



14 November 2008

VAN DIEMAN MINES PLC (the "Company")

Operational Update

The Board of Van Dieman Mines Plc, (AIM: VDM), the AIM listed mining company (the "Company") is pleased to report that, since it last issued an operational update on 26 August 2008, significant progress has been made in implementing its revised mine development plan to bring its Scotia alluvial tin and sapphire mine in Tasmania into production.

The initial phase of confirmatory drilling has been completed, and the first assay results have been received by the Company. The results received to date (about 25% of the total meterage) have been broadly consistent with the historic drilling, both overall and in closely adjacent holes. There is evidence of significant payable tin in the lower part of what was previously defined as overburden, which could lower the strip ratio and increase tin production per lineal metre of the channel. The channel is now reasonably well defined in the initial mining area. Mining and dewatering progress has been steady, and an area of about 8,000m² has been stripped to the water table or below. The Company expects to have sufficient payable wash and overburden pre-stripped for one to two months processing by the time that the plant is ready in December. The in-pit ore bin and pumping system is nearing completion, and will be installed in December.

Despite the progress made on mining and processing at Scotia, significant uncertainty remains as to how to optimise the overburden stripping and mining operation at Scotia. The Company is treating the first few months of operation and production as a trial mining and processing phase, and expects to progressively review and revise its mine plan accordingly.

Modifications to side B of the Scotia primary process plant ("Side B") are well advanced, with only electrical and plumbing connections remaining to be completed. Modifications to Side B are expected to deliver an increase in production throughput from 150 bank cubic meters ("bcm") / hour to 200 bcm / hour. The Company will be seeking an increase in operating hours to enable production from Side B at the rate originally planned from both sides of the plant operating at the nameplate 300 bcm / hour

The Directors currently believe that production at Scotia will commence in December 2008, with ramp up to 200 bcm / hour (12,000 bcm / week) achieved in January 2009. Full production of 18,000 bcm / week through the plant will depend on the application to extend operating hours, and is currently scheduled for April 2009.

Under the above plan, side A of the Scotia primary processing plant ("Side A") will be available for either Endurance or a second mining site further north on the Scotia lead. The Company is examining various options to have both Endurance and a second Scotia mine site in production by the end of 2009.

Confirmatory Drilling Program Completed

The previously announced confirmatory drilling program on the first part of the Scotia lead was completed in early October. 36 holes were drilled for a total of 682m. This was less than the planned total because the depth to the basement of the channel was somewhat less than expected. Assays have been received for about 25% of the meterage, but with prioritisation of potential pay zones in the

holes immediately ahead of where mining will commence. The drilling results will be reported in detail by the Company when all of the assay data is in hand, including duplicates and blanks, and can be fully analysed. The main outcomes of the drilling program to date have been as follows.

A readily recognisable gravel “wash” zone about 6m to 8m thick has been intersected in the holes drilled into the main part of the palaeochannel. This wash thins at the margin of the channel as basement shallows, and the Company now has sufficiently accurate mapping of the channel to plan the first 6 months’ mining. The wash zone is water-saturated and over-pressured and presented significant difficulties in drilling and sampling, but protocols were established early in the program to optimise the reliability of the sampling.

The large size of the samples and the amount of water in them have resulted in a complex and time-consuming pre-concentration stage for each sample on site, prior to delivery of the concentrate sample to the assay laboratory. Assay turnaround has been very good at one to two weeks, but only about 40-50 samples per week can be pre-concentrated with the available equipment and experienced labour at site. It will therefore be the end of the year before all assays are in hand. However, the Company has prioritised the pre-concentration of the samples, and currently expects to be able to make a substantial announcement with details of the assay results of the key sections of the most important holes early in December.

The assay results received to date are broadly consistent with those reported from the historic government drilling, both overall and at adjacent hole locations, and have given the Company the confidence to proceed with its mine plan. The grades are highly variable from hole to hole, with average grades of the wash zone ranging from about 200 gm SnO₂ / bcm to over 2000gm SnO₂ / bcm, even in holes just 20 m apart. Individual metre samples of wash range from <100 gm SnO₂ / bcm to almost 10,000 gm SnO₂ / bcm.

The area in which mining will commence, at the southern end of the Scotia lead, has potentially payable tin grades in what was previously regarded to be the overburden / waste overlying the main wash zone. This overburden tin has the potential to significantly reduce stripping requirements and modestly increase tin production per lineal meter of development in this area although only production experience will demonstrate the impact of this on mined grade. The Company is currently investigating how to best assess and deliver this material to the mill. The few holes for which assays have been received in the northern part of the drilled area do not show evidence of payable tin in the overburden.

Preparations for Mining at Scotia

Dewatering and stripping of overburden has continued at Scotia with good progress, and has moved from a trial process to a routine mining operation. An area of about 8,000m² has been stripped to the water table or below, and access ways to the orebody completed. The Company expects to have sufficient payable wash and overburden pre-stripped for one to two months processing by the time that the plant is ready in December. An in-pit sampling program has just commenced to trial a range of grade control methodologies. The in-pit ore bin and pumping system is nearing completion, and will be installed in December. Freshwater Dam #1 has been filled, and Dam #2 is currently being filled.

The Company has recently received preliminary advice from its mining and geology consultants concerning mine planning and mining operational options and costs. The advice emphasised the importance of properly estimating and minimising the overburden stripping costs to the economics and management of the operation. It also pointed out that a range of options exist to optimise the operation, based on information that will only become available during the first few months of operation. The advice also emphasised that significant uncertainties still exist as to mine head grade of tin in the wash, the amount and recoverability of tin in the overburden above the wash, the amount and recoverability of sapphires, gold and other products, and exactly how the slurry pumping system will be fed from the wash. As a result, the Company is treating the first few months of operation and

production at Scotia as a trial mining and processing phase, and will be progressively reviewing and revising its mine plan accordingly.

Variation to Treatment Plant Plan

The Scotia primary treatment plant that had been installed comprises two parallel and separate processing facilities or “sides”, each with a nameplate capacity of 150 bcm / hour. The Company is nearing completion of the modifications to Side B of the plant to simplify it, to make it safer and more efficient to operate, and to modify it to take a pumped slurry feed. Additional modifications to those envisaged in August have been made to reduce the load on the secondary plant (Tin Shed), which would have been a potentially serious bottleneck, and to optimise recovery of gold.

The Tin Shed has been substantially simplified as a result of modifications made to the primary processing plant. It will comprise electrostatic and magnetic separators to undertake the final refinement of the tin concentrate and to capture a range of potentially saleable products.

As a result of these changes, the Company is confident that the capacity of Side B can be increased to 200 bcm / hour. The Company has also commenced a dialogue with the key regulatory agencies concerning an increase in operating hours for the mine and plant. The current permit is 12 hours per day, five days per week, which would have resulted in 18,000 bcm per week through the dual plant at 300 bcm / hour. The Company has foreshadowed an application to operate 24 hours per day, seven days per week, and will operate the plant on the most cost effective schedule to deliver at least 18,000 bcm per week utilising only Side B. The initial response from the regulatory agencies has been encouraging, but consideration of the Company’s application will have to await a noise measurement program after commencement of operations. Side B is currently undergoing final electrical and plumbing connections, and is still expected to be in production during December. However, the Company is forecasting production at 2/3 rate for January to March, to allow time for noise measurements, possible noise amelioration initiatives and the approval process to vary permitted operating hours.

Endurance and a Possible Second Mine on the Scotia Lead

The Company has decided to delay commencement of the Endurance operation so that it can take full advantage of the experience of the first few months’ mining at Scotia. The environmental components of the Endurance Development Plan and Environmental Management Plan (DPEMP) are proceeding through the consultation and approvals process, but the Company has withdrawn the development plan until further studies have been undertaken on alternative mining methods for Endurance, and the experience of commencing production at Scotia can be brought to bear on finalising the mining and processing plan at Endurance.

The board has directed management to immediately commence planning for a second mining and processing site in the northern part of the Scotia lead. The processing plant would be based on Side A of the current Scotia plant, modified as per Side B, with an increased capacity of 200 bcm / hour. To develop a second mine site at Scotia only requires the Company to seek a variation to the Scotia DPEMP, which is expected to be a less onerous and faster process than at Endurance. The objective under such a plan would be to double the production rate from the Scotia project around mid-2009, with Endurance to follow later in the same year.

Enquiries

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The technical content of this announcement has been reviewed by Ron Goodman, CEO of Van Dieman Mines plc, who has over 40 years experience in Mineral Processing. The geology, exploration and mining inputs have been provided by VDM Consultants and accepted as they are recognised experts in the industry and are working closely with the Company. Mr Goodman is a Member of the Australasian Institute of Mining and Metallurgy (MAusIMM) and HNC Metallurgy (UK).