ANNUAL EXPLORATION REPORT
EL 23517

FOR PERIOD ENDING 3rd April 2006

WATTS CREEK

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

Titleholders: Geoffrey Robert Orridge (33.34%)
Gary Anthony Clarke (33.33%)
Michael Daniel Teelow (33.33%)

GBS Report No. PC/BJV/06/16
Prepared for GBS Gold Australia Pty Ltd
By BR Smith
1st May 2006
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1. SUMMARY

EL23517 is located west of the old Watts Creek alluvial goldfields. Work during the current tenure has consisted of a review of previous work, and appraisals of areas that may contain further mineralisation. Planned work includes digitising of previous drilling for use in ranking the tenement and planning further drilling. Evaluating the structural domains within the tenement should yield other drill targets.

2. LOCATION AND ACCESS

EL23517 is situated approximately 160km SE of Darwin, and 35km NE of Pine Creek. Vehicle access is via tracks either from the west via Mt Wells, or east via the old Frances Creek mines.

The tenement falls on the Pine Creek 1:250,000 sheet and on the Pine Creek 1:100,000 sheet (Figure 1). The tenement also is within the Ban Ban Springs pastoral lease (PPL 695). A native title claim (NTD6021/01) has been in effect since March 2001.

The northeastern parts of the area are covered by northwest-trending rugged ridges, which are around 170m higher than the more subdued topography to the southwest.

3. TENEMENT STATUS AND OWNERSHIP

EL23517 was granted on 4th April 2003 and expires on 3rd April 2009. It comprises 10 blocks that cover approximately 33.4 sq. km. A deferral from reduction was granted for both Years 2 and 3. A deed of agreement signed by the Titleholders in November 2005 exists between the Titleholders and Terra Gold Mining Ltd, a subsidiary of GBS Gold. The agreement gives Terra the sole and exclusive right of prospecting and exploring on a number of tenements held by the Titleholders. While Terra has the agreement under consideration, Terra has agreed to take responsibility for exploration and administration of the tenements.

The expenditure covenant set for this, the third year, was $10,000.00.
4. GEOLOGY

EL23517 is situated within the Pine Creek Geosyncline, a tightly folded sequence of Lower Proterozoic rocks. A full description of the geology and stratigraphy of the Pine Creek Geosyncline can be found in several texts, including Ahmad et al., (1993). The 1:100,000 Pine Creek geology map covers the tenement area (Stuart-Smith et al., 1987).

The tenement area straddles stratigraphy ranging from the basal Mt Partridge Group (Wildman Siltstone) to the Finniss River Group (Burrell Creek Formation). The strata are folded around NNW-plunging upright to locally overturned folds, which form the southwestern edge of a major anticlinorium. Intrusions of Zamu Dolerite are widespread, particularly within horizons of the Koolpin Formation (South Alligator Group).

There are no recorded MODAT occurrences within the tenement area, although the Watts Creek alluvial gold field probably extends to the eastern boundary of EL23517.

5. PREVIOUS MINING AND EXPLORATION

Orridge (2004) outlined work done by Dominion Mining on EL4759 in 1986, and noted that RC drilling by Dominion within the tenement returned ‘sporadic sub-economic mineralisation’.

Although not recorded in MODAT, Compass named areas in the north/central part of the tenement ‘Chinese Workings’ and ‘Northern Quartz’ prospects.

More details of previous exploration were highlighted from a historic data review, which was carried out in Year 3 of the tenement, and is detailed in the next section.
6. EXPLORATION DURING CURRENT TENURE

During the first year of grant of the tenement, the work consisted of sourcing the drilling done by Dominion and Compass, and noting that the mineralisation is within a stockwork zone hosted by feldspathic quartz sandstone within the Wildman Siltstone, close to the contact with the overlying Koolpin Formation, close to axial fold hinges. Fieldwork by the Titleholder consisted of general reconnaissance and assessing the access to the tenement.

During the second year of tenure, the Titleholder carried out prospecting work in the northwestern portion of the tenement to determine the extent of alluvial gold in the drainages. Coarse and nuggety gold was reported as found by metal detector. Iron and manganese float boulders were noted as shedding from ridges to the northeast.

During the third year of tenure (2005) Terra Gold expressed interest in exploring the tenement. Terra Gold spent 2005 focussing on its newly acquired Maud Creek Project, carrying out due diligence and other testwork. In July 2005, Terra Gold was subjected to a reverse takeover by Emerson Exploration Inc (now GBS Gold International Inc) which was complete by November 2005.

Changes in management and exploration staff during the year impacted on the exploration work done. Work consisted of reviewing the extent of geochemical digital data available, and conducting a full literature review of open file company reports from historic tenure. Results of the literature review are below.

The earliest known tenure over EL23517 was AP2226 held by Australian Geophysical, who explored a large area for uranium, base metals and iron ore. Work done included auger drilling, percussion drilling and geophysical surveys. ‘Rare’ high lead and silver values were reported, and one U anomaly when the tenement expired.

A review of open file geochemical data from the NTGS Explorer 3 database shows that 66 soil samples were taken by CRA within EL23517. Samples were assayed for Cu, Pb, Zn and Mn. No assays were done for Au or As. Maximum reported values within EL23517 include 8310ppm Mn, 518ppm Zn, 269ppm Cu and 143ppm Pb. There are no reference reports or tenement details listed with the dataset to check this data.
Dominion Mining explored the area under **EL4759** (as previously outlined by Orridge 2004). Dominion and Geopeko were in JV (Golden Dyke JV) and had a farm-in agreement with Mineral Resources Corporation, the titleholder. The ‘Camp’ area (also called Watts Creek North or Watts Creek old townsite) appears to be almost wholly in EL23517, and comprised the area of 5600N – 9000N on the local grid (see Figure 2). Exploration in the Camp Area comprised 15 costeans (with best intercept of 1m @ 12.7g/t Au in Creek Costean (7450N)). The remainder of reported costean samples assayed <0.6g/t Au. 8 RC holes totalling 582m were drilled in the Camp area. The holes were apparently poorly placed, either failing to hit the geological target (eg; WC5 missed the isoclinally folded Zamu Dolerite / ferrous Koolpin Fm target), or away from anomalies defined from the costeans. Compass continued exploration through the 1990’s after pegging most of EL4759 under 86 mineral claims (**MCN’s 641-643; 2649-2669; 2764 – 2779; 2894-2907; 3505-3540**).

Compass undertook wildcat drilling at Northern Quartz Prospect (3 holes for 99m) and Chinese Workings Prospect (one hole). Drilling at Main Ridge showed the host sequence for stockwork and ladder vein mineralisation is a steeply eastward dipping arkosic sandstone horizon which crops out on the western side of the Main Ridge. Compass held the most prospective areas under mineral claims until 1998. Notable drill results reported in the final year of tenure included 2m @ 9.09g/t Au in CNQ-3.

Dominion also held **EL5138**, a 3 block tenement, of which one block covered the NE block of EL23517 from 1988-1989. Work consisted of geochemical sampling (stream sediment, soil and rock chip sampling), which did not define any ‘significant anomalous zones’. The tenement was relinquished.

**EL6474** covered the same 3 blocks as EL5138 (above). The licence lasted one year, with only a literature/geological review, which concluded that the area was away from the main Watts Creek zone of mineralisation, so held little prospectivity.

**EL5064** (Western Gulf Oil and Mining) covered the 3 SW blocks of EL23517 from 1987-1990. Rock chip samples within the area covered by EL23517 produced sporadic anomalous results with a maximum of 0.94g/t Au and 4.35% As in a sample described as ‘greywacke with scorodite’ (at approximately 804300E / 8497200N). Further sampling around this site did not show any better or comparable values in either Au or As, and the ground was dropped.
Figure 2 – Map showing location of local Dominion/Compass grid in relation to EL23517 boundaries (after Orridge 2004).
EL6653 covered the NW blocks of EL23517, and was held for one year in 1990. Work concentrated on an exploration review, and concluded that the most prospective areas had been pegged under Compass’ mineral claims, and the ground was dropped.

EL7655 covered the 4 northern blocks of EL23517, plus a larger area to the north of the tenement for one year (1992). No work was carried out, and it was concluded that no economic mineralisation was contained within the licence area(!)

Territory Goldfields / Northern Gold held EL8056 from 1993-1997, covering 5 of the SW blocks of EL23517, plus areas further south. The most significant work done included soil sampling (65 samples along 4 x 400m spaced lines) within EL3517, with a max value of 3ppb Au (Sample 144287) using BLEG technique. Three stream sed samples were also collected and assayed using BLEG technique. Best result of 0.5ppb Au, 22ppm As, 37ppm Cu, 395ppm Zn and 203ppm Pb came from Sample 144319.

Territory Goldfields also held EL8228, which covered the 3 NW blocks of EL23517, plus an extensive area to the north and east of the tenement, from 1993 to 1998. Work done within the area covered by EL23517 included 28 soil samples. Best result from this work of 3140ppm Zn, 900ppm Pb came from about 500m N of the northern edge of EL23517.
7. PLANNED EXPLORATION DURING 2006/07

GBS Gold have developed an exploration strategy for use in the greater Burnside area that involves recognising broad structural domains. The genetic model can be used to describe the type of structures, and mineralisation styles that are expected to be encountered within the structural domain, and to generate further target areas.

The first step of evaluating the tenement will include plotting previous drilling, and plotting Au anomalies from previous work. Ground-checking for old local grid pegs and/or drillholes will assist in converting drillholes from local grid datum to MGA94. Examination of the aeromagnetic data for structures indicating dilatant mineralisation zones will be carried out. The Main Ridge Prospect drilling will be ranked against other GBS targets, and the priority for drilling in this area will depend upon the result of the ranking exercise. Expenditure for Year 4 is expected to be around $7,500.

8. REFERENCES


9. EXPENDITURE

Expenditure is as supplied by GBS

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**Total** 12 Months 11,521.15