ANNUAL EXPLORATION REPORT
EL23541

FOR PERIOD ENDING 16th FEBRUARY 2006

‘HOWLEY EAST’
BURNSIDE PROJECT NT

Pine Creek SD5208 1:250,000
Tipperary 5170 1:100,000
Fenton 1:50,000

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

GBS Report No. PC/BJV/06/12
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 BJV008)
Figure 2  Interpreted Linears SPOT; Interpreted Linears Magnetic
1. SUMMARY

EL23541 is a small tenement comprising 1 block that transects the Stuart Highway, north of Cosmo minesite. In the first 3 years of tenure work has consisted of a SPOT imagery / magnetics interpretation to determine structural trends in the area, and data integration into DataShed.

Work on integrating data into DataShed will continue as part of GBS’s regional data management programme. Planned fieldwork will involve ground checking/ geological mapping to check the structural interpretation, and some geochemical sampling.

2. LOCATION AND ACCESS

EL23541 is situated 130km SE of Darwin NT and 5km SW of Brocks Creek siding on the Darwin-Alice Springs railway. The Stuart Highway crosses the south west sector of the block and most areas of the tenement are thus easily accessible. The location may be seen on Figure 1.

The tenement falls on the Pine Creek 1:250,000 sheet and on the Fenton 1:50,000 sheet. It falls within Douglas pastoral lease. Low subdued outcrops of siltstone and greywacke occur through much of the tenement which has good dry season access. The ephemeral headwaters of Howley Creek pass through the block.

3. TENEMENT STATUS AND OWNERSHIP

EL23541 was granted on 17th February 2003 and expires on 16th February 2009. It comprises one block that covers approximately 3.22sq. km.

It is registered in the names of Territory Goldfields NL and Buffalo Creek Mines NL in equal shares. It is unencumbered by third party tenements but is transected by the Stuart Highway.

The expenditure covenant set for this third year was $5000.

The Burnside JV comprised 50% Northern Gold NL, and 50% Harmony Gold. GBS Gold made a successful takeover of Northern Gold NL during 2005, and entered into an agreement to purchase Harmony Gold’s 50% share of the JV. GBS will have 100% ownership of the Burnside Project by April 2006.
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 tenement encloses a sequence of South Alligator Group sediments that lie on the north-eastern flank of the Howley Anticline, a regional upright arcuate fold with the eastern limb generally steeper than the western.

Within the tenement the South Alligator Group is represented by low outcrops of Mt Bonnie Formation in the south-west and Burrell Creek Formation in the north east. The contact between the two strikes about 40 degrees magnetic.

5. PREVIOUS EXPLORATION
Shaw (2005) has outlined previous exploration at the Mt Bonnie tenements, and this is reported here.
Solomon Pacific (taken over by Acacia Resources Ltd) carried out reconnaissance mapping and soil sampling over the tenement (Highway Project) without locating significant anomalism.

The data held in the library at Brocks Creek office holds records relevant to the history of the tenement and acquired from Northern Gold NL and Dominion Mining Ltd records. Initial access to this data began in 2003.
6. EXPLORATION DURING CURRENT TENURE

Shaw (2004) conducted some analysis of SPOT imagery and geophysical images to determine prospective structural trends within the area (Figure 2). The interpreted structural complexity with NNW faulting intersecting thrust slices of Mt Bonnie Formation and Burrell Creek Formation may be prospective. In addition, subtle NE striking cross fractures are believed to have been relevant in localising gold mineralisation at Cosmo Howley and Chinese South. Some of these fractures cross EL23541.

A short review of data from historic tenure was carried out, and results are listed here:

United Uranium covered the tenement with AP 1506 in the late 1960’s. During this time, the Company carried out stream sediment sampling and diamond drilling for base metals, investigations into the iron potential in the area around Cosmo mine, and a scintillometer survey of a radiometric anomaly in the Howley area. The diamond drillholes were not within EL23541.

Geopeko explored EL1636 along with several other contiguous EL’s and ML’s. The exploration model was for Mt Bonnie / Iron Blow mixed sulphide deposits, and Geopeko relinquished the part of EL1636 covering EL23541 in its first reduction.

Northern Gold explored EL3040 in 1984, along with several other tenements in the Howley area. Work carried out included photo-interpretation, costeaneing (outside EL23541 area?) Auger drilling done in 1982 also seems to be outside the EL area. No conclusions were made from the work, and not all results were reported.

Oceania Exploration and Mining had EL5028 for a 2-year period from 1987, exploring for gold. Five rock chip samples (8-12) and approximately 100 soil samples were collected in the first year of tenure within EL23541. Maximum values were 0.03ppm Au (rock chip sample HC9) and the maximum soil sample value of 0.19ppm Au appears to have been outside EL23541. An alluvial sampling programme was planned but not carried out due to early rains.

Dominion Gold noted anomalous geochemical results from exploring EL6540 between 1988 and 1992, but concluded that there was ‘little potential for an economic deposit within the tenement area’.

The most comprehensive exploration came from work done on EL7933, which covered several blocks in a NW-SE trend around the southern edge of the Brocks
Creek mine. Some of the area covered by EL7933 ended up becoming part of MLN1139. Cyprus Gold sold the tenement to Solomon Pacific, who conducted vacuum drilling over the northern parts of the tenement. Acacia Resources took over Solomon Pacific in 1996, and the part of EL7933 covering EL23541 was relinquished in 1996. Vacuum drilling is approximately on an 800m spacing through the tenement. An examination of geochemical data in STRIKE shows that the vacuum drilling from this period has been captured, with 51 vacuum holes on 50m x 800m spacing on the middle and northern parts of the tenement. No downhole data (assays, lithology) has been captured. 8 rock chip samples returned a maximum value of 39ppb Au (#1459797), and all other results were not anomalous.

Acacia relinquished the block covering EL23541 from EL7933 in June 1996, then was granted EL9658 (covering EL23541) in October 1996. In the 3 years that Acacia held EL9658 over the area covering EL23541 they interpreted aeromagnetic data, collected hand and auger soil samples, and 3 rock chip samples. Best result of 161ppb Au was obtained from the soil sampling.

As well as reviewing work done by previous explorers, the work also focussed on getting the historic exploration data into a digital format. 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. This archive report material contains the results of work in the region carried out by Geopeko and Dominion Mining Ltd in the 1990s. The takeover of Northern Gold by GBS Gold has led to the acquisition of different datasets, which are being consolidated. Some of the data that has been integrated into DataShed is the same as the STRIKE drillhole data (vacuum drilling from Solomon Pacific’s work).

7. PLANNED EXPLORATION FOR YEAR 4.

Structural trends identified from magnetic/SPOT interpretation have not been checked in the field. It is planned this year to do some ground-truthing in the form of geological mapping. GBS Gold have identified the tenement as lying in a dilational structural setting, with perhaps similar characteristics to the Cosmo mine to the south. The previous geochemical work did not extend through the tenement, and so some further geochemical sampling (soil sampling, rock chip sampling) is planned to cover the southern portion of the tenement.

Data integration into DataShed will continue. The full details of previous work have not yet been integrated into the database, and it is important to do this in conjunction with field work. Planned expenditure will be at least $5000.
8. ACKNOWLEDGEMENT

Much of the background in this report (Location & Access, Tenement Status, Previous Exploration etc) comes from reports written by J.Shaw, and his contribution is gratefully acknowledged.

9. REFERENCES


10. EXPENDITURE

As attached.