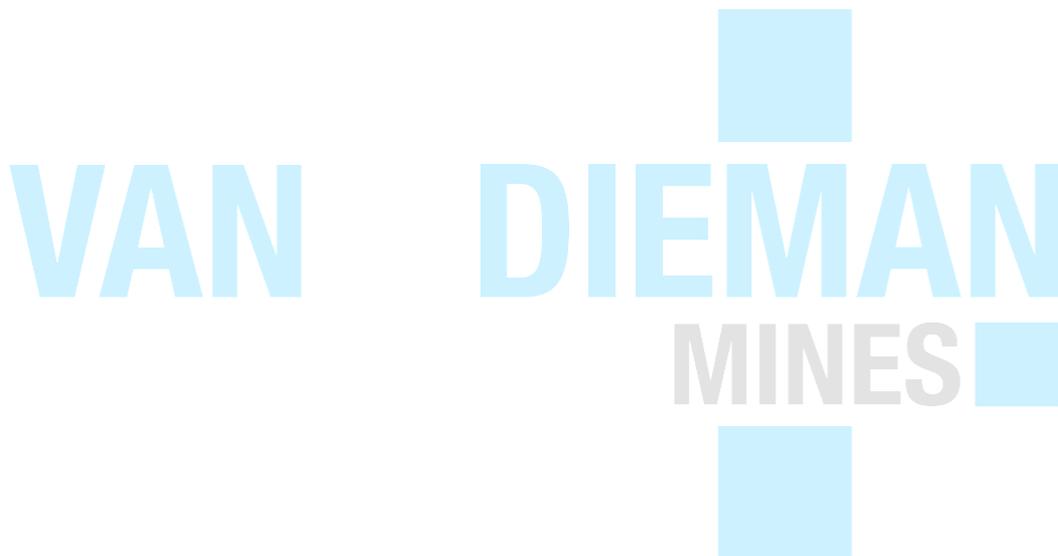


**RL 5 / 2005 - PIONEER
NORTH-EAST TASMANIA**

**FINAL ANNUAL REPORT
FOR THE YEAR ENDING
12TH MAY 2009**



VAN DIEMAN MINES PTY LIMITED (In Liquidation)

19th August 2009

UPDATE BY:

Olivia Davies - Office Administrator

OVERVIEW

After the acquisition of the North-east Tasmanian mining tenements from Mineral Holdings Australia (MHA) in 2004 and subsequent collection of the data package accompanying that acquisition, Van Dieman Mines Pty Limited (VDM) conducted a re-assessment of each of the tenements. This tenement, previously held as EL 12/2000, encompasses a substantial tin / sapphire bearing resource, reported in 2004 as being:

A Measured Resource containing 4.62 M bank cubic metres (bcm) at an average grade of 0.87 kg/bcm of 70% SnO₂

And

An Inferred Resource containing 3.50 M bcm at an average grade of 1.00 kg/bcm of SnO₂

In addition to cassiterite (tin) the same orebody contains a sapphire component which because of JORC Code restraints is reported in the first instance as an "Indicated Resource" and in the latter an "Inferred Resource".

In October 2004 VDM made an application for an Exploration Licence covering the postulated resource extensions located at monarch, Endurance and Pioneer. The area applied for was in three separate "blocks" with a total area of 14 sq. km. in what is described as the Central Ringarooma region. The tenement, EL59/2004, was subsequently granted in April 2005 for a period of 5 years.

VDM subsequently made application to transfer title to a Retention Licence, that title was granted in May 2006 as RL 5 / 2005 for a period of 2 years.

Exploration has in the main consisted of field work in support of GIS-based database compilation, QC, display and analysis. Field surveys have identified and accurately DGPS-surveyed the three dimensional location of relevant features including :

- exploration survey data, such as drill hole locations, test pits and lease pegs
- mining data, such as outlines of mine workings, water races, tailings races and dam walls
- cultural features, such as roads, fence lines, powerlines, and survey marks

Field crews have located a number of old drill holes. The accurate 3D location of these holes has enabled the accurate digitising of drill hole locations from historic maps and resource plans, which are added to the GIS database.

Results of these activities are presented here.

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1.0 INTRODUCTION:

RL5/2005 comprises four blocks and encompasses a “Probable Resource” containing tin (cassiterite) and sapphire. The resource is located immediately adjacent to and west of the Pioneer Lake, the site of past alluvial tin workings. Work during the past has included :

1. use of drill log data to model basement topography which controlled the deposition of tin-bearing alluvium. This work has led to more accurate definition of the resource boundaries.
2. use of sample data to display “down hole” tin grade distribution. This work has confirmed the presence of consistent concentrated “pay zones” lying above basement, and in some areas, additional potential near surface “pay zones”.
3. use of lithological descriptions on drill logs to correlate across “pay zones” where sample data may be missing.

The company purchased an RTK (real time kinematic) GPS system enabling highly accurate surveying of features such as drill hole locations, test pits and lease pegs. The X,Y,Z positions, accurate to 10-15 mm, have been incorporated into the drill hole database, and a basement topography surface has been re-generated.

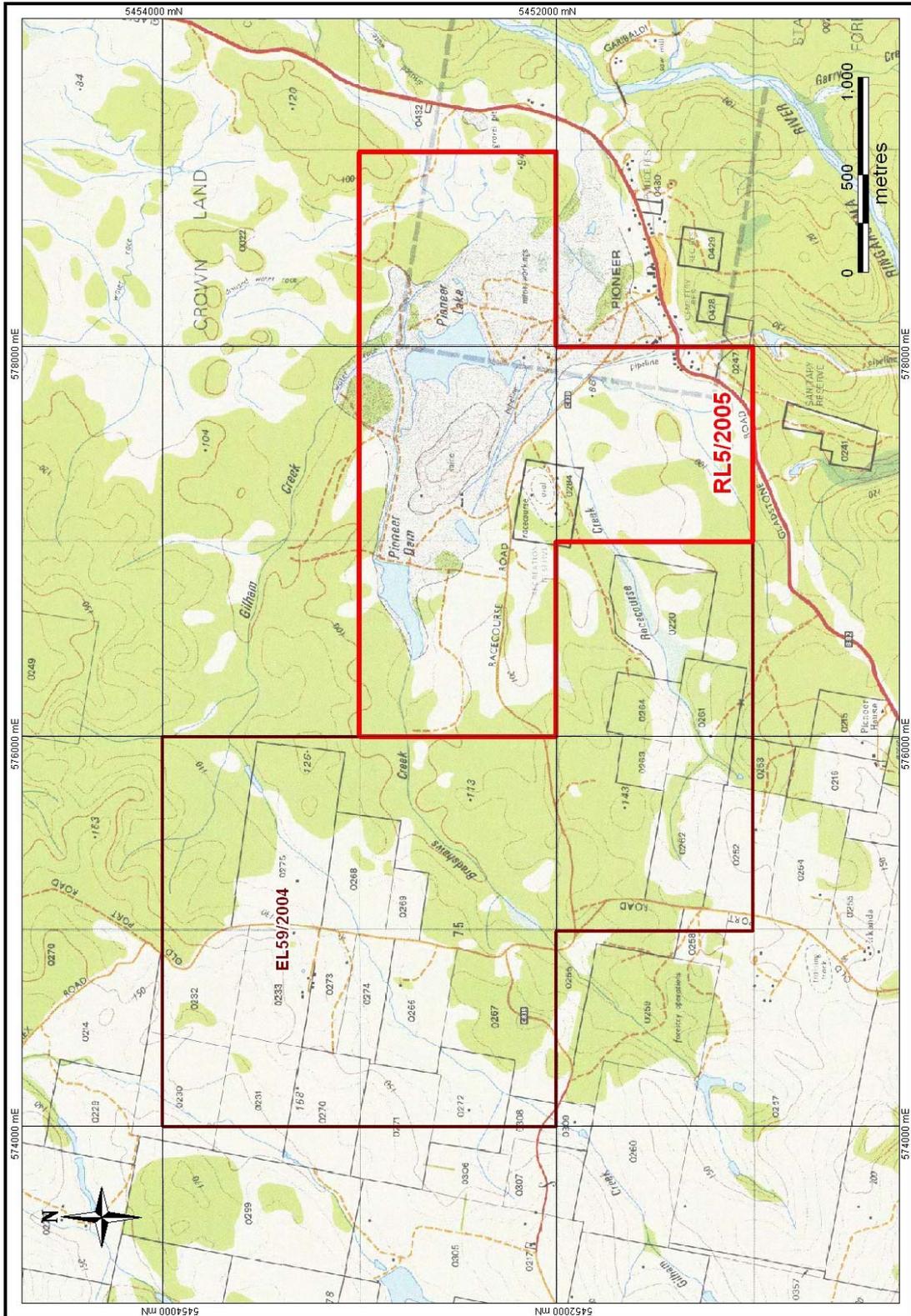
The result of work performed further confirms three possible alluvial targets within the tenement, specifically:

- The western extension of the current resource;
- A possible tin bearing channel entering the resource from the south, the OK Lead; and
- Un-mined ground east and south-east of the Pioneer Lake buried under old sand tailings.

2.0 LOCATION AND ACCESS:

The tenement comprising four blocks is centred approximately 1 km north-west of the Township of Pioneer, see Figures 1, 2 and 3.

Access is gained via the Pioneer-Winnaleah road and thence throughout the tenement via farm and bush tracks. The resource is located immediately adjacent to Pioneer Lake, being the remnants of historical mining.



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FIGURE 1 - LOCATION PLAN

25K TOPOGRAPHIC BASE

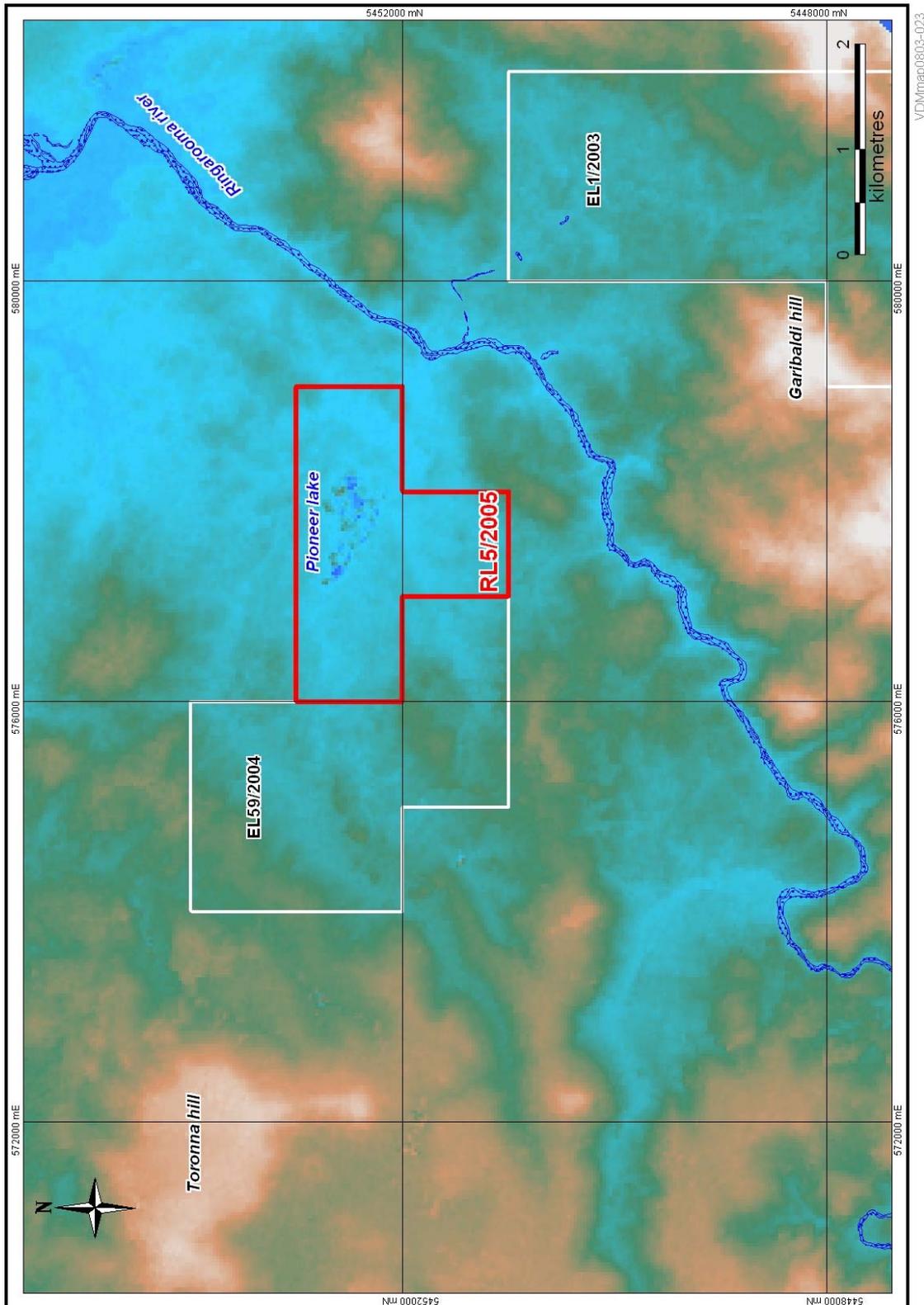
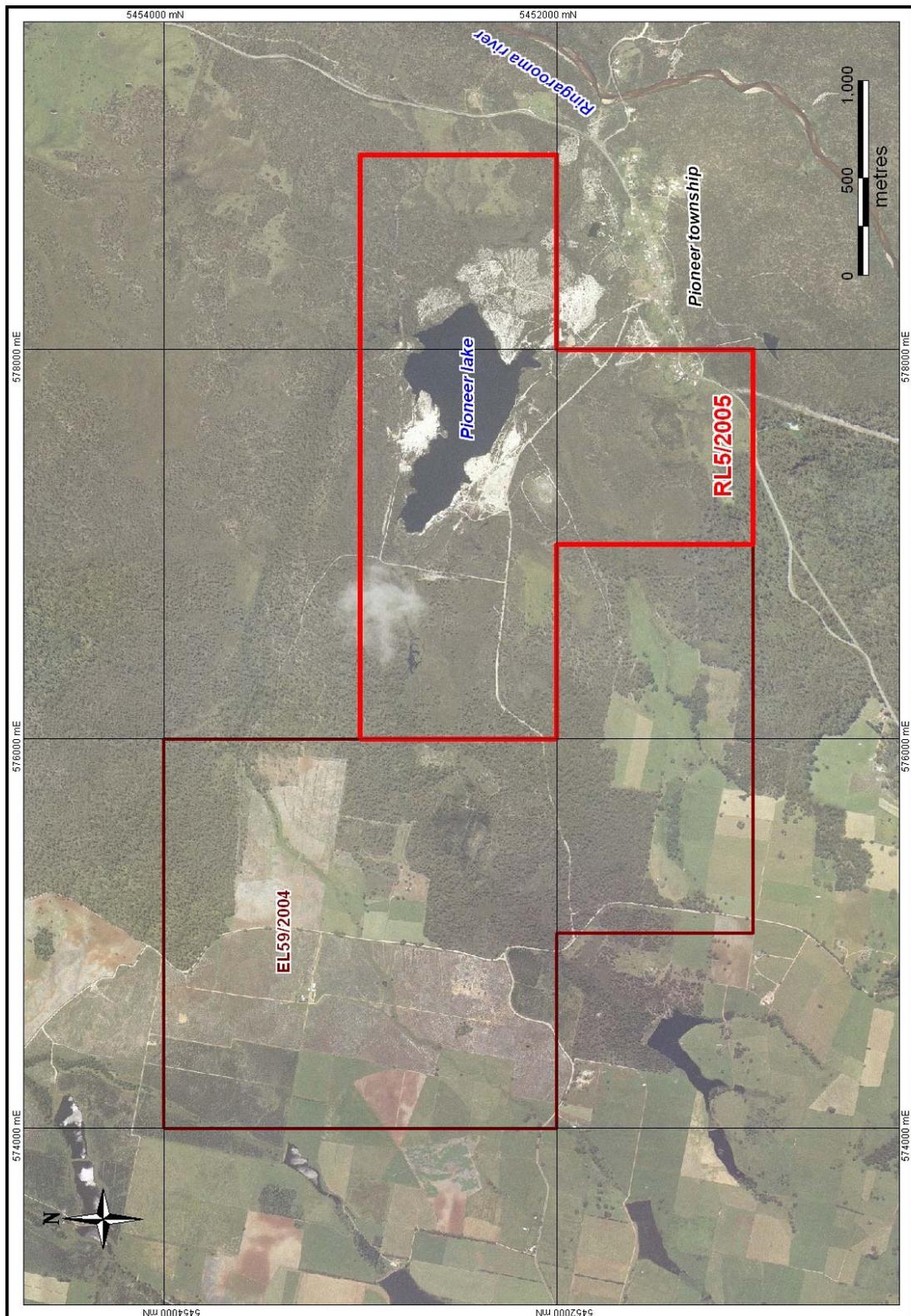


FIGURE 2 - LOCATION PLAN
SRTM (SURFACE ELEVATION) BASE



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FIGURE 3: LOCATION PLAN - PIONEER

AERIAL PHOTOGRAPHY BASE (c2005)

3.0 HISTORICAL BACKGROUND:

Alluvial tin was first worked in the general area in about the early 1880's.

The following historical data has been reproduced from a report by Amdex Mining dated 24th March 1980 (MRT ref : 80-1497).

Cassiterite was first discovered at Pioneer by William Bradshaw 1877. The discovery was made near the junction of Bradshaw's Creek and the Ringarooma River. The cassiterite was probably found in recent alluvium derived from the reworking of the Pioneer deep lead by the Ringarooma River.

The Pioneer Tin Mining Company was formed in 1882 to work this shallow ground, however these operations were not entirely successful. The workings were then let on "tribute" chiefly to the Chinese who carried out operations successfully until the late 1890's. The working of the shallow ground in a westerly direction led to the discovery of the rich "Pioneer Deep Lead". As this rich ground became exposed the took steps to equip and work the mine, construct dams, water races and test the property by drilling. The Company was restructures in 1900 to provide capital for this development.

Mining recommenced in 1900 and was carried out by means of hydraulic monitors and the ground was pumped to sluice boxes by large mounted steam-driven diesel pumps. The tails were discarded by hydraulic elevators or conveyors.

In 1909 the Pioneer Tin Mining Company completed installation of a hydroelectric scheme at the Frome Dam at a cost of \$77,600. During the same year the mining equipment was converted from steam to electricity.

Operations were carried out successfully until 1929 when the Ringarooma river, swollen by three days of continuous heavy rain, rose to abnormal heights and backed up through the drainage races and poured over into the mine. The two electric gravel pumps worked continuously in the hope of holding the incoming water until the peak of the flood had passed, but the bursting of the Cascade Dam caused a further rise in the river. By this time the power generation from the Dam was destroyed by a landslip and the mine quickly filled with water.

Sluicing recommenced in June 1930, some twelve months after the flood, but declining grades and falling tin prices led to the cessation of sluicing operations in December 1931. The workings were then let on tribute to local operators.

In October 1933 the Austral Malay Tin Mining company, which was then assessing mines in the district, drilled 18 scout holes ahead of the old working face. No written report is available on the drilling but pencilled comments on a plan at the Tasmanian mines Department suggests their assessment of the reserves was 7.6 million m³ of 297 g SnO₂/m³ (2,257 tonnes SnO₂). Austral Malay did not proceed with any follow-up work.

Further drilling was carried out in 1960/61 by Storeys Creek Tin mining company who drilled a total of 15 holes in the vicinity of the of the old Pioneer pit. It appears that by this time Endurance Tin mining company has dropped the mining leases covered by the Pioneer lead and retained the Frome Dam and water licences for the Endurance Mine. The Storeys Creek drilling showed lower grades than the 1935 drilling, however this may be attributed to poor drilling and sampling procedures.

In the mid 1960's Utah took up expensive exploration licences in the north-east to explore for tin. Part of these exploration licences covered the Pioneer Lead.

In 1967 Mr V. Wood acquired the Pioneer leases from Utah and commenced mining along the south-east side of the old workings. Initially Wood mined by hydraulic monitor and sluice box using water from the Pioneer race owned by Endurance.

In 1970 BMI purchased the endurance operations and restricted the amount of water released from the Frome Dam. This action severely curtailed Wood's mining operations at Pioneer. In 1973 Wood purchased the Frome Dam, power station and water races from BMI for \$40,000. With larger volumes of water available, Wood replaced the sluice boxes with jigs.

Wood continued to mine until early 1976 when the Pioneer operations were purchased by Triako and Buka (read Amdex group of companies). Since that time Amdex continued to mine in a westerly direction following the deep lead and has carried out an extensive drilling program to prove the reserves ahead of the face.

The estimated production from the Pioneer Lead is shown in Table 1.

TABLE 1: PIONEER LEAD TIN PRODUCTION

PERIOD	OPERATOR	VOLUME TREATED (m ³)	STREAMED SnO ₂ (Tonnes)
1877 - 1900	Pioneer Tin Co. & Tributors	-	500*
1900 - 1931	Pioneer Tin Co.	10,915,000	9,360
1931 - 1933	Pioneer Tin Co. & Tributors	Residues	142*
1933 - 1946	Tributor for Endurance Co.	Residues	100*
1967 - 1976	Vern Wood	1,000,000	242
1976 - 1979	Kibuka Mines	750,000	210
TOTAL			10,554

* estimated

Little if any work has been undertaken in the Pioneer area since that time. In 2001 the area was acquired by Mineral Holdings Australia as an effort by the principal to aggregate the alluvial resources of the Middle and Lower Ringarooma basin into an economic resource base. Acquisition of drill data has enabled Mineral Holding to reassess the resource status at Pioneer in light of modern mining and alluvial treatment techniques.

A summary of the various drilling campaigns conducted around the Pioneer area appears here as Table 2, and as Figure 4.

TABLE 2: SUMMARY OF HISTORICAL DRILLING AT PIONEER

COMPANY	AREA	YEAR	TYPE	NO OF HOLES
Pioneer Tin Mining Co	Pioneer	1898 - 1928	Hand Plant	224
Austral Malay	East Pioneer	1935	Hand Plant	18
Storeys Creek	Pioneer	1961	Percussion	31
Amdex	Pioneer	1978	Auger	20
Amdex	Poverty Point	1979	Auger	19
Amdex	Pioneer	1977 - 1980	Percussion	118
Amdex	Pioneer tailings	1980	Percussion	1
Amdex	Pioneer	1980	Rev. Circulation	20
Amdex	North Pioneer	1980	Auger	9
Amdex	Poverty Point	1980	Auger	11
Amdex	Pioneer	1981	Percussion	10
Anglo	Pioneer	1982	Rev. Circulation	63
Anglo	Pioneer	1983	Percussion	29
TOTAL				573

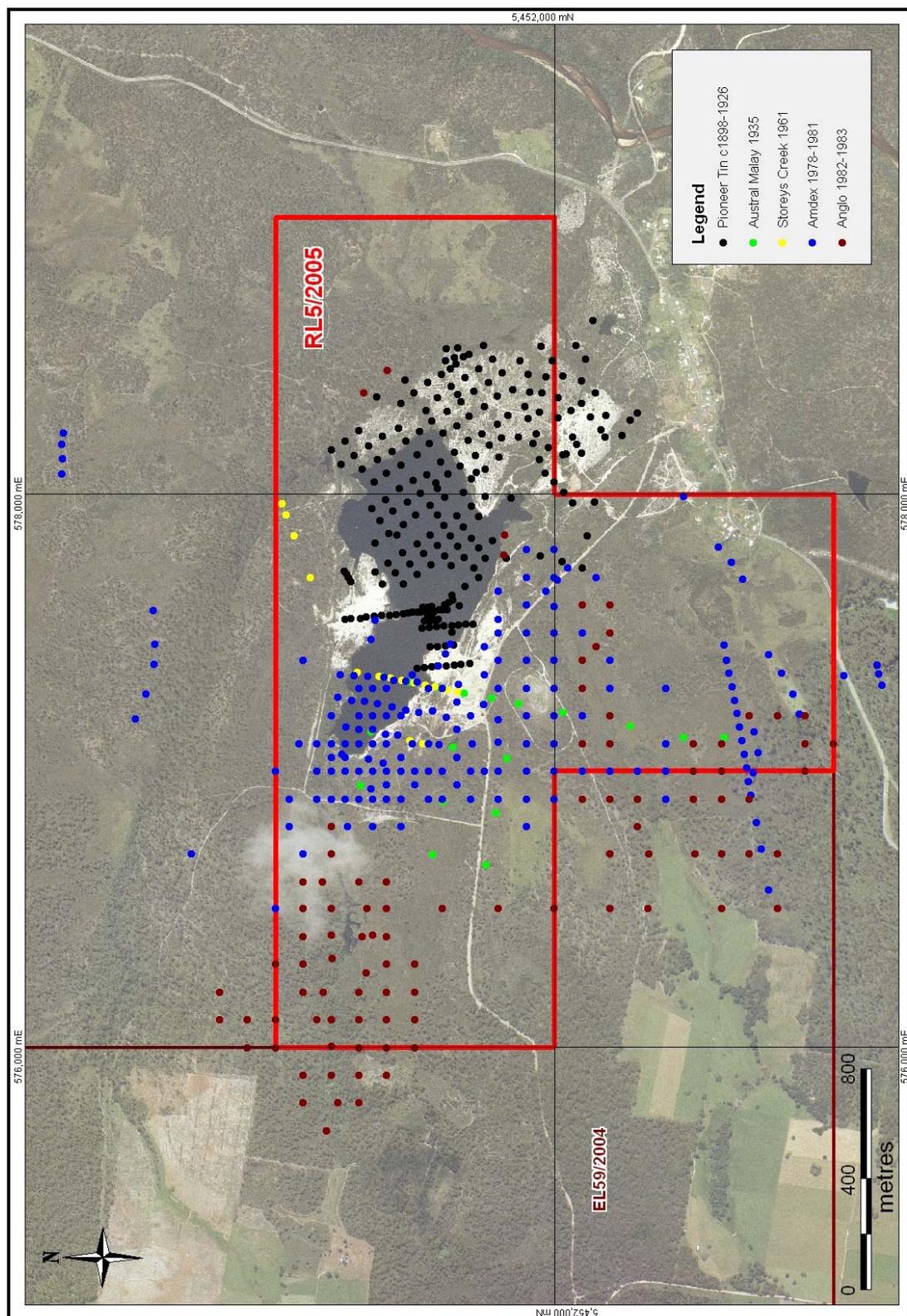


FIGURE 4: PIONEER DRILLING CAMPAIGNS BY OPERATOR
AERIAL PHOTOGRAPHY BASE (c2005)

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. Historical data; mine locations, drill hole locations and geophysical data are being progressively added to a regional database.

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, Table 3 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.

Although the basic basement and regional geological settings apply to this tenement the resource is contained within a Tertiary age outwash deposit related to the "Wyniford Lead". The deposit derives its alluvial component from the Blue Tier Granite massif, from older and younger Tertiary basalt flows and to a minimal extent from the Mathinna Bed metasediments. The alluvials have a very strong granitic component and the heavy mineral content a mixed source; granitic and basaltic (zircospilic).

Uplift and massive erosion in the Tertiary is the main influence controlling the development of all the tin bearing deposits of the north east. Locally the deposits may vary in the nature of their deposition however the sediment source of the alluvial gravels remains basically the same. In some instances granite based sediments predominate and in others meta-sediment, at Pioneer there is a mixing of both components with granite based sediments predominating.

Tertiary geomorphology is not fully understood, the palaeo-channels of the ancient Ringarooma, Boobyalla and Musselroe Rivers that dominated the drainage system in the north east have yet to be accurately defined and features such as the broad Endurance channel and the Pioneer outwash fan deposit appear to contradict the generally northwards drainage system.

Periods of uplift and faulting, marine transgression and regression are also not well understood. Faulting observed in Tertiary gravels at Pioneer and postulated at Endurance indicate that the area was geologically quite unstable up to and including the period of younger Basalt volcanism.

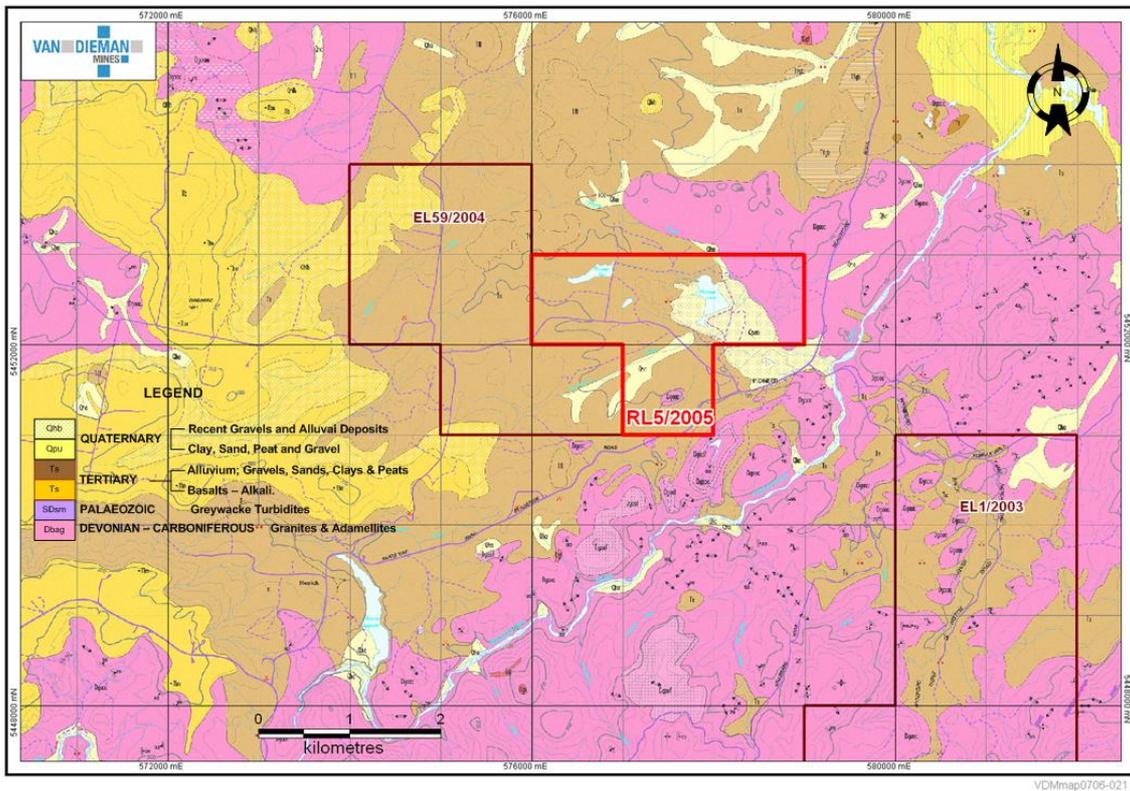


FIGURE 5 - GEOLOGICAL PLAN OF RL5 / 2005

TABLE 3
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

4.2 LOCAL GEOLOGY:

The original Pioneer discovery was apparently made where the modern Ringarooma River cut the older Tertiary Wyniford Lead. From that point the Pioneer deposit trends north and then north-west toward the buried palaeo-channel of the Ringarooma River. The junction of these two systems is postulated to lie approximately 3 to 3.5 km north west of the Pioneer workings and within the adjoining tenement, EL 59 / 2004.

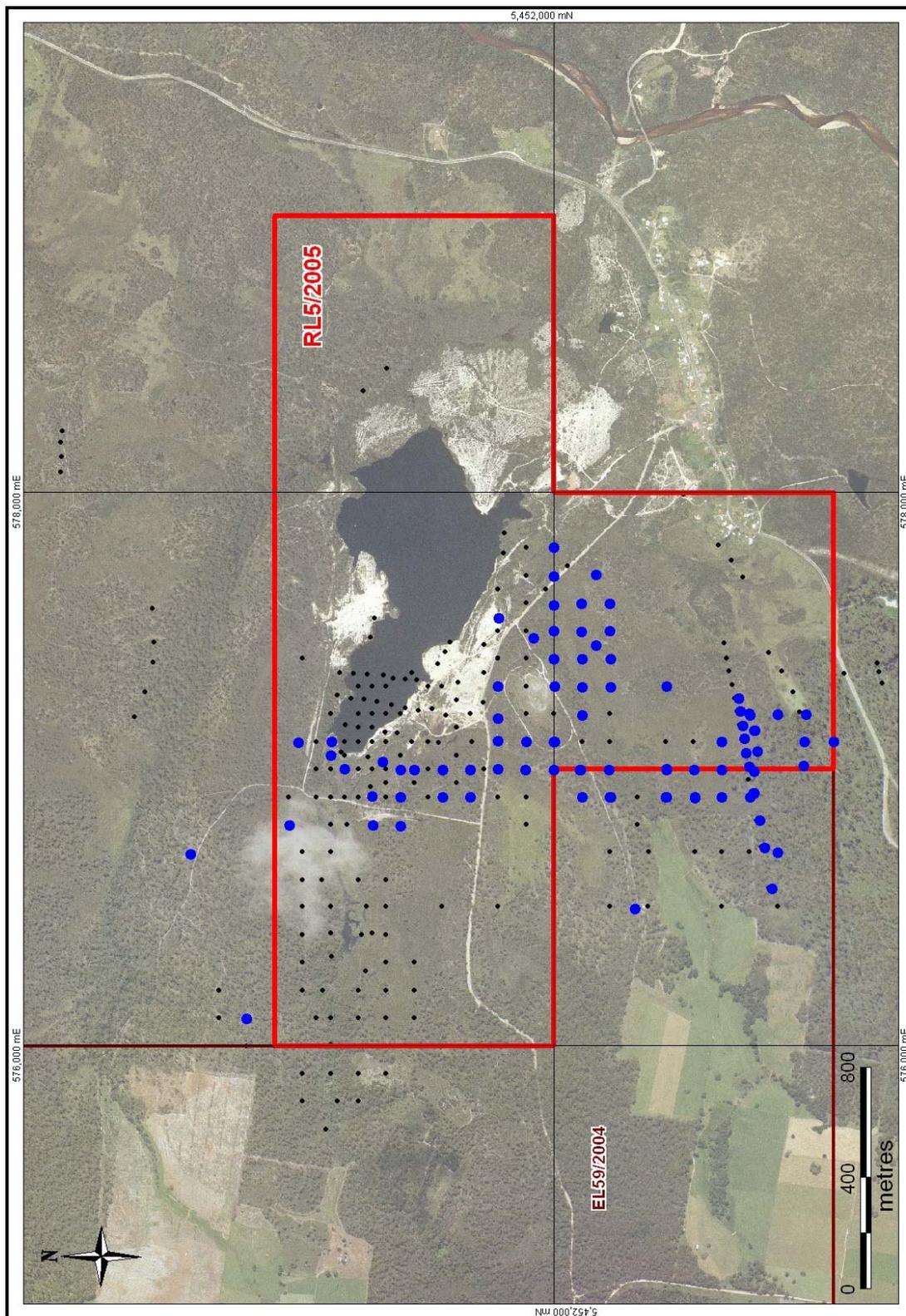
The palaeo - geography of the area is somewhat problematical. The ancestral channel of the Ringarooma is marked by a linear basalt flow. The possible basalt filled channel just north of and postulated to parallel the Pioneer - Derby road may represent an un-recognised pre-basalt palaeo-channel although there is no evidence as to which direction of flow this channel may have taken. A number of alternatives exist, specifically:

- ❖ The channel may commence on the area of basement high that separates the Wyniford Lead from the present day channel of the Ringarooma River;
- ❖ The OK Lead joins the channel and both flow westward from the basement high and then joining the ancestral Ringarooma near Herrick;
- ❖ The Wyniford Lead was entrenched along and beside a granitic basement high probably in a similar fashion to the Endurance deposit probably as a result of headwater capture of the Wyniford and Gladstone Leads by a major south bank tributary of the ancestral Ringarooma; or
- ❖ If this channel in fact existed the Wyniford Lead may have cut and captured the stream prior to basalt outflow.

4.3 RECENT EXPLORATION:

There has been little exploration over the past year with this tenement.

However, field survey work was done in early 2008 by way of locating historic drill hole sites. To date over 80 physical drill hole locations have now been found and DGPS-surveyed. Other field work included locating and surveying areas where basement outcrops on to the surface. The company drill hole database has been “upgraded” with the highly accurate X,Y,Z survey data. These holes are well “spread” across the resource, as depicted by the large blue-coloured circles in Figure 6.



VDIMmap0803-028

FIGURE 6: DGPS-SURVEYED DRILL HOLE LOCATION PLAN

Secondly, new data was added to the drill hole database by way of a previously unknown set of drill logs uncovered at MRT. A program of 20 auger holes was drilled by Amdex in late 1978 with the aim of defining shallow high-grade tin detected in 1977 drilling. This program “in fills” the area between holes K19 and K20 as depicted by the large red-coloured circles in Figure 7.

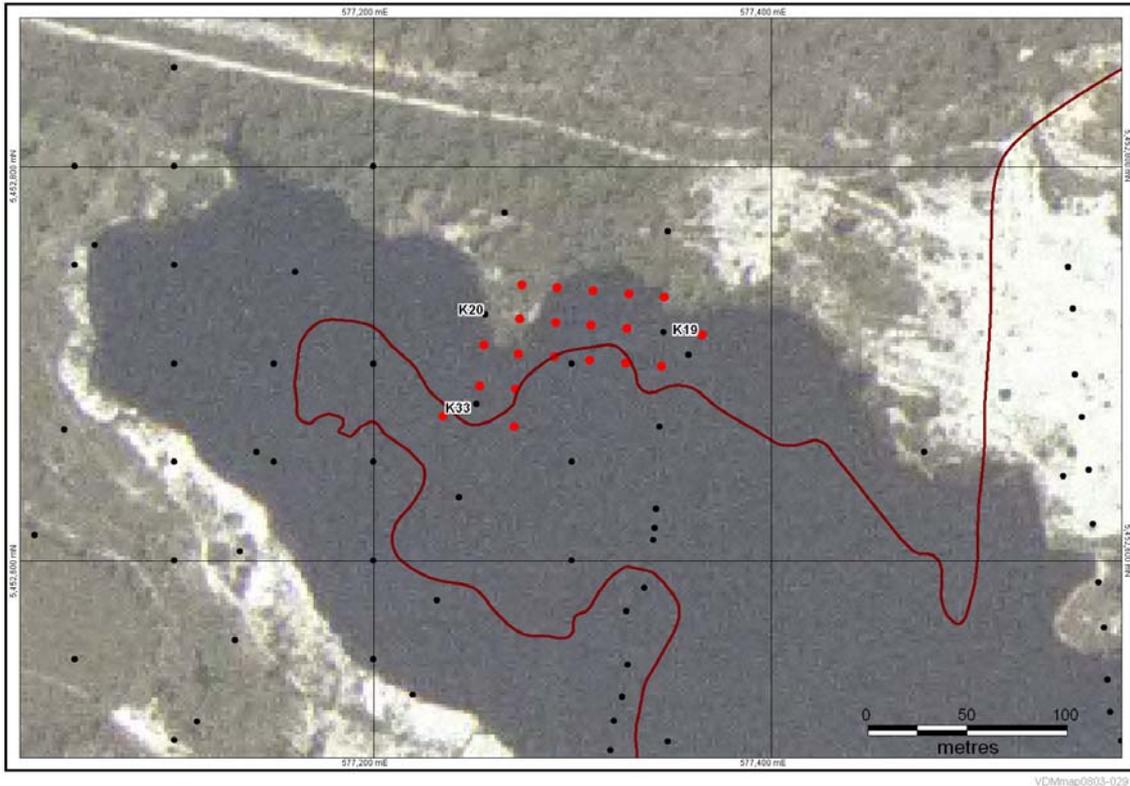


FIGURE 7: AMDEX 1978 IN-FILL PROGRAM

The Pioneer drill hole database includes data for over 570 drill holes. The location of all of these holes can be seen in Figure 8. A tabulation of drill hole data digitised from various drill logs and annotated maps appears in Appendix 1.

With the incorporation of new and “upgraded” data, basement topography has been re-modelled. The latest 2D basement topography model can be seen in Figure 9. A 3D representation can be seen in Figure 10.

Thirdly, sample grade data from over 250 drill logs has been digitised, and QC'd by way of reproducing reported interval grades from the reported weight, volume and assay data on the logs.

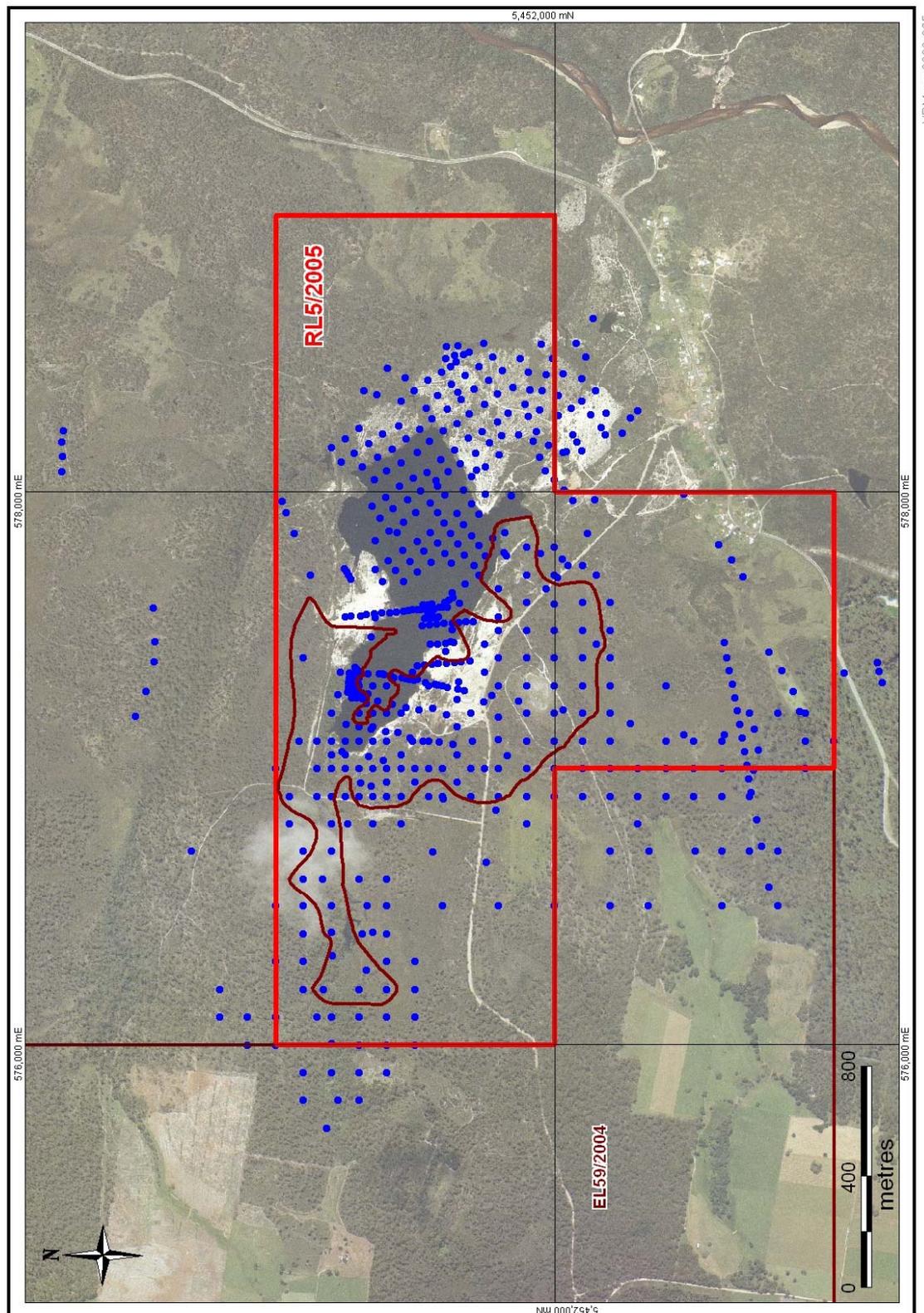


FIGURE 8 : PIONEER DRILL HOLE AND RESOURCE LOCATION PLAN

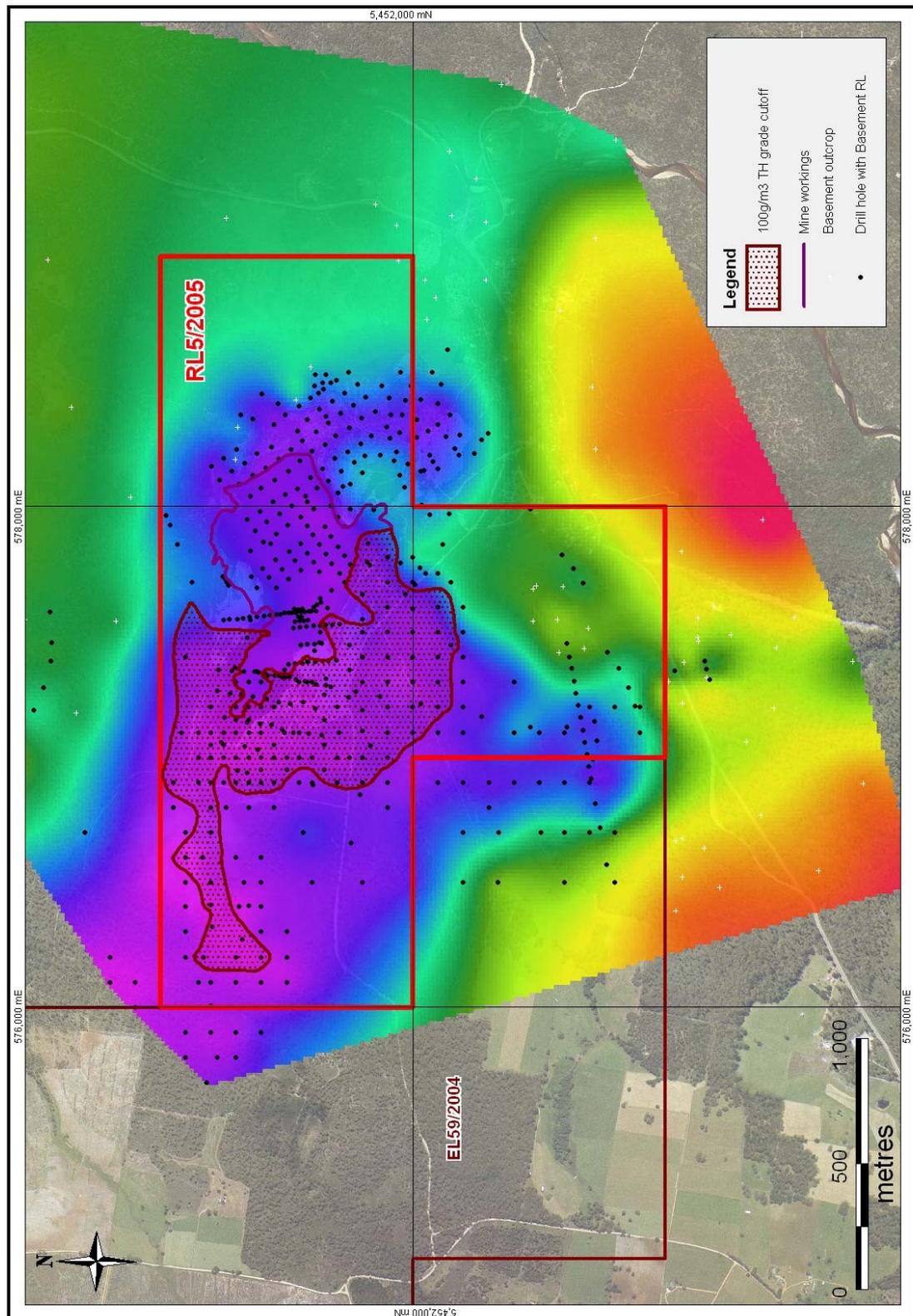


FIGURE 9: BASEMENT TOPOGRAPHY - APRIL 2008

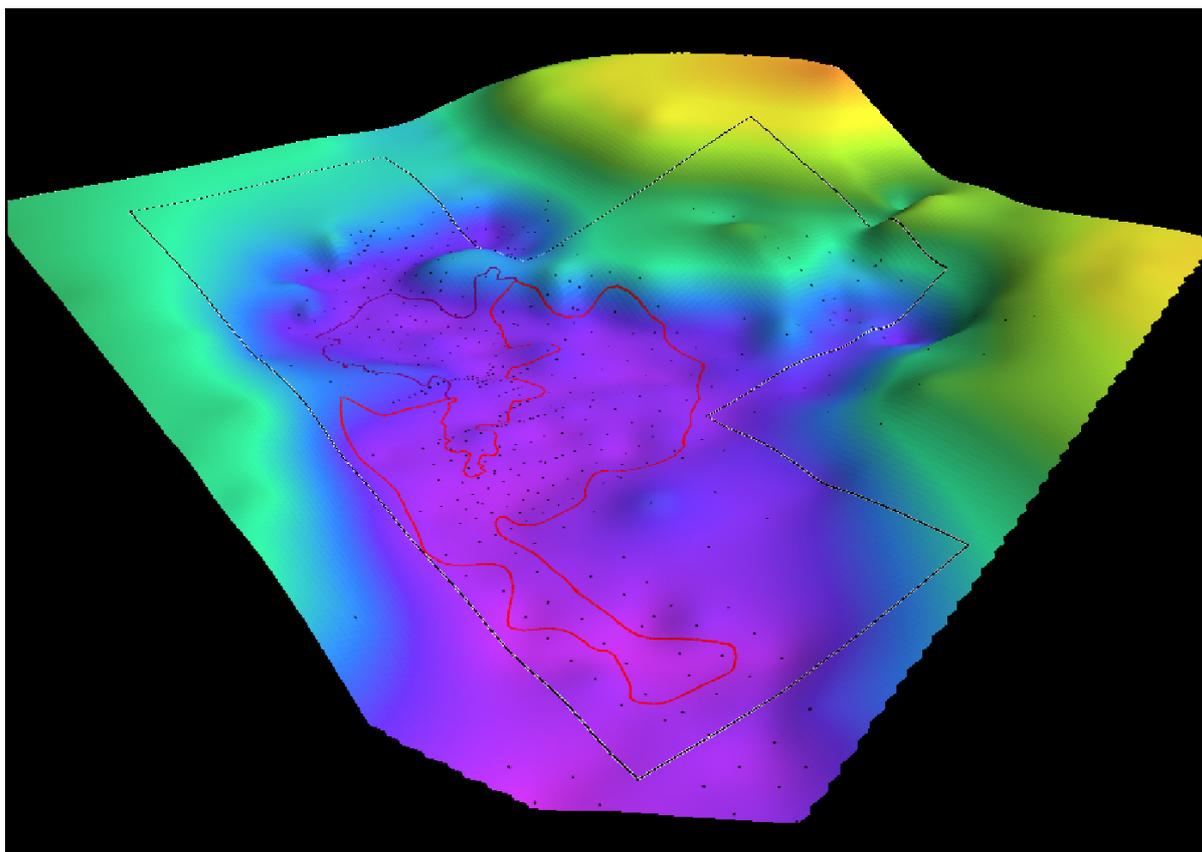


FIGURE 10 - 3D VISUALISATION OF BASEMENT TOPOGRAPHY

Down hole grade data is being visualised by way of a histogram, showing all sample intervals and thematically-coloured grades. A grade histogram for Amdex hole K20 is shown in Figure 11. Histograms have been produced for all available Amdex and Anglo drill holes. They are all consistently scaled by depth (ie vertical scale), and both SurfaceRL and BasementRL values are annotated so holes along a line of drilling can be correlated.

Using a cut-off grade of 95 g/m³, sample grade data has been used to calculate various “down hole” data including the “top” and “bottom” levels of high-grade tin present above basement. A tabulation of data derived from sample data appears in Appendix 2.

By aligning grade histograms for drill holes along a line of drilling, interpretation of down hole grade distribution and thicknesses of high-grade tin deposits can be performed. The histograms can be used in conjunction with drill hole cross sections to assist interpretation. Furthermore lithological descriptions can be used to assist with correlation where sample data may be missing.

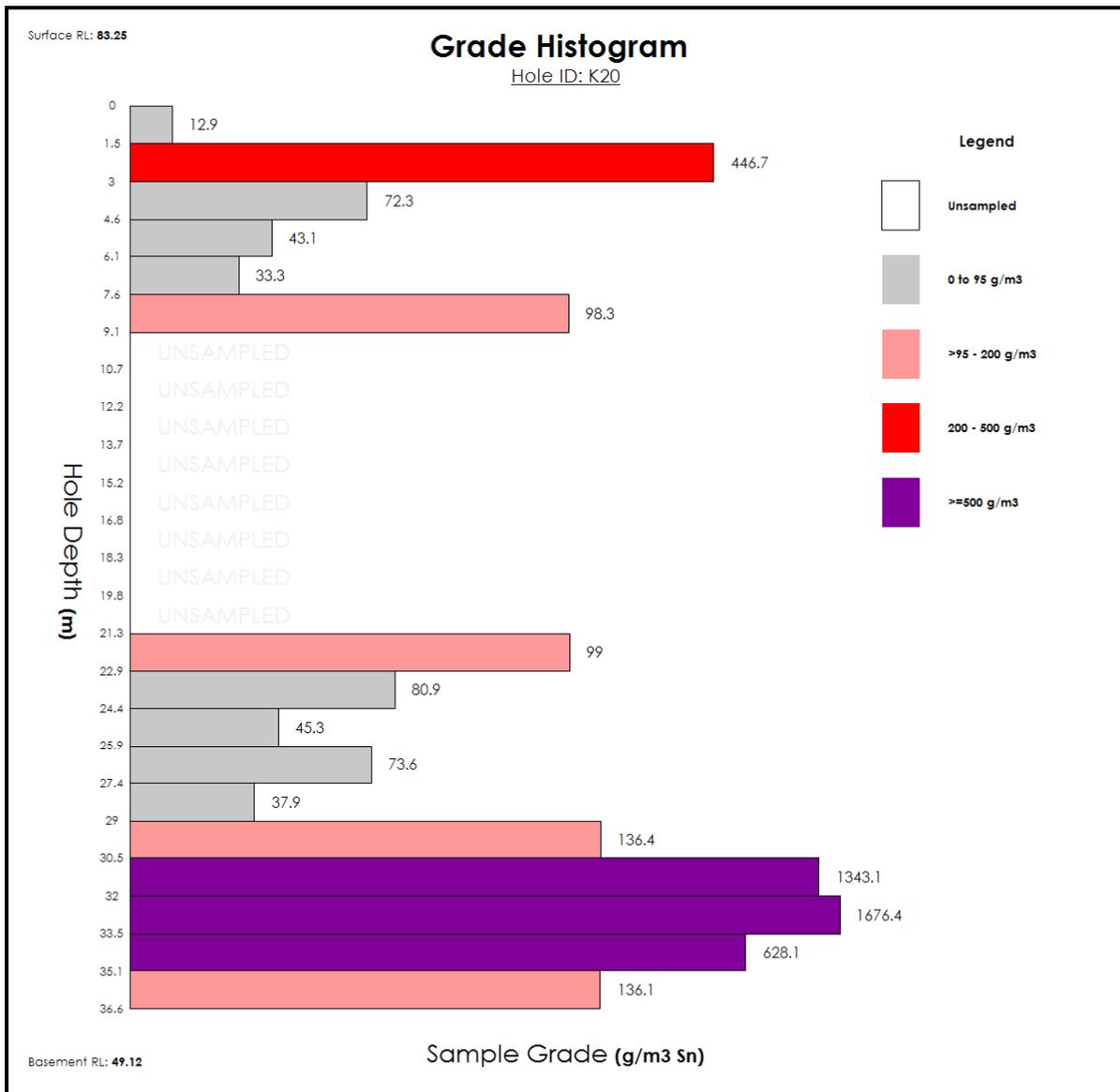


FIGURE 11 - GRADE HISTOGRAM FOR AMDEX DRILL HOLE K20

5.0 DISCUSSION OF RESULTS:

The result of past work can be seen in the further development of the basement topography. Incorporation of basement outcrop data has fully defined the drainage pattern from the south, the basement constraints in the north, and the resultant drainage to the north-west in the direction of VDM's tenement EL59/2004.

After investigation of all technical company reports (TCR's) available from the MRT library, it is not expected that any other drilling programs exist. However, it should be noted that an Amdex 1979 report (MRTref 79-1396) states : "Logs for Pioneer Tin Mining Company Drilling (c1898-1928) have been located and are held at Amdex's Endurance office." In an effort to locate these logs, we have made contact with people involved with Amdex's operation who are still living in Tasmania, such as Revel Munro. Any data received will be passed on to MRT.

6.0 PROPOSED WORK PROGRAMS:

The current holder of this licence, Van Dieman Mines Pty Ltd, is currently in liquidation, the company having been placed in Administration on 27 February, 2009. Since the appointment of Administrators, all operations have been subject to review with the nearby Scotia Mine currently on Care and Maintenance.

The services of the company's Exploration Manager were terminated by the Company prior to the appointment of the Administrators and there have been no further exploration work on these tenements since that time. Ongoing work programs are currently subject to review and it is hoped that this review process will be finalised by the end of 2009.

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8.0 APPENDICES:

8.1 DRILL HOLE LOCATION DATA SHEETS, PIONEER

See Separate Electronic File RL52005_200804_02_Appendix

8.2 DRILL HOLE GRADE DATA SHEETS, PIONEER

See Separate Electronic File RL52005_200804_03_Appendix