ANNUAL EXPLORATION REPORT
EL23583

FOR PERIOD ENDING 15th JULY 2006
‘PINE CREEK’
BURNSIDE PROJECT NT

Pine Creek SD5208 1:250,000
Pine Creek 5270 1:100,000

Titleholders: Buffalo Creek Mines Pty Ltd 50%
Territory Goldfields NL 50%

GBS Report No. PC/BJV/06/29
Prepared for GBS Gold Australia Pty Ltd.
By BR Smith
Rocksearch Australia Pty Ltd
15th August 2006
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1. SUMMARY

EL 23583 is close the southern perimeter of the Pine Creek township, and covers potential extensions of mineralisation south from known deposits such as Kohinoor, and Elsinore. The technical review indicated that the northern block is well placed to contain any economic extensions to mineralisation south of MCN523. The southern block of the EL is shown to contain anomalous quartz vein trends but many of these are inconveniently close to either the Stuart Highway or the Darwin-Adelaide railway. Future exploration in these areas is of a lower priority than the main mining centre to the north. Work in the next year will examine the previous work in closer detail, with georeferencing data into MapInfo, and reconnaissance work within the Licence.

2. LOCATION AND ACCESS

EL23583 is situated approximately 220km SE of Darwin NT, and around 2km south of the Pine Creek township. The Stuart Highway transects the tenement south of Pine Creek (Figure 1).

Topography in the southern block of the EL is subdued and colluvial cover is extensive. Tributaries of Copperfield Creek flow south westwards in the vicinity of the Licence.
Figure 1
Tenement Location Map

GBS GOLD AUSTRALIA PTY LTD
Project: Pine Creek EL 23583

Compiled: B.Smith Date: 15/8/2006 Scale: 1:25000
Projection: UTM Zone 52, Southern Hemisphere
3. TENEMENT STATUS AND OWNERSHIP

EL23583 was granted on 16th July 2003 and expires on 15th July 2009. It comprises two blocks that cover approximately 6.67 sq. km (Figure 1).

The northern block is significantly smaller due to inclusions of mineral claims and mining licences. MCN’s 523 (Elsinore, Chin Phillips), MCN’s 4072 and 4074, and MLN 13 (Koh-i-Noor, Eleanor, Christmas) all partly lie within the northern block of EL23583. A waiver from reduction was requested in June 2006, partly because to relinquish the southern block would remove >50% of the licence area. Relinquishing the northern block would affect exploration on extensions to mineralisation in the surrounding MCN’s.

EL23583 was granted in equal shares to Buffalo Creek Mines Pty Ltd (50%) and Territory Goldfields NL (50%), which were part of the Burnside JV. The Burnside JV was a JV between Harmony Gold (50%) and Northern Gold NL (50%). During 2005, GBS successfully made a takeover for Northern Gold NL, and has reached an agreement to purchase Harmony’s 50% share of the Burnside project. GBS Gold have 100% of the Burnside Project as of 1st April 2006.

Underlying cadastre is mixed; the dominant landholder is Bonrook Station (Franz Weber; PPL 710), with smaller parcels of Crown Lease (Perpetual) around the Chin Phillips mineral occurrence, and a Crown Lease (Term) covering the railway corridor. The Pine Creek Mango Plantation P/L holds a pastoral lease (PL 5096) in the NE part of the licence.
4. GEOLOGY

Regional geology is outlined in many publications, notably Ahmad et. al., (1994), and Needham and Needham and Stuart-Smith (1984), and Needham et. al (1988). The tenements are within the Pine Creek Geosyncline, a folded sequence of Lower Proterozoic pelitic and psammitic sediments, with interlayered cherty tuff units. Mafic sills of the Zamu Dolerite (~1.87Ga) intruded lower formations of the South Alligator Group.

Most of the tenement overlies the Burrell Creek Formation of the Finniss River Group. Mount Bonnie Formation sediments crop out further north of the Licence, but are constrained within a fold ('Enterprise fold') that plunges south through EL23583. At Koohinoor, 45° SW-dipping thrust faults have superimposed slices of western fold limbs over the eastern limbs, and have also been the focus of mineralisation.

The more southerly block covers a sequence of Burrell Creek Formation sediments that dip south westwards at an average of 65 degrees. Quartz veining in the eastern half of the tenement, striking generally 340 degrees, is sporadically mineralised by either argentiferous galena or gold. The Lucknow Lead Mine within the SE sector of the tenement is one of the more prominent prospects developed by shallow workings. Other small pits and shafts are on gold bearing sectors of quartz veins.

Gold mineralisation within the area occurs within quartz-sulphide veins or their alteration haloes, either as free gold which accounts for 2% to 50% of the total gold content, or with sulphides. Sulphide minerals include pyrite, pyrrhotite, arsenopyrite, marcasite, chalcopyrite, galena, sphalerite, bismuthinite, tetrahedrite, and covellite, with rare native copper and bismuth. Veins are either radial (discordant), which includes ladder veins; north-trending sheeted veins that dip shallowly to the east at 35° - 45°, and later N-trending veins that are near vertical.
5. PREVIOUS EXPLORATION

Part of the work done on EL 23583 for this year is a literature review, and the results are in the section below. Historically, this area has been covered by mining leases (MLN's and MCN's) which do not usually have comprehensive records of exploration work carried out. In this review, results are limited to those found from historic exploration licences. A list of company reports from these tenements are in Appendix 1.

EL 4398 covered 30 blocks over the whole Pine Creek area, including both blocks of EL 23583. Circular Quay Holdings explored the ground for 2 years in the early 1980’s. Gold exploration focussed on Copperfield workings (outside EL23583 area), with results ‘generally disappointing’ and also not thorough due to the short period of tenure.

EL 4907 was held by Pine Creek Goldfields for 4 years from 1988. The licence consisted of 6 blocks, of which the upper NW block covered the southern block of EL 23583. A ground magnetic survey in the first year was unsuccessful due to noise. Quartz veining was identified during mapping, and soil sampling delineated an anomaly corresponding to a NE-trending fault surrounded by quartz veining. Follow-up costeaneing intersected siltstones and greywackes with minimal quartz veining and numerous small faults. A maximum value of 3.22g/t Au came from costean sampling, but most of the assays were low. RAB and RC drilling did not highlight economic mineralisation.

Dominion Mining held EL 8060 for 2 years from late 1993. EL 8060 consisted of 4 blocks, and the NW block of EL8060 covered the southern block of EL 23583. Dominion carried out data compilation, which outlined favourable structures associated with anomalous base metal values, and also carried out RAB drilling, which also intersected base metal anomalism (outside the area of EL23583). Dominion only carried out one year of exploration before divesting its NT assets during 1995. Northern Gold acquired EL 8060 from Dominion, and work was limited to acquisition of SPOT imagery over the area. A programme of deeper angled RAB drilling was planned to test the base metal geochemical anomalies but this was not carried out. Gold mineralisation was either below detection levels, or contaminated by alluvial workings.
6. EXPLORATION DURING CURRENT TENURE

Previous work has been reported as part of the Pine Creek tenement group (ie; with MCN’s 317, 523, 1054, 1055, 4072, 4074, and MLN’s 13 and 1130.

Shaw (2004) gave an appraisal of EL 23583, noting that most of the gold and base metal anomalism as defined by previous rock chip sampling resides within the eastern half of the exploration licence (Figure 2). This anomalous eastern sector broadly coincides with the route of the Stuart Highway and its reserve and/or the railway reserve occupied by the new Darwin to Adelaide Railway. Their areas of influence downgrade the value of much of the tenement. The Burnside JV focused work on the priority main mining centre at Pine Creek with proportionately less work extending onto the EL. The technical review indicated that the northern block is well placed to contain any economic extensions to mineralisation south of MCN523. The southern block of the EL is shown to contain anomalous quartz vein trends but many of these are inconveniently close to either the Stuart Highway or the Darwin-Adelaide railway. Future exploration in these areas is of a lower priority than the main mining centre to the north.

Work done during Year 3 of tenure consisted of a historic data compilation. The results of previous work are outlined in the previous section (‘Previous Work’). Work done included checking:

a) historic tenure in MapInfo, using a MapInfo file supplied by DPIFM (containing exploration tenure, but not mining tenure)

b) checking NTGS datasets, such as COREDAT, MODAT, Explorer 3

c) checking open file company reports submitted for previous tenure covering EL23583.

Results from this work indicated that there are no recorded geochemical samples from the NTGS Explorer 3 database, and no COREDAT drillholes within EL 23583. MODAT does not show any occurrences within EL 23583, but maps show Lucknow base metals occurrence within the Licence. Regional geological interpretations by AGSO and NTGS workers do not show any interpreted anticlinal structures, or faults truncating the licence.
Figure 2

EL23583
Tenement Setting and Gold rock chips
Scale 1:25,000
Fig. 3
7. PLANNED EXPLORATION FOR 2006/07

Work planned for next year should decide on the fate of the Licence. Desktop studies to date indicate that the southern block of the Licence has potential limited by the position of the Highway and the railway corridor. The northern block may contain extensions to mineralisation from known mineral occurrences.

Planned work includes:

a) georeferencing the 1:5000 scale geological mapping from previous work, and importing into MapInfo
b) overlaying the geological mapping with previous geochemical sampling to identify any new trends in mineralisation
c) identify structural trends from known mineral occurrences (ie; Kohinoor) and check for extensions within the Licence
d) evaluate the base metal potential within the Licence
e) ground reconnaissance (with some rock chip sampling)

Expected expenditure should be at least $3000.
8. REFERENCES


9. EXPENDITURE

Expenditure as supplied by GBS Gold for the year ending 15th July 2006 amounted to $200.88 for tenement administration. Work done such as the literature review and report preparation falls outside the anniversary period, and so costs have not been incurred before this date. The changeover of accounts from previous JV partner Harmony Gold to GBS has also changed cost codes etc.
APPENDIX 1
List of Open File Company Reports from previous tenure
<table>
<thead>
<tr>
<th>Tenure</th>
<th>CR No</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>AP 1931</td>
<td>CR1969-0077</td>
<td>United Uranium: Report on geological mapping at Pine Creek AP 1931; Two geochemical anomalies had been previously defined. One of these gave promising results with the IP survey and further sampling.</td>
</tr>
<tr>
<td>EL 4398</td>
<td>CR1984-0255</td>
<td>Annual Report; Circular Quay Holdings: A number of areas of low order anomalous gold values were detected. Areas of anomalous gold will be further defined using geophysical testing and/or drilling.</td>
</tr>
<tr>
<td>EL 4398</td>
<td>CR1986-0073</td>
<td>Final Report; results of exploration were generally disappointing, although short tenure of the licence restricted to some extent the opportunity to thoroughly evaluate the data.</td>
</tr>
<tr>
<td>EL4907</td>
<td>CR1989-0732</td>
<td>First annual report, Bonrook. The ground magnetic survey was unsuccessful in outlining targets of interest due to noise. Quartz veins and saddle reef veins were identified during mapping. Anomalous gold values were restricted to the area between the railway and the Stuart Highway.</td>
</tr>
<tr>
<td>EL4907</td>
<td>CR1990-0692</td>
<td>Annual Report, November 1990. Soil sampling delineated 2 areas of weak mineralisation. One area was associated with flood plain sediments of Bonrook and Copperfield Creeks, derived from workings to the north of the EL and does not require follow-up. The other area corresponds to the NE-trending fault in the NW of the licence and surrounded by quartz veining. Further work in this area is to include costeaming.</td>
</tr>
<tr>
<td>EL4907</td>
<td>CR1992-0004</td>
<td>Third annual report to November 1991. 12 costeans totalling 850m were excavated. Lithologies intersected consisted of red-brown and grey siltstones and greywackes with minimal quartz veining. Numerous small faults were present. Assays were generally low, with a maximum 3.22g/t Au.</td>
</tr>
<tr>
<td>EL4907</td>
<td>CR1993-0082</td>
<td>Fourth and final report; 3393 RAB drilling 68 percussion holes totalling 2040m; work to date had returned anomalous gold values but follow-up work has failed to highlight any economic mineralisation.</td>
</tr>
<tr>
<td>EL8060</td>
<td>CR1994-0888</td>
<td>EL 8060 Pine Creek south Annual Report for Year One; 312 RAB holes for 922m. Data compilation outlined a number of favourable structures with associated anomalous elevated base metal values. Some 21 rock chip samples were collected and analysed for gold and base metals. Maximum values obtained were 1.14g/t Au, 330ppm Cu, 5400ppm Pb, 430ppm Zn, 7800ppm As and 125ppm Bi. Areas of structural and stratigraphic interest were tested by a 312 RAB hole programme. Minor base metal anomalism was recorded.</td>
</tr>
<tr>
<td>EL8060</td>
<td>CR1996-0023</td>
<td>No work was done during the second year of tenure.</td>
</tr>
<tr>
<td>EL8060</td>
<td>CR1996-0899</td>
<td>Work limited to the acquisition/interpretation of digital data such as Landsat and SPOT.</td>
</tr>
<tr>
<td>EL8060</td>
<td>CR1997-0241</td>
<td>FINAL REPORT. Territory Goldfields/Northern Gold; No field work was completed since the last annual report was lodged. This is a summary report only.</td>
</tr>
</tbody>
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