GBS Gold Australia Pty Ltd

MT RINGWOOD PROJECT

SEL 10012

2005/06 Annual Report


Margaret River (14/2-I) and Mount Ringwood (14/3-IV) 1:50,000 scale map sheet

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SUMMARY

SEL 10012 is located approximately 110 kilometres southeast of Darwin, and 35km east of Adelaide River on the Margaret River (14/2-I) 1:50,000 scale and the Mount Ringwood (14/3-IV) 1:50,000 scale map sheets.

SEL 10012 covers the areas which originally comprised four active exploration licences previously held by Northern Gold NL. These exploration licences were EL 8573, EL 8780, EL 9122 and EL 8887. SEL 10012 was granted on 28 November 2003 for a period of four years, with the ability for two further time extensions thereafter. A waiver from reduction application was submitted in June 2006. The waiver was granted in June 2006 for 12 months, enabling the 22 granticular blocks to be retained until November 27, 2006.

While in recent years exploration and proposals for further work have focused on two gold anomalies at North Goodall and Cookies Corner, another area is now seen as highly prospective in light of the regional structural model. The southeastern blocks of SEL 10012, formerly covered by EL 9122, encompass the new target zone. Little work has historically been done in this area, and it is proposed that it be given high priority.

Unfortunately the 2005/06 covenant, at $12,000, was not met. A total of $4,303.70 was spent due to two reasons, a major task to identify economic mineralization to commission the Union Reef Mill; secondly there were no geologists available to adequately work on the project. An aggressive campaign to recruit the exploration team was successful towards the latter part of the year.

It is envisaged that the new year will be geared and more focused towards exploration. The desktop work completed has generated a focused approach and provides direction for next years exploration project work.
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Figure 1 SEL 10012 Tenement Location Plan
1. INTRODUCTION

SEL 10012 was granted to Northern Gold on 28 November 2003 and is located approximately 110 kilometres southeast of Darwin, and 35km east of Adelaide River.

The tenement is held under Northern Gold Pty Ltd which is a subsidiary of GBS Gold Australia Pty Ltd, (“GBS”). In 2005 GBS made a successful takeover for Northern Gold and the key focus for the remaining year was to explore on brownfield projects and delineate economic resources to sustain the recommissioning and opening of the mill at Union Reefs. As a consequence, the bulk of the exploration programs were put on hold. In 2007 the company is focussing a dedicated exploration program to ensure the geological mineral resource keeps growing. Recruitment of key personnel for the new exploration department is almost complete and has been successful. This means the exploration team is now able to keep focussed on its projects rather than being used for resource definition work.

2. TENEMENT DETAILS

SEL 10012 is located approximately 110 kilometres southeast of Darwin, on the Margaret River (14/2-1) 1:50,000 scale and the Mount Ringwood (14/3-iv) 1:50,000 scale map sheets. The tenement, which consists of 22 granticular blocks totalling 73.6 square kilometres in area, lies between latitude 13°07’ south and 13°15’ south and longitudes 131°20’ east and 131°30’ east (Figure 1). SEL 10012 covers the areas which originally comprised four active exploration licences previously held by Northern Gold. These exploration licences were EL 8573, EL 8780, EL 9122 and EL 8887.

SEL 10012 was granted to Northern Gold on 28 November 2003 for a period of four years, with the ability for two further time extensions thereafter. A waiver from reduction application was submitted in June 2006. The waiver was granted in June 2006 for 12 months, enabling the 22 granticular blocks to be retained until November 27, 2006.

The covenant for the 2005/06 year of tenure was $12000, and expenditure totaled $4,303.70.

The tenement is situated within Mt Ringwood Station, Pastoral Lease No. 1182 owned by Markus Anthony Rathsmann. A minor portion of the tenement lies within the Mt Keppler Station, Pastoral Lease No. 1183 owned by Donald Aaron White.
3. LOCATION AND ACCESS

The centre of the SEL is approximately 35km east of the township of Adelaide River in the Northern Territory (See Figure 1). The licence area can be accessed via the old Goodall Mine Access Road, turning north off the Stuart Highway approximately 15 km southeast of Adelaide River and via pastoral tracks.
4. GEOLOGICAL SETTING

4.1 REGIONAL GEOLOGY

SEL 10012 is situated within the Pine Creek Geosyncline, a tightly to isoclinally folded sequence of mainly pelitic and psammitic Lower Proterozoic sediments with interlayered tuff units. All the lithologies in the area have been metamorphosed to low, and in places, medium grade, metamorphic assemblages. For the purpose of this report, the prefix meta- is implied, but omitted from the rock names and descriptions.

The sequence has been intruded by pre-orogenic dolerite sills of the Zamu Dolerite and a large number of late syn-orogenic to post-orogenic Proterozoic granitoids. Largely undeformed Middle and Late Proterozoic, Palaeozoic and Mesozoic strata, as well as Cainozoic sediments and laterites, overly the Pine Creek Geosyncline.

The Margaret Granite comprises a well-defined pluton immediately south of the south-eastern corner of SEL 10012.

4.2 LOCAL GEOLOGY

Bureau of Mineral Resources (“BMR”) and company prospect mapping has identified the area of SEL 10012 to be dominated by metasedimentary rocks from the Lower Proterozoic Burrell Creek Formation (Socic, 1997). These consist of tight to isoclinally folded sequences of interbedded greywacke and shale units-representative of Flysch sedimentation and Bouma cycles. Individual greywacke and shale units commonly exceed tens of metres in thickness (Hardy, 2002).

Unconformable, and building on these Proterozoic sediments, are recent Holocene ‘black soil’ alluvial floodplains, which follow drainage pathways into the Margaret River. These flats cover much of SEL 10012. This veneer of recent sediments is generally less than five meters in thickness, but can often exceed this depth in buried palaeochannels and active drainage systems (Hardy, 2002).

Mapping completed by the BMR and company geologists has shown this area to be structurally complex. The regional Howley Anticline strikes north in the western granitic blocks of SEL 10012 and flexes to the northeast where it has been mapped at the Cookies Corner gold prospect. North trending, large quartz blows (i.e. at the historic Great Western and Great Northern mine workings) appear to define a regional north south fault orientation that has been mapped in all areas of gold mineralisation. From satellite imagery and ground mapping, well defined northeast trending regional dextral faults have been mapped throughout the area of SEL 10012 and appear to have an associated northwest striking conjugate (Hardy, 2002).
Detailed costean mapping by Northern Gold at Cookies Corner has identified west dipping, north-east striking fold and thrust ramp structures, which have been subsequently rotated about a later northwest trending fold axis with associated sub-vertical axial planar cleavage. Detailed analysis of multi-client aeromagnetic data has identified a strong northwest trending fabric and this supports the detailed observations from the costean mapping (Hardy, 2002).

The spatial distribution of gold mineralisation in the area of SEL 10012 is best developed in the area of the Howley Anticline, and appears to be controlled by the intersection of north trending anticlinal hinges, and northwest striking faults and folds (Hardy, 2002).

The southeast granticular blocks of the tenement are located in the northwest extension of the northwest to southeast trending Pine Creek Shear Zone, a major structure in which a number of mineralised zones have been identified (Socic, 1996). Significantly, these blocks are situated on the northwestern flank of the Margaret Granite pluton. Regional interpretation holds such a zone, being in the pressure shadow of the granite, to be highly prospective for compressive-style mineralisation.

In the south of the tenement the Mount Bonnie Formation underlies Quaternary alluvial cover. The Margaret Granite intrudes the surrounding sediments to southeast of SEL 10012 (Socic, 1996)

5. PREVIOUS EXPLORATION

5.1 EL 8573 – MT RINGWOOD WEST AND COOKIES CORNER: 1994 TO 2003

During the life of the tenement (EL 8573), gold exploration activities were conducted by Dominion Gold Operations Pty Ltd and Northern Gold.

Work over EL 8573 comprised reviews of aeromagnetic data, Landsat imagery, GIS and satellite imagery, AGSO mapping and aerial mapping, as well as site-based costean excavation and channel sampling, geological mapping, rock chip sampling, RAB drilling and RC drilling.

The majority of this work was focussed on the northern block of EL 8573 at the Cookies Corner gold prospect where the north-striking regional Howley Anticline flexes to the northeast. Gold mineralisation was interpreted to be controlled by the intersection of north-trending anticlinal hinges, and northwest striking faults and folds.

5.1.1 Soil Sampling
Various soil sampling programs were completed by Northern Gold, primarily over the Cookies Corner prospect where an earlier gold soil anomaly was identified by Western Mining Corporation, north of the Goodall Gold Mine. Northern Gold assayed approximately 550 samples, with peak results including 985 ppb Au, 530 ppb Au and 30 ppb Au.

5.1.2 Rock Chip Sampling

Northern Gold assayed rock chip samples from the Cookies Corner gold soil anomaly and from the North Goodall soil anomaly. 20 samples were taken at Cookies Corner, with one sample assaying at 28.7 g/t Au, and 15 samples returning assay values greater than 1 g/t Au. Values returned from chip samples taken within costeans included gold values of 9.15 g/t and 8.14 g/t.

At the North Goodall soil anomaly, 27 samples were collected with peak gold values of 1.55 g/t and 0.96 g/t being returned.

5.1.3 Costeaning and Channel Sampling

The costeaning program comprised the excavation of four costeans totalling 477 metres across the eastern and western soil anomalies at the Cookies Corner prospect. The results returned were highly encouraging with two costeans outlining three parallel and continuous zones of gold mineralisation coincident with the identified soil anomaly. The other two costeans also identified anomalous bedrock geochemistry and confirmed the anomalous soil sampling results. Peak intersections of the channel sampling results included 84 metres at 0.22 g/t, 9 metres at 0.65 g/t, 21 metres at 0.39 g/t and 6 metres at 0.66 g/t.

5.1.4 RC Drilling Program

A program of eight RC holes for a total of 591 metres was completed in 1998/1999 over the Cookies Corner prospect, targeting previously identified soil and costean gold anomalies. The drilling intersected four zones of gold bedrock mineralisation, confirming previous soil geochemistry and costeaning anomalies. Gold mineralisation is localised along vertical northeast-trending structures, and is associated with pyrite/arsenopyrite micro-fracture alteration. Gold grades increase significantly below the base of oxidation at a vertical depth of approximately 25 metres.

5.1.5 RAB Drilling Program

Two RAB drilling programs were completed over the Cookies Corner prospect.

The first RAB drilling program, undertaken in 1999/2000, targeted three previously identified soil anomalies over three 400 metre spaced lines with holes at 40 and 80 metre intervals. A total of 34 holes for 525 metres were completed, resulting in 175 3-metre composite samples. The program successfully extended
and further defined four zones with significant gold and coincident arsenic bedrock mineralisation.

The western anomaly comprises a north-striking zone of gold bedrock mineralisation beneath previously identified soil and costean anomalies. Significant results were delineated over a strike length of 750 metres and width of 200 metres. Mineralisation is open to the north. Results included 9 metres at 0.119 g/t Au from surface. A 200 metre north-northeast strike extension was identified to the central mineralised structure previously identified by Western Mining Corporation and Northern Gold. Significant results have been identified over a strike length of 700 metres and width of 100 metres, with bedrock mineralisation open to the east and north. Intersections include 12 metres at 0.19 g/t from surface, and 9 metres at 0.12 g/t from surface. A 200 metre northeast strike extension to the central mineralised structure was identified to extend over a strike distance of 800 metres and width of 200 metres, and is open to the northeast. Intersections included 9 metres at 0.12 g/t from 3 metres, and 6 metres at 0.12 g/t from 9 metres. Drilling completed north-northwest along strike from the historic Great Western hardrock diggings returned a single hole near-surface anomaly, within a peak intersection of 3 metres at 0.24 g/t Au from surface.

The second RAB drilling program, undertaken in 2000/01, targeted the western, central and eastern gold anomalies identified at the Cookies Corner prospect. RAB drilling was carried out over three 400 metre spaced lines, with holes drilled at 80 metre intervals. A total of 15 holes were drilled for 291 metres. The program identified anomalous gold bedrock geochemistry within the previously defined central and eastern mineralised zones. Intersections in the central zone included 12 metres at 0.36 g/t Au from surface, 9 metres at 0.33 g/t Au from surface and 12 metres at 0.52 g/t Au from surface. Intersections from the eastern zone included 12 metres at 5.15 g/t Au from surface, including 3 metres at 19.70 g/t from 3 metres.

5.2 EL 8887 – MT RINGWOOD CENTRAL: 1994 TO 2001

EL 8887 covers the ground north of the Great Northern historical alluvial sites, which were worked at the turn of the century. Geopeko, W.R. Grace Australia Ltd and Oceania Exploration have undertaken systematic exploration of the area since early alluvial mining period. During the life of the tenement (EL 8573), gold exploration activities were completed by Northern Gold.

EL 8887 lies within the Margaret River and McCallum Creek flood plains, and therefore is almost entirely covered by black soil and alluvium.

Northern Gold conducted soil sampling and RAB drilling programs on EL 8887 during the 1994/95 exploration season. The soil sampling program was carried out within the western block of the licence. Samples were collected at 25 metre intervals and composited to 50 metres along three 400 metre spaced lines.
Following this soil sampling program, a total of 222 RAB holes were drilled for 1,698 metres. All holes were drilled vertically at 50 metre intervals over five 400 metre spaced lines. The drilling encountered widespread background to low level gold and arsenic anomalism. The peak values obtained were 498 ppb Au, 230 ppb Au and 510 ppb Au.

Following the drilling program, Northern Gold completed work programs based on digital data acquisition and manipulation during the 1995/96 year of tenure. Landsat Imagery, AGSO mapping, aerial magnetics and remote sensing data were obtained and used in conjunction with aerial mapping to determine the best method of exploration to be used on the tenement. GIS and satellite imagery were used to log soil types and to interpret the structural geology of the region. Geochemical soil sampling, targeting an anomalous gold zone identified by the earlier RAB drilling, was conducted during the 1996/97 field season. Samples were collected at 25 metre intervals over two 400 metre spaced lines. A total of 43 samples were obtained, with the peak value being 0.55 ppb Au.

During the 1997/98 field season, Northern Gold completed a further geochemical soil sampling program and a comprehensive literature review of all exploration completed within the licence area. The soil sampling program was completed over three 400 metre spaced lines. A total of 54 samples were obtained with the highest results being 0.83 ppb Au and 0.82 ppb Au.

Infill geochemical soil sampling program was completed over the southern block of the licence during 1998/99. Samples were collected on 50 metre centres along three 400 metre spaced lines with maximum values of 0.88 ppb Au and 3.18 ppb Au being returned.

During the 1999/2000 field season, Northern Gold completed a further infill soil sampling program. Samples were collected on 50 metre centres along two 200 metre spaced lines, with peak values of 11 ppb Au and 4 ppb Au being returned.

5.3 EL 8780 – MT RINGWOOD NORTHEAST: 1994 TO 2001

The exploration licence has previously been explored by Western Mining Corporation Ltd (over EL 2362 and EL 5318), Oceania Exploration and Geopeko Ltd. Western Mining completed a program of stream sediment and rock chip sampling in the region. The exploration area included EL 8780, which outlined an anomalous area they termed C2. Shallow airtrack holes were drilled to 9 meters across the geochemical anomaly (Quick, 1991, and Warren, 1985).

Oceania Exploration completed aeromagnetic surveys, BLEG stream sediment sampling and rock chip sampling. Poor stream development and lack of outcrop hampered the effectiveness of this exploration program. In addition, computer simulated “Stress Mapping Technology” was applied in an attempt to outline areas of minimum stress (Ferguson, 1989, 1990).
Geopeko carried out a study of the available literature and conducted a brief helicopter supported reconnaissance of the area.

During the life of the tenement (EL 8780), gold exploration activities were conducted by Dominion Gold Operations Pty Ltd and Northern Gold NL.

EL 8780 contains various quartz veining including several prominent quartz reefs previously outlined by Western Mining Corporation over a strike length of 1,000 metres. The tenement is dominated by black soil plains.

The tenement forms the northeast portion of Northern Gold's leases in the Mt Ringwood area. Exploration work undertaken has comprised digital data studies, geophysical interpretations, soil sampling and RAB drilling programs.

The soil sampling programs have comprised:

17 samples from the central and southwestern areas of the tenement, highlighting gold anomalism in the central area of the tenement within an area termed "C2" by Western Mining Corporation, with a peak value of 405 ppb Au being returned.

379 samples over ten 400 metre spaced lines at 25 metre intervals over the entire tenement, successful in identifying a north-northeast trending zone with anomalous gold and arsenic geochemistry. The peak anomalous result was 38 ppb Au.

84 samples from the centre of the tenement targeting and confirming the above anomalies, with maximum gold values of 6.07 ppb Au and 1.31 ppb Au.

67 samples from the central and southwestern areas of the tenement which outlined low tenor northern and southern extensions of the C2 gold soil anomaly with peak results of 2.65 ppb Au in the south and 2.33 ppb Au in the north.

36 infill samples in the central and southwestern regions of the tenement, successfully extending the length of the previously identified north-northeast trending geochemical gold anomaly. The anomaly, with a strike length of 300 metres and a width of 200 metres, returned peak results of 30 ppb Au and 27 ppb Au.

A RAB drilling program was completed in 1995 over the tenement on a 1,500 metre by 200 metre pattern. A total of 56 vertical holes, to a maximum depth of 18 metres for 251 metres in total, were completed. A peak intersection of 7 ppb was returned from the central east of the tenement.

5.4 EL 9122 – MT RINGWOOD EAST: 1995 TO 2001
This tenement comprises sediments of the early Proterozoic Burrell Creek Formation which are tightly folded within fold axes generally trending northwest to southeast. The area is lowlying with poor stream development and extensive areas of alluvium. Work on this tenement has included digital data interpretations and various surface geochemical surveys.

A regional soil sampling program was commenced in 1997/98 over the central western portion of the tenement, targeting stream sediment gold anomalies identified by previous tenement holders in the late 1980's. The program comprised 241 samples collected over twelve 400 metre spaced lines, and successfully identified two northwest trending gold and base metal soil anomalies in an area with significant black soil and paper bark swamp cover.

The first anomalous zone, in the central northwest of the tenement, is 800 metres in length and 500 metres in width with maximum values of 8.8 ppb Au, 41.5 ppb Ag, 16 ppm As, 27 ppm Cu, 22 ppm Pb and 45 ppm Zn. The second anomaly, located north of the first zone, is approximately 800 metres in length and 500 metres in width, with maximum values of 4.6 ppb Au, 59.9 ppb Ag, 12 ppm As, 23 ppm Cu, 19 ppm Pb and 34 ppm Zn. Both anomalies are open to the northwest.

In 1998/99, an infill soil sampling program was completed in the central western area of the tenement targeting previously identified anomalous gold results, and a regional sampling program was undertaken in the central part of the tenement. Results included 36.3 ppb Au and 27.6 ppb Au.

Soil sampling work in 1999/2000 followed up on these gold anomalies and was successful in extending the length of the previously outlined northwest-trending gold soil anomaly. The anomalous zone has a strike length of 3.2 kilometres with a maximum width of 800 metres.

5.5 SEL 10012: 2003 TO 2006

During the 2003/04 year of tenure, Northern Gold carried out a program of infill soil sampling at Cookies Corner and North Goodall prospects.

At the Cookies Corner soil sampling outlined a gold anomaly over a 600 metre strike extent and confirmed the continuity of gold mineralisation between the north and southern soil anomalies. Peak assay results of 367 ppb Au and 230 ppb Au were returned which are consistent with a rock chip anomaly where results commonly exceeded 5 g/t Au.

At North Goodall soil sampling delineated a +100 metre broad 25 ppb Au soil anomaly with a +75 ppb Au core over 400 metres in strike extent. Peak assay result of 408 ppb Au and 113 ppb Au were returned. The soil anomaly is coincident with a rock chip anomaly confirming a strike extent of greater than 600 metres. The soil anomaly confirmed a broad low level MMI soil anomaly
interpreted from five 400 metre spaced lines with samples collected at 80 metre centres.

During the 2004/05 year of tenure, Northern Gold N.L completed a program of costeaneing at the North Goodall and the C6 Prospect.

At North Goodall the costean targeted an identified high grade soil and rock chip anomaly associated with the ferruginous quartz stockworks vein system. 200 one meter samples were collected along the length of the costean which was dug across a ridge 27 meters south of a line of soil sampling carried out the previous reporting year. The costean identified a broad +50m zone of elevated gold mineralization averaging +0.12g/t Au. The zone of mineralization is associated with the length of the costean that had a thicker saprolitic profile. This zone of gold mineralization is coincident with the soil anomaly on which the costean was targeted. Mapping shows the lithology to be a sequence of interbedded sediment units of the Burrell Creek formation. Shearing intensity varied from massive to strong. Only two quartz veins greater then 0.5m were intersected. The remaining quartz veins were less then 15mm (average 5mm) and scattered along the costean. The best gold intersection returned was 3m at 0.39 ppm Au within a saprolitic zone with increased quartz veining (averaging <20mm thick).

At the C6 Prospect two costeans were targeted to test for the extent of surface gold mineralization intersected at depth by RC drilling carried out by Western Mining. Assay results included; 7m @ 3.06g/t Au from 6m downhole, 14m @ 1.23g/t Au from 39m downhole in BYDC428, 6m @ 2.9 g/t Au from 49m downhole in BYDC430 and 2m @ 1.48g/t Au from 45m downhole in BYDC425. It was planned for the costeans to identify the controlling structure and host of the gold mineralization. Weak gold mineralization at surface was associated with zones of massive quartz veining and stockworks within intensely sheared metasediments. The host lithological unit is a west dipping interbedded sandstone/siltstone units of the Burrell Creek formation. The best gold intersection returned was 14m of 0.32 ppm Au in costean C6C001.

6. 2005/06 EXPLORATION COMPLETED

As already mention in the summary and introduction limited work has been completed on this tenement and the following year Refer to section 9.0 Prospectivity.
7. 2005/06 EXPENDITURE

Expenditure over SEL 10012, during the 2005/06 year of tenure, totalled $4,303.70. Details of this expenditure:

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8. 2006/07 PROPOSED WORK PROGRAM

8.1 PROSPECTIVITY.

A combination of structural geological factors are considered to mutually enhance the prospectivity of the 22 granitic blocks of SEL 10012.

With the Howley Anticline interpreted to be flexing northeast to Cookies Corner and intersecting the Pine Creek Tectonic Zone towards the central portion of SEL 10012, this area is considered to be very prospective, conforming to the regional model in which the spatial distribution of gold mineralisation is controlled by the intersection north-trending antiform hinges and northwest-striking faults and folds.

The prospectivity of the eastern blocks of SEL 10012 is considered to be further enhanced in virtue of their proximity to the Margaret Granite. Being on the northwestern flank of the granite body, the blocks encompass an area that is interpreted to be in the pressure shadow of the granite. Regional interpretation holds such a zone to be highly prospective for compressive-style mineralisation. Regional geophysical imaging strongly supports this interpretation.

Little work has been done historically in the southeastern blocks of SEL 10012. Soil sampling during the 1980s has identified two anomalies, both of which remain open to the northwest. RC drillholes MMRC 1-6, 8, 10, 11 and 14 plot within the area formerly encompassed by EL 9122, however their existence in this area is considered to be doubtful; further investigation is required in order to ascertain whether a grid conversion problem erroneously places the holes in this area.
8.2 PROPOSED WORK

Drilling is required to test the various soil anomalies, which fall into two regions and can be prioritised accordingly.

Priority 1: two soil anomalies in the southeastern blocks.

Costeanning of the anomalous zones and/or geophysical imaging to be followed up with RC drilling.

An estimation of the cost of this program: $15,000

Priority 2: two soil anomalies in the southwestern blocks.

At Cookies Corner, a 800m soil anomaly has been identified, and at North Goodall, a 750m anomaly has been identified; both anomalies are interpreted to represent potential near-surface quartz stockworks. Proposed RC drilling will test this possibility.

An estimation of the cost of this program: $10,000
References:


