ANNUAL EXPLORATION REPORT
MLN’s 342, 346, 405, 459, 811, 1033, 1039
MCN’s 504, 505, 3161

FOR PERIOD ENDING 31ST December 2005
MOUNT BONNIE GROUP
BURNSIDE PROJECT NT

Pine Creek SD5208 1:250,000
Pine Creek 5270 1:100,000
Burrundie (14/6-IV) 1:50,000

Titleholder: Territory Goldfields NL

GBS Report No. PC/BJV/06/09
Prepared for GBS Gold Australia Pty Ltd.
By BR Smith
Rocksearch Australia Pty Ltd
29th March 2006
CONTENTS

1. SUMMARY
2. LOCATION AND ACCESS
3. TENEMENT STATUS AND OWNERSHIP
4. GEOLOGY
5. PREVIOUS EXPLORATION
6. EXPLORATION FOR YEAR ENDING 31ST DECEMBER 2005
7. FORWARD PROGRAMME 2006
8. ACKNOWLEDGEMENT
9. REFERENCES
10. EXPENDITURE

List of Figures

Figure 1   Tenement Location Map (Plan BJV001)

List of Tables

Table 1   Mount Bonnie Tenement Details
1. SUMMARY

The Mt Bonnie Project tenements are located 145km SE of Darwin, NT. The area covers the vicinity of the Mount Bonnie Mine, south of the Yam Creek gold mining centre.

Historically, exploration was focused on a linear gossanous outcrop enriched in base metals. Underground exploration and development was carried out in the early part of the 20th century. The NT Government commissioned several exploratory diamond core holes.

From the mid 1970s exploration identified a polymetallic resource estimated at 480,000t @ 7.67% Zn, 1.8% Pb, 0.4% Cu, 186.0g Ag/t, and 1.5g Au/t.

With the increase in gold price the deposit was re-assessed and the gold-silver enriched oxide zone was open pit mined by Henry and Walker in 1983. A reported 110,000t @ 7.0g Au/t and 286g Ag/t was mined and treated on site.

Territory Goldfields NL acquired the prospect in the mid nineties and conducted several literature reviews, rankings and rehabilitation of the prospect up to the end of 2001.

In April 2002 Territory Goldfields NL (parent Northern Gold NL) entered into a joint venture agreement with Buffalo Creek Mines NL (now owned by Harmony Gold (Australia) Ltd.) This agreement (Burnside Joint Venture) jointly managed certain gold mining tenements of each party and included the treatment plant at Brocks Creek. In 2005, GBS made a successful takeover of Northern Gold, and entered an agreement to purchase Harmony’s 50% share of the Burnside JV, giving GBS 100% of the project. The Brocks Creek plant has been sold, and the purchase of the Union Reef treatment plant by the joint venture in August 2004 generated a technical re-appraisal of all advanced stage gold resources in the Brocks Creek region.

The metallurgical linking of the gold component to base metal sulphide has caused the prospect to be ranked lower than other gold deposits held by Northern Gold NL in the Burnside Region.

The base metal sulphide deposits held by GBS/Burnside are being appraised. A proposal involving modeling of previous work to help identify further work that is necessary for the full evaluation of these deposits.
2. LOCATION AND ACCESS

The Mt Bonnie Prospect is located 145km SE of Darwin NT and 11km ENE of the Hayes Creek road house.

Access is via the Stuart Highway, past Hayes Creek and then northwards along the Grove Hill road, turning off right onto the Mt Bonnie Mine Road (Figure 1).

The topography of the area comprises a series of low hills with subcrop present on the flanks and ridges. Incised seasonal creek systems form the headwaters of the Margaret River.

3. TENEMENT STATUS AND OWNERSHIP

The tenement group totals 108.75 hectares and is located between latitudes 13°32’ south and 13°33’30” south and longitudes 131°32’30” east and 131°34’ east, on the Burrundie 1:50,000 sheet. The titles are situated within Pastoral Lease No. 903, Douglas, held by Tovehead Pty. Ltd.

The titles were originally granted to Zapopan N.L. and subsequently transferred to Dominion Gold Operations Pty. Ltd.

The ground is now held by Territory Goldfields N.L. and managed by Northern Gold N.L (now GBS Gold Pty Ltd).

<table>
<thead>
<tr>
<th>Tenement</th>
<th>Grant Date</th>
<th>Expiry Date</th>
<th>Area (ha)</th>
</tr>
</thead>
<tbody>
<tr>
<td>MLN 342</td>
<td>07/06/76</td>
<td>31/12/06</td>
<td>13.75</td>
</tr>
<tr>
<td>MLN 346</td>
<td>02/11/76</td>
<td>31/12/06</td>
<td>16.00</td>
</tr>
<tr>
<td>MLN 405</td>
<td>01/12/77</td>
<td>31/12/07</td>
<td>12.00</td>
</tr>
<tr>
<td>MLN 459</td>
<td>27/02/79</td>
<td>31/12/20</td>
<td>15.00</td>
</tr>
<tr>
<td>MLN 811</td>
<td>14/10/75</td>
<td>31/12/15</td>
<td>8.09</td>
</tr>
<tr>
<td>MLN 1033</td>
<td>26/08/87</td>
<td>31/12/11</td>
<td>4.75</td>
</tr>
<tr>
<td>MLN 1039</td>
<td>26/08/87</td>
<td>31/12/11</td>
<td>1.23</td>
</tr>
<tr>
<td>MCN 504</td>
<td>19/03/84</td>
<td>18/03/09</td>
<td>13.06</td>
</tr>
<tr>
<td>MCN 505</td>
<td>19/03/84</td>
<td>18/03/09</td>
<td>18.49</td>
</tr>
<tr>
<td>MCN 3161</td>
<td>06/12/89</td>
<td>05/12/04</td>
<td>6.38</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td>108.75</td>
</tr>
</tbody>
</table>
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.

The Mt Bonnie base metal and gold mine is situated on the eastern limb of the Margaret Syncline. This is at a similar stratigraphic level to the analogous Iron Blow deposit some 3km to the north.

The deposit is hosted by Mt Bonnie Formation rocks that lie within the upper part of the South Alligator Group. Rock types associated with the mine sequence are interbedded shale, siltstone, greywacke, dolomite and minor pebble breccia.

A major stratigraphically concordant sill of the Zamu Dolerite event underlies the mine sequence. At the mine, fold axes trend north-south and are tight. There has been significant hornfelsing of the sequence due to regional and contact metamorphism of the Cullen intrusive event.

The Mt. Bonnie lode system dips 40 degrees west and is up to 15m thick. Originally a surface gossan could be traced discontinuously for 100m and comprised limonite, haematite, clay and minor mimetite, duftite, cerussite, coinchalite, malachite, plumbojarosite and scorodite. The upper 70m of the deposit was enriched in gold, silver, lead, bismuth, arsenic, antimony, mercury and tin with a chalcocite-rich zone near the base of oxidation. (Rich 1984)

Open pit mining showed that the gossanous lode was the product of two stacked stratabound sulphide lenses. These comprise lenticular pods of massive sulphide with dominant pyrrhotite-sphalerite and subordinate pyrite, galena, chalcopyrite, arsenopyrite and tetrahedrite. The gangue minerals are dominated by chlorite, talc, actinolite and quartz. The principal explorers in the area concluded that Mt. Bonnie and Iron Blow, 3km to the north, are metamorphosed syn-sedimentary sulphide deposits of volcanic exhalative origin.
5. PREVIOUS EXPLORATION

Shaw (2005) has outlined previous exploration at the Mt Bonnie tenements, and this is reported here.

Exploration and mining of the Mt. Bonnie area has been conducted sporadically since the 19\textsuperscript{th} century as a lead-zinc-silver prospect. It was first worked in 1902, when Northern Territory Goldfields of Australia sank a 15m shaft, which penetrated oxide lead mineralisation.

Further work was conducted between 1912 and 1917 when the lode developed as an underground mine with several vertical and inclined shafts and a 92m adit. No ore was produced in this period.

The Northern Territory Geological Survey drilled three diamond holes between 1916 and 1918, two of which met with lode material. The results are not available.

Modern exploration commenced in 1973 when Horizon Explorations Limited and Jingellic Minerals P/L completed programs including geological mapping, magnetic surveys, electromagnetic surveys, dewatering and sampling of the old workings and diamond drilling. This work outlined a possible resource of 480,000t grading 7.67% zinc, 0.4% copper, 1.8% lead, 186.0g Ag/t and 1.5g Au/t. (Ivanac 1974)

In 1975-1978 Geopeko Ltd and BP Minerals Ltd carried out a considerable amount of drilling on the sulphide deposits as part of a wider evaluation of the Grove Hill region.

From 1979-80 the gold potential of the Mt Bonnie field was investigated during a period of higher gold prices. Some 20 core holes and old workings were sampled for gold in the oxide zone. A reserve of 100,000t @ 8.0g Au/t and 230g Ag/t was reported (Rich 1984)

In 1983 the right to mine oxide ores was obtained by Henry and Walker Group Ltd who commenced open pit mining. Production of 110,000t of oxide was reported averaging 7.0g Au/t and 230g Ag/t up to 1985. (Nicholson and Eupene, 1990)

In 1987 Zapopan NL commissioned an aeromagnetic survey over the Pine Creek Inlier region. Intense magnetic anomalies were outlined for Mt. Bonnie and Iron Blow and several highs were reported in the area.

In 1988 Dundas Gold NL completed a stream sediment program focusing on gold using bulk cyanide leach (BCL) sampling methods. A number of anomalous values were recorded in drainages from Mt. Bonnie and Iron Blow. Other elevated values were recorded in drainages flowing NNE.
In 1993 Zapopan NL carried out a geological mapping programme throughout the area.

Following acquisition of the tenements in 1995 from Dominion Mining NL, Northern Gold NL conducted literature reviews to assess the value of the property and rank it with its other prospects in the region. The data included geological, geochemical and geophysical reports. During the mid to late nineties the base metal markets were depressed and consequently the property was ranked lower than gold properties held by the company.

Rehabilitation was completed over MLN 459 in compliance with the conditions of the Mining Act and the Mine Management Act.

From April 2002 the Burnside JV has been managing exploration of the Mt Bonnie tenements. The Burnside JV has focused on resource definition of nearby gold resources in the past 3 years. GBS are taking 100% control of the Burnside JV during 2006.
6. EXPLORATION FOR YEAR ENDING 31ST DECEMBER 2005

During the year data integration into DataShed has been ongoing on a regional basis. Many of the reports have been added to the site library and catalogued for easy retrieval. The takeover of Northern Gold by GBS Gold has led to the acquisition of different datasets, which are being consolidated.

7. PLANNED EXPLORATION FOR 2006

Due the prevailing high commodity prices GBS Gold Australia will conduct a thorough review of their Mt Bonnie and Iron Blow base metal deposits. This will involve a literature survey on the work done to date and an exploration proposal for further work. This work is currently being done (March 2006) with the proposal to be placed before management in the near future. It includes the modelling of the drill data of previous workers to help identify further work that is necessary for the full evaluation of these deposits.

Data integration into DataShed will also be ongoing as part of this exercise.

Expenditure is estimated for the 2006 year at $11,000.
8. REFERENCES


9. EXPENDITURE

As attached.