



GBS GOLD Australia Pty Ltd

ANNUAL EXPLORATION REPORT

“Rhodes Tenement Group”

YEAR ENDING DECEMBER 31st 2006

MLNs 414-418

Pine Creek 1:250,000 SD5208

Batchelor 1:100,000 5171

Burnside (14/2-II) 1:50,000

Distribution:

DPIFM Darwin NT

GBS Gold Australia P/L Perth

Burnside Operations P/L Brocks Creek NT

Union Reef Mine Site Pine Creek NT

Report Number: PC/BJV/07/04

Compiled by: M Muir

January 2007

SUMMARY

MLN 414-418 inclusive cover the Rhodes gold prospect, 115km SE of Darwin and 3km NE of Mt Paqualin, on the Burnside 1:50,000 map sheet. The Rhodes deposit comprises a strategic gold resource of low to medium grade that has been drilled by previous explorers. Northern Gold estimated a non-JORC global resource of 700,000t @ 1.80g/t Au. After the tenements were incorporated into the Burnside JV in April 2002, Rhodes was ranked as a potential source of low grade mill feed.

During 2006-2007 work completed over the Rhodes Tenement group consisted of

1. Planning for the upcoming field season
2. Administrative Duties
3. Report Preparation
4. Data Integration and validation for the Data Shed database.

Work in the region has been delayed because company resources have been concentrated on the recommencement of mining in the district by GBS Gold. Commissioning of the of the dual-mill 2.5Mtpa Union Reefs CIL gold plant in the Northern Territory commenced as of September 2006. The two initial open pit (FountainHead and Rising Tide deposits) ore sources came online mid September and High Grade ore was sourced from the Brocks Creek Underground Mine (Zapopan) in late September.

Exploration and consolidation in the Rhodes tenements will be an important part of GBS Golds plan to continue to replenish supply to the mill. The region is considered important for review to take into account the favourable gold price.

TABLE OF CONTENTS

1.0	INTRODUCTION	1
2.0	TENEMENT DETAILS	1
3.0	LOCATION AND ACCESS	1
4.0	GEOLOGICAL SETTING	3
4.1	Regional Geology	3
4.2	Local Geology.....	3
5.0	PREVIOUS EXPLORATION ACTIVITY	5
6.0	EXPLORATION year ending 31 st December 2006.....	8
7.0	EXPLORATION EXPENDITURE year ending 31 st December 2006	8
9.0	REFERENCES	9

LIST OF FIGURES

FIGURE 1	Tenement Location	A4 1:50,000
FIGURE 2	Regional Geology	A4 1:25,000

LIST OF TABLES

Table 1: Tenement Details for the Rhodes Group of Tenements	1
Table 2: Metallurgical Test Work Summary	6
Table 3: Expenditures MLNs 414-418 year ending 31 st December 2006	8

1.0 INTRODUCTION

MLNs 414-418 inclusive cover the Rhodes gold prospect, 115km SE of Darwin and 3km NE of Mt Paqualin, on the Burnside 1:50,000 map sheet. The Rhodes deposit comprises a strategic gold resource of low to medium grade that has been drilled by previous explorers. Northern Gold estimated a non-JORC global resource of 700,000t @ 1.80g/t Au. After the tenements were incorporated into the Burnside JV in April 2002, Rhodes was ranked as a potential source of low grade mill feed. This report covers the data review and status of the tenements during the year ended 31st December 2006.

2.0 TENEMENT DETAILS

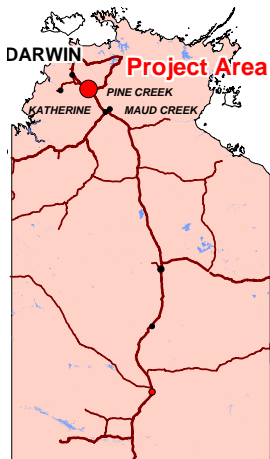
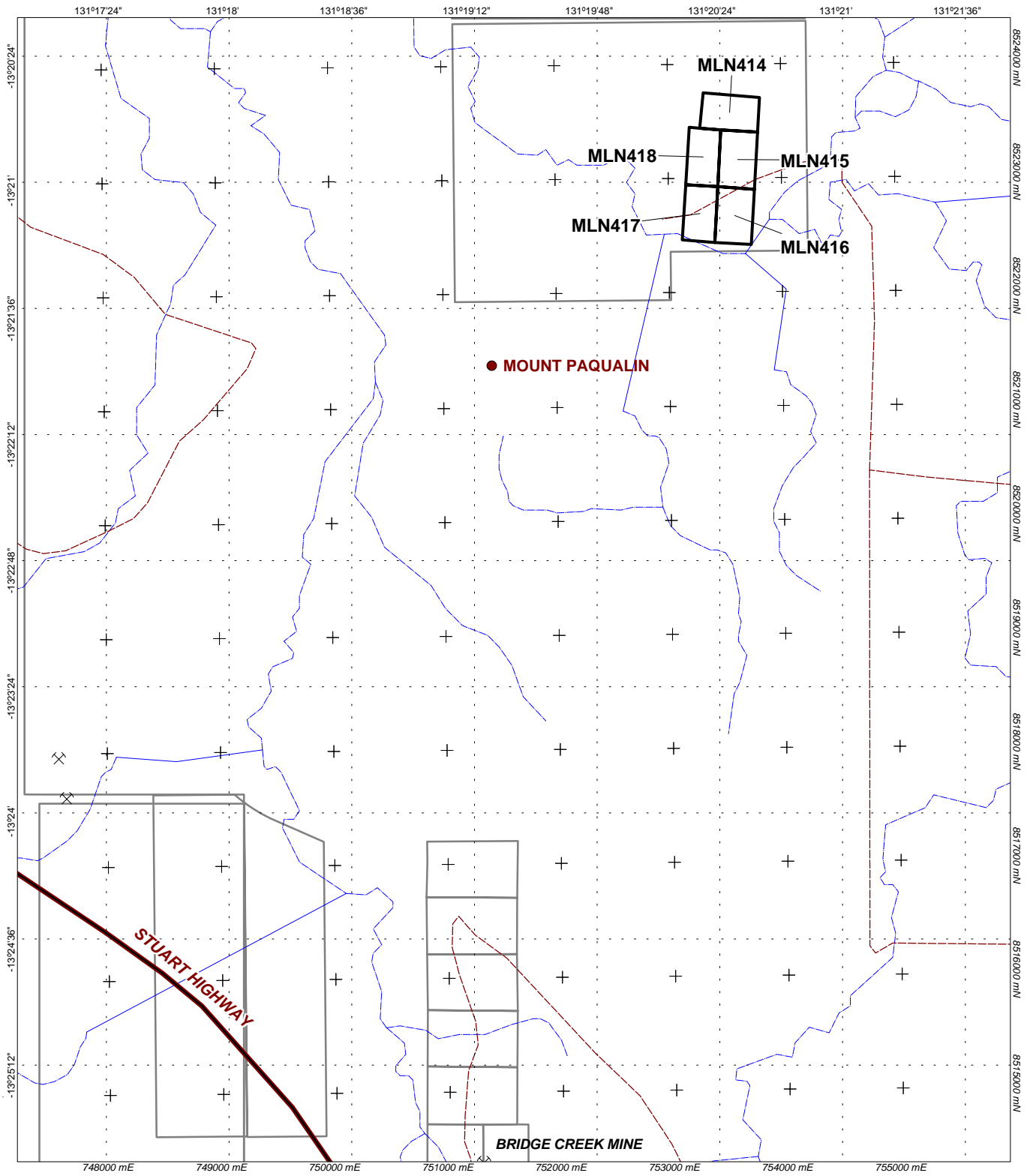
The Rhodes tenement group comprises five contiguous granted mineral leases totaling 75 hectares. It is enclosed in turn by a larger mining lease application, MLN1152. Mineral Leases Northern 414 to 418 inclusive were granted to Peko Wallsend on the 8th February 1978. W.R. Grace Australia Ltd held an option over the tenements dating from an agreement of 8th July 1985 with Peko Wallsend. The titles were transferred to R. Edwards in 1993. Northern Gold N.L. and Camelot Northern Territory Limited, formerly Reynolds N.T., acquired the tenements in 1995 by exercising an option agreement. The mineral leases were renewed on the 17th of May 1999, for a period expiring on the 31st of December 2003. Application for renewal by the Burnside Joint Venture (Territory Goldfields NL and Buffalo Creek Mines NL) was granted and the term of the group now expires on 31/12/08. GBS Gold acquired Northern Gold NL in late 2005, and purchased Harmony's 50% share of the Burnside JV. GBS Gold now control 100% of the Burnside Project.


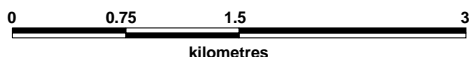
Table 1: Tenement Details for the Rhodes Group of Tenements

Ten. ID	Grant date	Effective Date	Date Expiry	Area (ha)
MLN414	8/2/1978	1/1/2004	31/12/2008	15
MLN415	8/2/1978	1/1/2004	31/12/2008	15
MLN416	8/2/1978	1/1/2004	31/12/2008	15
MLN417	8/2/1978	1/1/2004	31/12/2008	15
MLN418	8/2/1978	1/1/2004	31/12/2008	15

3.0 LOCATION AND ACCESS

The tenements are 115km SE of Darwin and 3km NE of Mt Paqualin on the Burnside 1:50,000 map sheet. They also lie between latitudes 13°20'30" south and 13°21'30" south and longitudes 131°20' east and 131°21' east and are situated within the Mount Ringwood Pastoral Lease, PL 718. Access is via the Stuart Highway to Bridge Creek, then north along exploration roads and station tracks. The Howley Creek crossing is washed out every wet season, and access is difficult without track rehabilitation. A padlock is installed on the gate north of the Darwin-Adelaide railway, the key may be obtained from Mt Ringwood Station. Access is impassible during the wet season.



 GBS GOLD AUSTRALIA PTY LTD		
Project: Burnside	Prospect: Rhodes Group	
Tenement: MLN414, 415, 416, 417, 418 Tenement Location Map		
Author: B. Smith	Date: 12/4/2006	Report: PC/BJV/06/17 Figure; 1
Scale: 1:50000	Projection: Longitude / Latitude (WGS 84) MGA (GDA94 Zone 52)	Plan No: BJV012
		

4.0 GEOLOGICAL SETTING

4.1 Regional Geology

The Rhodes group tenements are situated within the Pine Creek Geosyncline, a tightly folded sequence of Lower Proterozoic rocks, 10km to 14km in thickness, laid down on a rifted granitic Archaean basement during the interval ~2.2-1.87Ga. The sequence is dominated by pelitic and psammitic (continental shelf shallow marine) sediments with locally significant inter-layered cherty tuff units. Pre-orogenic mafic sills of the Zamu Dolerite event (~1.87Ga) intruded formations of the South Alligator Group.

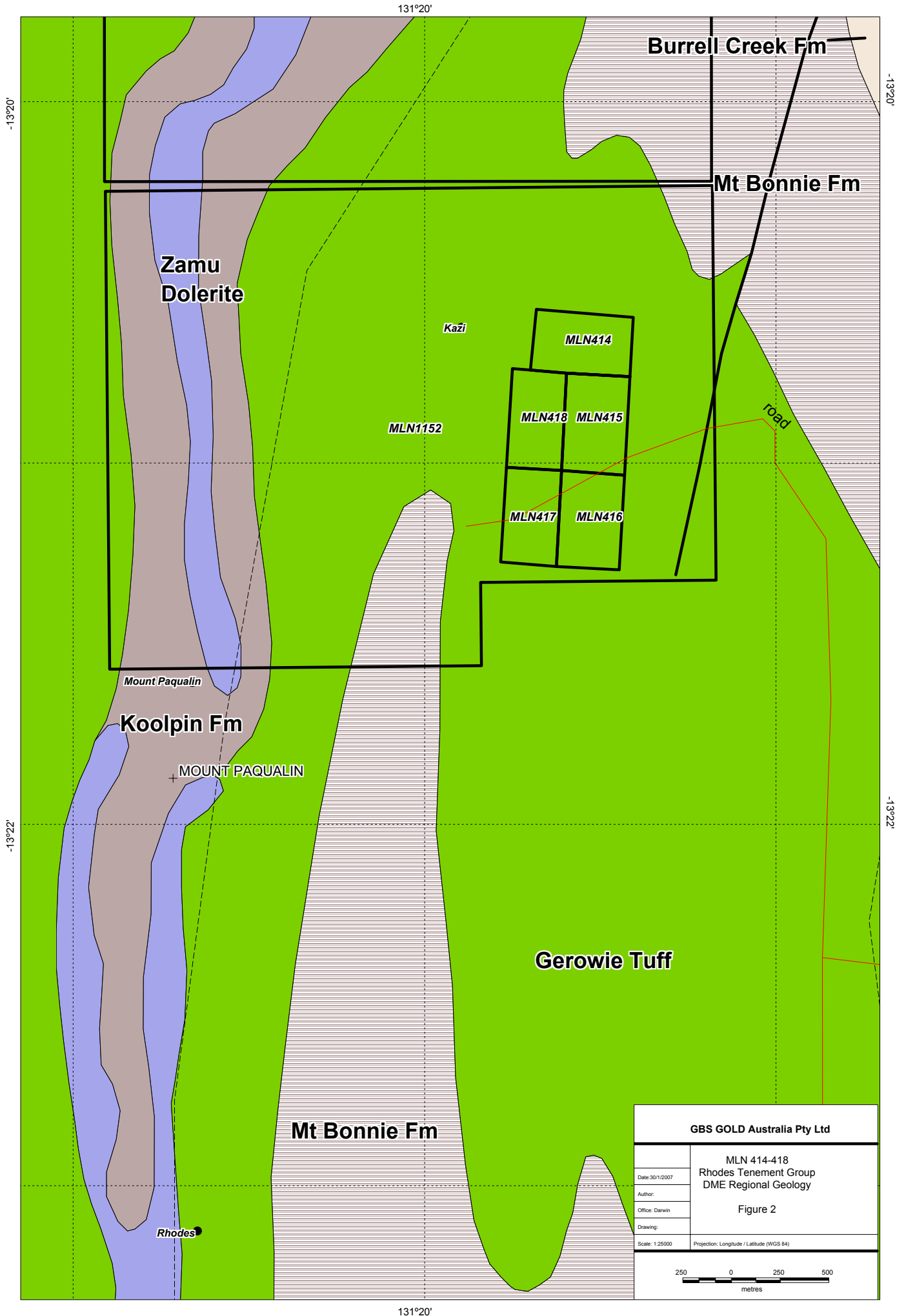
During the Top End Orogeny (Nimbuwah Event ~1.87-1.85Ga) the sequence was tightly folded, faulted and pervasively altered with metamorphic grade averaging greenschist facies with phyllite in sheared zones. The Cullen intrusive event introduced a suite of fractionated calc-alkaline granitic batholiths into the sequence in the period ~1.84-1.80Ga. These high temperature I-type intrusives induced strong contact metamorphic aureoles ranging up to (garnet) amphibolite facies, and created regionally extensive biotite and andalusite hornfels facies.

Less deformed Middle and Late Proterozoic clastic rocks and volcanics have an unconformable relationship to the older sequences. Flat lying Palaeozoic and Mesozoic strata along with Cainozoic sediments and proto-laterite cementation overlie parts of the Pine Creek Geosyncline lithologies. Recent scree deposits sometimes with proto-laterite cement occupy the lower hill slopes while fluvial sands, gravels and black soil deposits mask the river/creek flats areas. Regionally there is a tendency for gold mineralisation to be focused in anticlinal settings within strata of the South Alligator Group and lower parts of the Finnis River Group. This sequence evolved from initial low energy shallow basinal sedimentation to higher energy deeper water flysch facies.

4.2 Local Geology

Outcrop within the lease boundaries is very poor due to extensive black soil and creek alluvium deposited by Howley Creek immediately to the south. Interpretation from more regional studies, and supported by drilling, shows that the Gerowie Tuff of the middle South Alligator Group underlies much of the area. This unit has been intruded by mafic Zamu sills and folded into north trending structures.

Gold mineralisation at the Rhodes Prospect is hosted within shallow west dipping quartz veining and brecciation in Zamu Dolerite, adjacent to the contact with carbonaceous cherty tuffites and siltstones of the Gerowie Tuff Formation. This reverse fault setting lies on the western limb of a north trending anticline.



GBS GOLD Australia Pty Ltd	
MLN 414-418 Rhodes Tenement Group DME Regional Geology	
Figure 2	
Date: 30/1/2007	
Author:	
Office: Darwin	
Drawing:	
Scale: 1:25000	Projection: Longitude / Latitude (WGS 84)

5.0 PREVIOUS EXPLORATION ACTIVITY

Shaw (2005) and Smith (2006) have outlined previous exploration at the Rhodes tenements, and this is incorporated (and expanded upon) here. Geopeko defined the Quest 155 magnetic anomaly from a regional aeromagnetic survey in 1975/76. Follow-up ground magnetics and geological grid mapping were carried out in 1977, followed by 2 diamond drillholes (originally named DDH.Q155 S1 and S2, now RQU1 and RQU2). Geopeko's efforts were directed at defining base metal mineralisation.

In 1985, Western Mining Corporation (WMC) were managers and operators of the Mount Ringwood JV, which was between WMC and W.R Grace Australia that covered the Rhodes tenements. WMC reassayed the Geopeko holes for gold, with relogging to confirm and refine geological interpretation. Further geophysical work was followed up with 7 diamond holes (RQU4 – 11; RQU 5 was a water bore). Core from this programme was systematically logged and assayed for Au and As and selected base metals and a suite of 51 polished thin sections were described to assist logging. Three RC holes were drilled (RQU-12 – 14) and assayed at 1m widths for Au and As. WMC concluded from this work that the main potential for gold mineralisation on the tenements was in a relatively short strike length of strong vein mineralization between 12000N and 12300N. Within this zone short intervals of encouraging tenor were defined but grades of bulked material were 'disappointingly low'. There was also minor encouragement for thin, patchy tenor gold mineralisation indicated by RQU-8 south of 12000N. Most mineralized systems are distinguished by strong TEM and magnetic responses. Mineralisation is hosted within thin Zamu Dolerite emplaced within Gerowie Tuff.

In 1987 a high definition RVR TEM was carried out to define small mineralized zones. Drilling tested these zones, with RQU15 – RQU18 (RC precollars, NQ diamond tails) and RQU19 – RQU21 (RC holes) drilled during the year. Details on sampling and assaying are in Hancock and Muir (1987). This report also details structural observations and interpretations on structure and vein-stage paragenesis. WMC recommended further work on assessing the geometry and potential of veining in the top of the Zamu Dolerite, but noted the lack of near-surface potential downgraded the prospect.

In 1988 two diamond holes (RQUD23 and RQUD28) were drilled off precollars drilled in 1987. RQUD targeted the northern fault zone for mineralisation, and RQUD28 tested for sulphidic veining in the dolerite. Both holes proved the geological interpretation to be correct by intersecting the interpreted geology, but the gold tenor was reportedly low. The WMC grid used was called the Quest 155 grid; with northings around 12000N and eastings around 11900E (which is different to the Rhodes grid). Grid north is AMG north (shown as approx 0.5 deg difference from true north). From the Drillhole Location Plan and Control Grid diagram (Quick 1990) it appears that the conversion from Quest 155 grid to AMG is as follows:

LOCAL GRID	AMG
11925E / 12065N	753280E / 8522746N

Northern Gold N.L. conducted RC drilling programs during 1994 and 1995 to test the resource outlined by WMC. The results generally reflected the WMC results. NGNL also conducted baseline surveys to establish the Rhodes grid. The grid conversion is reported by NGNL as follows:

LOCAL GRID	AMG
45500E / 66689.67N	751777.71E / 8521218.94N
45500E / 71000N	752066.44E / 8525521.27N

It is assumed that the AMG coordinates are AMG66 Zone 52, but this is not confirmed.

During 1996, Northern Gold N.L. completed RC drilling, resource evaluations, metallurgical testwork and an MMI geochemical soil sampling program. The drilling was undertaken in order to determine the extent and style of bedrock mineralisation around the previous drilling. The drilling program consisted of 21 RC drill holes for a total of 2,620m. Metallurgical test work was carried out on some of the RC drill samples. A summary of results is shown below.

Table 2: Metallurgical Test Work Summary

Ore/Test No.	Grind P80 Target	NaCN Used kg/t	Leach Residue Au g/t	Au Extraction %	Calc'd Head Au g/t
RO 31 Test H5055	106	1.81	0.288	90.25	2.95
RO 42 Test H5056	106	1.42	0.383	87.39	3.04

A MMI orientation survey was completed over the Rhodes Prospect in May 1996. Approximately 500g of soil, sieved to -5mm, was collected every 5m along two 100m spaced lines. A total of 102 samples were collected and submitted to Analabs, in Perth, W. A., for "MMI-B" Au, Ag, Co, Ni, Pd analysis, and "MMI-A" Cd, Cu, Pb and Zn analysis. The program was successful in highlighting the position of the Rhodes gold deposit. Distinct and coincident anomalies were obtained for the elements Au, Cu, Zn, Co, and Cd and to a lesser extent Ni and Pb. No significant response ratio values were reported for Pd.

During July 1996 and February 1997, resource estimates were calculated for the Rhodes Prospect. These are reported in Farrelly, 1996 and 1997, and gave a non-JORC total resource estimate of 583,510t @ 2.61g/t Au for just under 49,000oz Au. In 1997 a block model resource was calculated based on 20m cross-sections, and mineralised envelopes were interpreted based on lithology and gold grade. Several west-dipping mineralised lenses were identified that were hosted by Zamu Dolerite. The lenses are interpreted to 'curve' and this is interpreted as being related to an

elliptical dolerite-tuff contact. The lenses were extrapolated up to 10m either side of the section, and were referred to as 101, 102, 103, 104, 105, and 106. The 1997 resource estimate gave a reported total resource of 771,150t @ 1.88g/t Au using a 0.7g/t Au cutoff for just over 46,000oz Au. These resource figures and mineralized envelope interpretations are quoted from previous work, and have not been verified by the author.

In 1999 Northern Gold N.L. completed a review of the sub-surface gold geochemistry at the Rhodes Prospect, utilising all available drilling and surface geochemical data. During 2000 Northern Gold N.L. contracted Arnhem Exploration Services to complete an infill BLEG soil sampling program over the tenement group. A total of 77 samples, consisting of approximately 4kg of B horizon soil, sieved to – 5mm, were collected at 40m intervals along six, 200m spaced lines. These were submitted to Assaycorp, in Pine Creek, for analysis of Au, using low level fire assay technique, and Ag, As, Cu, Pb and Zn, using MA4/G400M/ICP-MS analytical method. The program outlined a north northeast trending soil anomaly, within the north and west of the area sampled. The peak results returned were 250 ppb Au, 110 ppb Au and 80 ppb Au.

In 2001 the tenements were subjected to geological review and ranking exercises.

In April 2002 the tenements were incorporated into the Burnside Joint Venture under the management of Burnside Operations P/L. The Burnside JV reviewed all resources within the JV tenements to rank available prospects. The Rhodes deposit was classed as low to medium priority in view of its trucking distance from Brocks Creek, its complexity and relatively low grade. It was recognised as being economically dependent on the viability of the more robust and proximal Zapopan and Cosmo Howley deposits. It was also acknowledged that its potential is bound up with the nearby Bons Rush and Kazi deposits in that they were likely to be mined together.

In 2003 work comprised remote sensing and interpretation using SPOT imagery.

In 2004 the economic factors were changed when the Burnside JV sold the Brocks Creek treatment plant and purchased the Union Reefs mill in August 2004. The haul distance to the new mill is now 64km, but the new mill has lower unit costs.

Exploration during 2005 was effected by several changes in ownership. In September 2005, Northern Gold entered into an agreement with a Harmony subsidiary company to acquire the 50% Harmony interest in the Burnside JV. GBS Gold acquired 100% of Northern Gold in January 2006, and finalised the 50% acquisition of Harmony's share in March 2006. The effect of these management changes meant little work was conducted during 2005 on the Rhodes tenements.

Rhodes had been identified by the Burnside JV as being of lesser importance than the resources at Cosmo, Zapopan and Fountainhead, and most work has concentrated on these more advanced deposits. The bulk of the work during the year focussed on loading and modifying drillhole data into DataShed. Original documents were merged into the growing library at Brocks Creek.

6.0 EXPLORATION year ending 31st December 2006.

During 2006-2007 work completed over the Rhodes Tenement group consisted of

1. Planning for the upcoming field season
2. Report Preparation
3. Data Integration and validation for the Data Shed database.

Work in the region has been delayed because company resources have been concentrated on the recommencement of mining in the district by GBS Gold. Commissioning of the of the dual-mill 2.5Mtpa Union Reefs CIL gold plant in the Northern Territory commenced as of September 2006. The two initial open pit (FountainHead and Rising Tide deposits) ore sources came online mid September and High Grade ore was sourced from the Brocks Creek Underground Mine (Zapopan) in late September.

Exploration and consolidation in the Rhodes tenements will be an important part of GBS Golds plan to continue to replenish supply to the mill. Therefore, Rhodes project is considered important for GBS Gold Australia to take into account the favourable gold price.

7.0 EXPLORATION EXPENDITURE year ending 31st December 2006

Table 3: Expenditures MLNs 414-418 year ending 31st December 2006

Tenement Number	Expenditure (\$) 1/01/06 - 31/12/06
MLN 414	523.40
MLN 415	523.40
MLN 416	523.40
MLN 417	523.40
MLN 418	523.40
TOTAL	2617.00

8.0 PROPOSED PROGRAMME year ending 31st December 2007

The Rhodes group of tenements has recently been assigned a low priority status due to the commissioning of the Union Reefs mill and the ore source being derived from the Brocks Creek area. New appraisal of the area will be carried out over the course of 2007 and previous work will be reviewed. This will include field visits, preliminary sampling and a proposed drilling plan if warranted. A minimum budget of \$3000 has been set aside for this appraisal.

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