ANNUAL EXPLORATION REPORT
EL23432
FOR PERIOD ENDING 8th MAY 2006
‘HAYES CREEK NORTH’
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/06/25
Prepared for GBS Gold Australia Pty Ltd.
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8TH JUNE 2006
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1. SUMMARY

EL23432 is located 140km SE of Darwin, NT and 3km north of Hayes Creek roadhouse on the Stuart Highway.

The tenement was granted to the Burnside Joint Venture, managed by Burnside Operations P/L comprising Territory Goldfields NL and Buffalo Creek Mines NL. The latter were subsidiaries of Northern Gold NL and Harmony Gold (Australia) P/L respectively. In 2005 GBS Gold made a successful takeover of Northern Gold NL, and acquired Harmony’s 50% share of the Burnside JV. By April 2006, GBS Gold had 100% of the Burnside project.

This is the third year following grant of the licence and the annual expenditure was set at $750. Three of the six blocks were nominated for surrender before the anniversary of year two.

Work on EL23432 has been subordinate to activity on other JV tenements as the emphasis has been on establishing gold resources at established mineralised prospects. Expenditure during 2005-06 was related to conducting a literature and geochemical data review and reporting. This amounted to $1215.

During the coming year reconnaissance is expected to resolve the prospectivity of the remaining northern blocks. This analysis is planned to cost $1000.

2. LOCATION AND ACCESS

EL23432 is situated 140km SE of Darwin NT and 3km north of Hayes Creek Roadhouse on the Stuart Highway. The Brocks Creek exploration office lies 9km to the north, adjacent to the Darwin-Adelaide Railway.

The Stuart Highway crosses to the south west of the tenement (Figure 1). Further east and north east extensive elevated outcrops and ridges of Burrell Creek Formation have been dissected by a network of creeks, which makes accessibility difficult. 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.
Project: Burnside
Tenement Name: Hayes Creek North

Tenement: EL23432

Tenement Location Map

Author: J. Korbosky
Date: 15/5/2006
Report: PC/BJV/0625 Figure: 1
Scale: 1:100000
Projection: Longitude / Latitude (WGS 84) MGA (GDA94 Zone 52)
Plan No: BJ/019
3. TENEMENT STATUS AND OWNERSHIP

EL23432 was granted on 9th May 2003 and expires on 8th May 2009. It comprises 6 blocks that cover approximately 19.32sq.km. Three blocks were surrendered at the end of Year 2.

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.

The expenditure covenant set for this, the third year, was $750.00.

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 overlies the Burrell Creek Formation sediments of the Finniss River Group. East of the tenement is the Hayes Creek Fault, a major north east striking fracture system. The Burrell Creek Formation that forms high ground in the tenement occupies the axial zone of the fold. This is interpreted by AGSO as a refolded syncline.

There are no MODAT occurrences recorded within the tenement.
5. PREVIOUS EXPLORATION

Part of the work done during Year 3 included a review of previous exploration.

**AP1681** covered the 2 eastern blocks of EL23432, plus a larger area to the north and east. Placer Prospecting explored for Cu, Pb, Zn and Mo but found no economic mineralisation during their work in 1967.

**AP1959** covered a very large area around the Burnside granite, including the 2 eastern blocks of EL23432. Exploration focussed on prospects outside of EL23432, such as Woolwonga, Lady Josephine, Mount Ringwood, Grove Hill etc. Central Pacific Minerals explored AP1959 in JV with Magellan Petroleum in the late 1960’s and early 1970’s, focussing on Cu, Pb, Zn, with lesser focus on U, Au, Ag, Co, Fe and Mn. No specific work is mentioned within EL23432.

CRA Exploration held **EL1072**, covering the 2 eastern blocks of EL23432, plus an area north of EL23432 in 1977. Soil sampling to the south of EL23432 found some weak Cu anomalies (around 50ppm Cu) and Sn anomalies (below 20ppm Sn). The Sn anomalies were attributed to a locally higher density of Sn-bearing quartz veins with possible contamination from the nearby Hayes Creek tin mine.

**EL4219** covered the whole of EL23432 from 1983-1989. The titleholder viewed the tenement as having potential for quartz-vein stockwork type gold mineralisation in Burrell Creek Formation sediments. Interpretation of Landsat imagery recorded a SE-trending anticlinal structure intersected by NE structures. Photogeological mapping showed Cainozoic cover over Burrell Creek sediments with “?Tight folding?” indicated within EL23432. Rock chip sampling did not return any anomalous results from inside the EL. In the third year Grants Patch Mining entered into an agreement with the Titleholder (Bronte Douglass) and the work on EL4219 then focussed on the Zapopan anticline to the north (outside EL23432).

**EL5097** comprised 6 blocks, 3 of which covered EL23432, for a 14 month period from 1988. A ‘structural approach’ (combining geophysical data, aeromagnetic data and regional geology) was favoured over geochemical sampling due to poor drainage, soils and outcrop within the tenement area. Two target areas were outlined, ‘Target 2’ is an interpreted anticline that trends southward into the western block of EL23432. Similar structural targets in the same regional setting have been deemed to have low economic significance, and the ground was relinquished without any further work.
EL6755 covered the same 6 blocks as EL5097 and was held for a year in 1990 by Billiton Australia. Work included; aeromagnetic survey interpretation (from both BMR and multi-client surveys). The area of EL23432 had a ‘flat aeromagnetic signature’ and the highest stream sediment sample was 0.3ppb Au (out of 3 samples within EL23432). Billiton dropped the ground after the disappointing results.

EL7919 covered 9 blocks, which included the 2 eastern blocks of EL23432. Solomon Pacific explored the tenement in 1994-96. Work included collecting 2 BLEG stream sediment samples within EL23432 (MOB20 and MOB21), with highest value of 0.8ppb Au and 13ppm As from MOB21. Twelve soil samples within EL23432 returned a maximum value of 2ppb Au (8400N / 7000E; approx MGA 766840E / 8503270N). An area just outside the boundary of EL23432 (“Centre Point” at approx MGA 767180E / 8503420N) had a low-order stream sediment anomaly (MOB19) which is also coincident with a change in strike of the magnetic lineaments. Geological mapping of the northern block of EL23432 showed Burrell Ck float.

Acacia took over Solomon Pacific in 1996, and continued exploration on EL7919, plus work on EL9428, which included relinquished blocks from EL7919. On EL7919 during 1996, Acacia collected 105 soil auger samples from within EL23432, with highest value of 13ppb from a sample at (Sample 1070686; MGA approx; 765700E / 8503900N).

Acacia named EL9428 ‘Thorium’ due to a radiometric high in that band. A detailed regional aeromagnetic survey was carried out in 1998 plus some stream sediment sampling and rock chip sampling. The stream sediment samples within EL23432 all returned 0.5ppb Au. The ground was relinquished in 2000, which is when Acacia was taken over by Anglogold.
6. EXPLORATION DURING CURRENT TENURE

During 2003, the first year of grant of the tenement, exploration work by the Burnside Joint Venture initiated the structural analysis of the tenement setting. This was put into a regional context using SPOT and Magnetic images.

This work was supplemented by further interpretation during 2004-05. Results of this interpretation show the synclinal nature of the underlying geology. The area is not considered to have a high priority for exploration potential.

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 historic tenure from old Titles tenure sheets (which contain mining as well as exploration tenure)
c) checking NTGS datasets, such as COREDAT, MODAT, Explorer 3
d) checking open file company reports submitted for previous tenure covering EL23432.

From this work;

a) there are no MODAT occurrences within the tenement
b) no drilling reported in Explorer 3 or COREDAT within tenement boundaries
c) no positive results from DIM Database
d) 147 soil samples in Explorer 3, comprising 12 soil samples from Solomon Pacific work (and translated from local grid to AMG by Acacia), and 135 soil auger samples collected by Acacia, with a max value of 13ppb Au.
e) 5 stream sediment samples from Acacia work on EL9428. All samples were 0.5ppb Au
f) 10 rock chip samples (3 from Solomon Pacific work; 7 from Acacia work) Acacia rock chips had a max value of 1ppbAu and 175ppm As; CSMO12 assayed at 4ppb Au from the Solomon Pacific work (approx MGA 766900E / 8504170N).
7. PLANNED EXPLORATION FOR 2006

The work done during the life of the tenement indicates:

a) very little geochemical testing within the central area of the tenement
b) slight/weak anomalism from stream sediment samples taken by Solomon Pacific in the early 1990’s
c) very little sampling or exploration at all within the tenements

Work planned for the next year includes geological reconnaissance to identify (on the ground) structural elements that may be favourable to mineralisation, such as whether the folded anticline in the centre of the tenement exists. Reconnaissance geochemical sampling is also planned to test the prospectivity in the central area of the tenement.

Data integration into DataShed will also be ongoing as part of a regional programme. At this stage none of the previous geochemical work has been put into DataShed.

Expenditure is expected to be around $1000.
8. REFERENCES


9. EXPENDITURE

Expenditure as supplied by GBS Gold Pty Ltd is:

- Tenement Administration: $65.32
- Payroll: $1150.00

Total: $1215.32