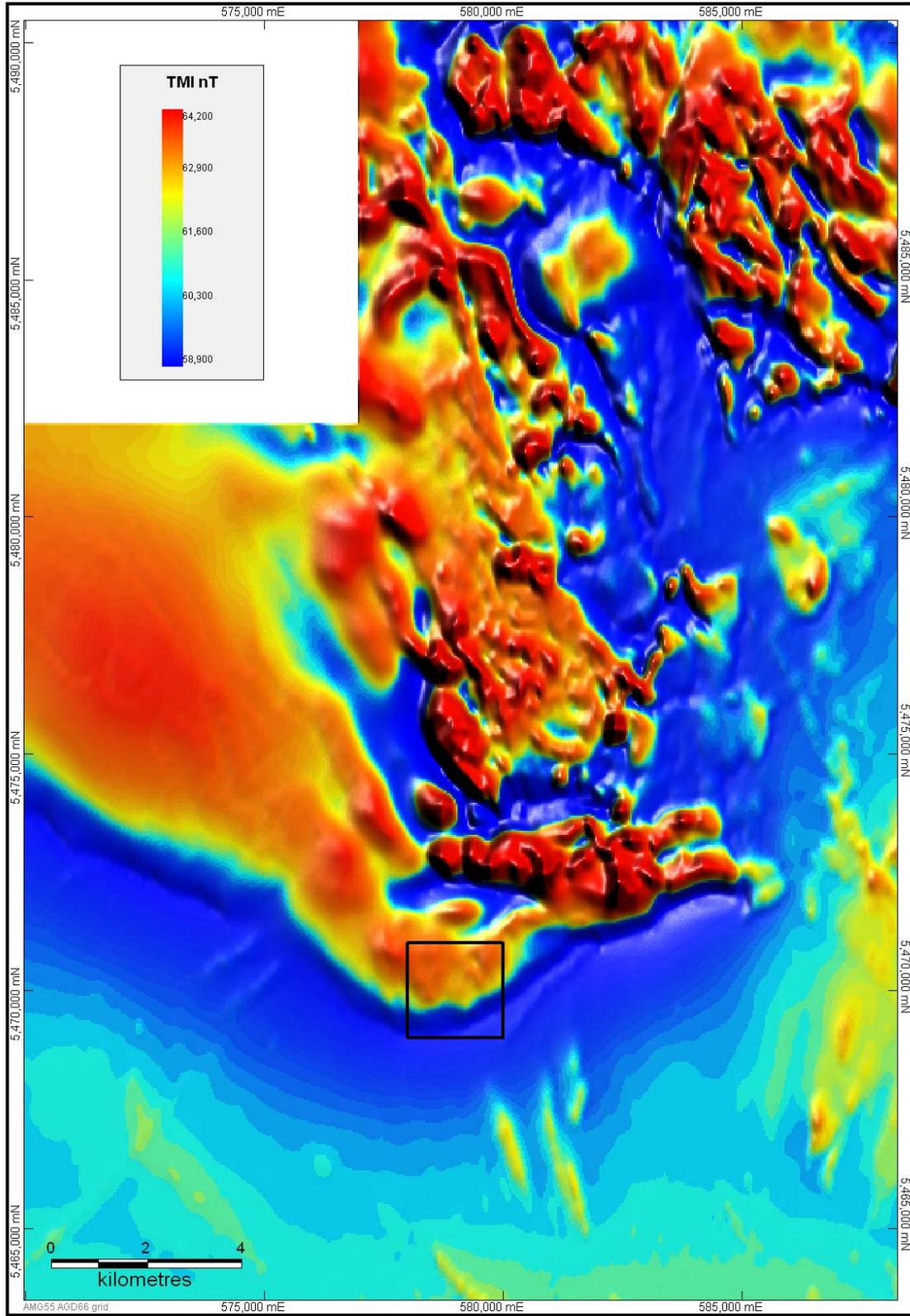


FIGURE 8 TMI IMAGE OF GREAT NORTHERN PLAINS

5.0 WATER SAMPLING PROGRAM

The company has begun water sampling at a site on the Ringarooma River, in order to gather a baseline of test results pre any development activity.. See Plate 1 and Figure 9 which show the location of the site, designated by “GNP2”.

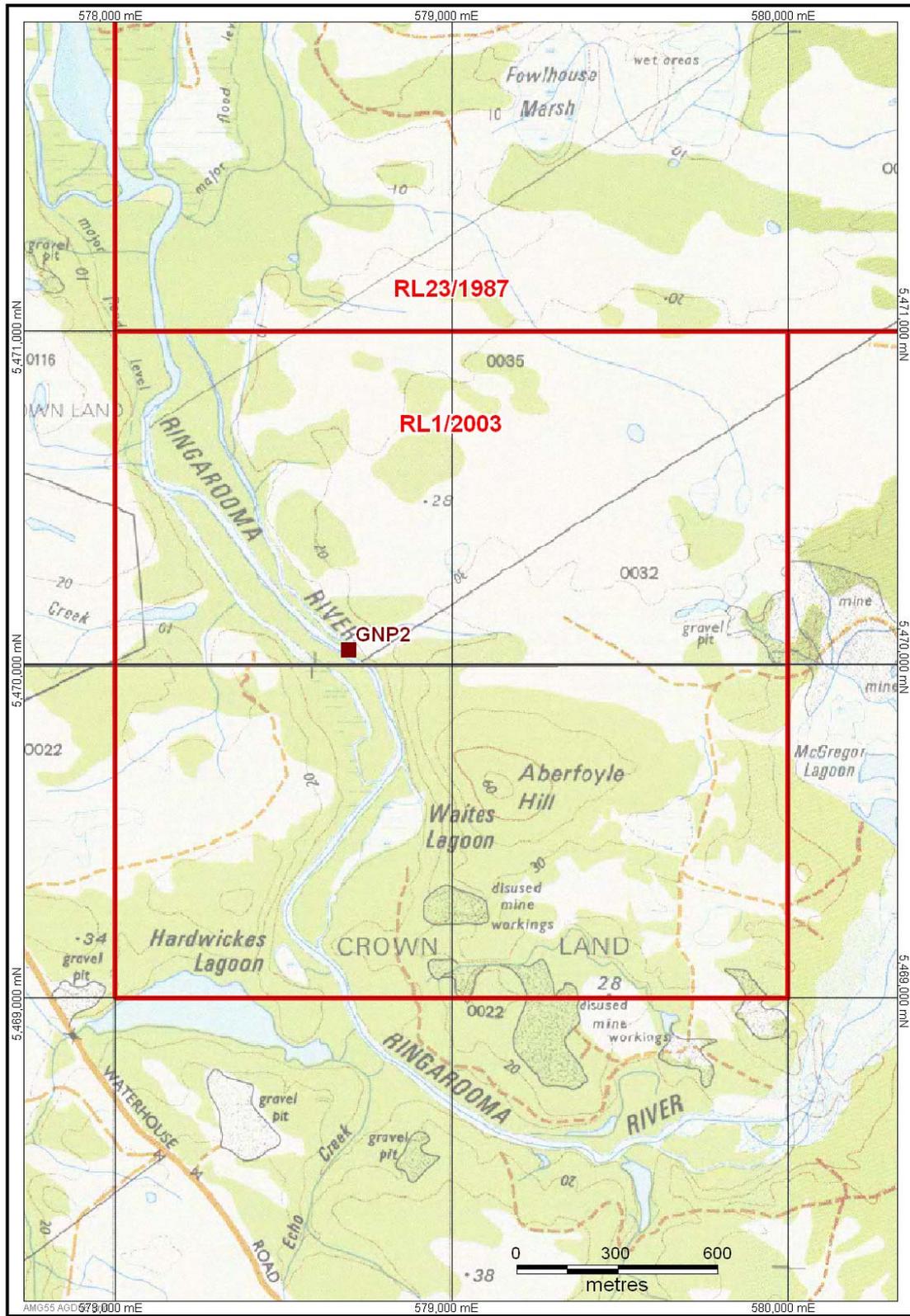
To-date three samples have been taken, each being three months apart. The samples were tested in the field for pH, conductivity and temperature. The samples were then sent to the Analytical Services Tasmania laboratory in Hobart for further testing, including acidity, alkalinity and heavy metal concentration.

A tabulation of all test results appears in Appendix 1.



PLATE 1

WATER SAMPLE SITE ON RINGAROOMA RIVER



VDMmap0808-012

FIGURE 9 WATER SAMPLE LOCATION MAP

6.0 PROPOSED EXPLORATION PROGRAM:

VDM plans to continue its data acquisition during the coming year. Time will be spent concentrating on QC of historic drilling data, in particular making sure the vertical (elevation) datums are consistent and correct in order to accurately compile basement topography.

Specifically the exploration program will involve:

➤ GPS Surveying:

Location of old drill holes, pits and mine workings 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. In addition the field crew will continue to locate and pick-up cultural historical features such as tracks, water races and dams. This work is well advanced, although rugged terrain makes the task quite challenging.

➤ Testing:

Drilling or shallow excavator pitting appear to be the most suitable exploration tools available. In order to adequately test for both tin and sapphire content some form of bulk sampling will be required. While pitting provides larger samples so do several drill techniques such as large diameter augering and Calweld drilling. The latter was used successfully by Santos / Hellyer in the 1970's.

➤ Geophysical Data Interpretation:

The TasExplore survey data and available interpretations and presentations will be used to better define the extent and location of relevant features within the tenement, such as basement, basalts and tertiary deposits.

Water sampling and testing will continue in lieu of development activities. As other required sample sites are identified by the Company, they will be added to the program.

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8.0 APPENDICES

8.1 WATER SAMPLING RESULTS

Van Dieman Mines		Water Sampling		
GNP2		5/09/2007	5/12/2007	12/03/2008
Analyte	Units			
Acidity	mg CaCO ₃ /L	3	2	3
Acrylamide	ug/L			
Al Dissolved	ug/L	51	11	5
Al Total	ug/L	373	45	26
Alkalinity Total	mg CaCO ₃ /L	5	8	9
As Total	ug/L	<1		
Cd Total	ug/L	<0.1		
Chloride	mg/L	18.3	17.8	19.8
Co Total	ug/L	1		
Cr Total	ug/L	2		
Cu Total	ug/L	1		
Fe Dissolved	ug/L	277	129	166
Fe Total	ug/L	1160	364	359
K Total	mg/L	1.1	1.24	1.26
Mn Total	ug/L	61		
Na Total	mg/L	9.71	9.93	10.4
Ni Total	ug/L	1		
Pb Total	ug/L	<0.5		
Sulphate	mg/L	3	2.2	2.4
Zn Total	ug/L	<1		
Field Results				
pH		5.86	5.93	5.8
Conductivity	(uS)	93.9	91.2	101.3
Temperature	Celsius	10.6	19.6	20.3