ANNUAL EXPLORATION REPORT
EL24405

FOR PERIOD ENDING 5th MAY 2006

‘YAM CREEK WEST’
BURNSIDE PROJECT NT

Pine Creek SD5208  1:250,000
Pine Creek 5270    1:100,000
McKinlay River 5271 1:100,000

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

GBS Report No. PC/BJV/06/20
Prepared for GBS Gold Australia Pty Ltd.
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1. SUMMARY

EL24405 is located to the west of the Princess Louise line of mineralisation, in an area of poorly subcropping Burrell Creek Formation sediments. The tenement was granted to Buffalo Creek Mines Pty Ltd (50%) and Territory Goldfields NL (50%) which was part of the Burnside JV. In April 2006, GBS Gold Australia Pty Ltd acquired 100% of the Burnside JV.

Work done during Year 1 of tenure included a review of work by previous explorers, plus data acquisition (into MapInfo) and initial review of prospectivity of the tenement. This work indicated that the area may contain NW-trending structures, as noted on the TMI. Earlier workers interpreted an arcuate (folded) syncline within the tenement. The work also indicated that most of the tenement is covered by colluvium, and surface geochemical sampling would probably be unsuccessful.

Planned work for Year 2 includes reconnaissance mapping of outcrops in the western area of the tenement to determine structural indications. RAB or vacuum drilling would be desirable, but probably unlikely before Year 3 due to rig availability.

2. LOCATION AND ACCESS

EL24405 is located west of the ‘Priscilla line’ of mineralisation, which contains GBS’s Princess Louise and North Point deposits (Figure 1). The tenement is located approximately 170km SE of Darwin via road. Access is via the Stuart Highway, then left (north) along Fountainhead Road for 23km, then along NE along Grove Hill Road, then south towards the tenement.
3. TENEMENT STATUS AND OWNERSHIP

EL24405 consists of 2 blocks (4.09sq km) although the northern block is truncated to less than a half block size by the pre-existing EL23536. The tenement was granted on 6th May 2005 and expires on 5th May 2011.

The tenement was granted to the Burnside JV, which comprised 50% Northern Gold (through subsidiary Territory Goldfields) and 50% Harmony Gold (through subsidiary Buffalo Creek Mines). During 2005, GBS successfully made a takeover for Northern Gold NL, and has reached an agreement to purchase Harmony’s 50% share of the Burnside project. GBS Gold have 100% of the Burnside Project as of 1st April 2006.

Underlying cadastre is NT Portion 2683 (Pastoral Lease 903) held by Branir Pty Ltd.

The expenditure covenant set the first year was $5000.

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 lies west of the Princess Louise gold deposit and Iron Blow base metal deposit near Yam Creek. There is poor outcrop within the tenement, but mapping by AGSO and NTGS shows the area being underlain by Burrell Creek Formation of the Finniss River Group. The strike of the Burrell Creek sediments within the tenement is unclear due to lack of outcrop, but may trend to the northeast. TMI imagery shows a strong NW component that may be NW-trending fracture sets that could control mineralisation. On a regional scale, it appears that the stratigraphy in this area has an arcuate flexure which may be important for mineralisation. In addition the area is bracketed to the east by the major Hayes Creek Fault system. It appears likely that the area of interest may be cut by splay faults off this important structure.

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

Part of the work done on EL24405 for this year is a literature review, and the results are in the section below.

AP1681 covered a large area west of EL24405 and only covered a small wedge within EL24405. The area was explored for Cu, Pb, Zn and Mo mineralisation with 'no economic mineralisation found'.

Similarly, AP1959 also covered a very large area to the north and across EL24405. Exploration focussed on prospects outside of EL24405, 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 EL24405.

EL 615 is also a large tenement area, covering all of the Golden Dyke/Yam Creek area, plus areas to the north, and south towards Pine Creek. The only work reported concentrated on Mount Bonnie and Grove Hill (outside the tenement area).

EL 4415 covers the small 'sliver block' of EL24405, plus another 24 blocks to the north. Ken Day Pty Ltd explored the alluvial/colluvial gold potential around the old Yam Creek / Margaret River diggings, with hardrock gold mineralisation as a secondary target. Work included:

- 1:25,000 photogeology map (that showed EL24405 covered by colluvium and alluvium)
- 1:66,666 interpretative geological map, which showed an interpreted arcuate syncline (arc curved to east) within EL24405
- aeromagnetic survey on 250m spacings on EW lines covering the tenement (conducted by Geoterrex in 1985)
- excavating pits to assess the alluvials at North Point to Margaret Plains
- pan silt samples and rock chip samples (location on schematic diagrams; but probably outside of EL24405)
- geoflite remote sensing survey (outside EL24405 area)

Dominion bought the property in 1989, and work conducted was outside the EL24405 area under EL4415.
**EL7539** covered the whole of EL24405, plus areas covered by MCN's at Yam Creek/Princess Louise to the east. EL7539 was only held for one year before being incorporated as part of SEL7895 (along with EL 7478). No results were reported during the EL7539 tenure.

Work done during **SEL7895** by Dominion (and then Northern Gold) included soil sampling of the Priscilla line, vacuum drilling west of Grove Hill and scout RC drilling. From this work, 92 vacuum holes were drilled on EL24405, at 50m spacings along 400m spaced lines. A weak NW trending anomaly (ie; 1-2 samples per line, but extending over 4 lines, or approximately 1400m) was outlined from this work. The NW-trending anomaly follows the same orientation as some of the possible structures interpreted from the regional aeromagnetics images Figure 2). Maximum Au result within EL24405 was 62ppb Au in hole 93GHVA127. The NW-trending soil anomaly comprises samples with Au values of 62ppb, 10ppb, 21ppb, and 15ppb, with 68ppb recorded along the same trend in 93GHYVA240 just outside the northern boundary of EL24405.
Figure 2 - EL 24405; Rum Jungle TMI 1VD with interp & vacuum drilling
6. EXPLORATION DURING CURRENT TENURE

GBS Gold view the area of EL24405 as being prospective due to its proximity to major structures such as the Hayes Creek fault, which may have fault splays containing mineralisation within the tenement. The first step in evaluating the tenement has been to review all known geological, geochemical and geophysical data within the tenement area.

Exploration during Year 1 has consisted of a data search and literature review of previous work, and a summary of work on previous tenure is contained in the previous section. This work involved;

a) check of known geological & geophysical maps/datasets
b) check of Explorer 3 datasets (rock chip, soil stream sediment, drilling) to see if any data is within the tenement
c) check of COREDAT
d) integrating geological maps and datasets into MapInfo

Results from this work indicated that there are no recorded geochemical samples from the NTGS Explorer 3 database, and no COREDAT drillholes within EL24405. Dominion conducted a vacuum drilling programme that appeared to outline a weak NW-trending anomaly (Figure 2).

Work done by Ken Day Pty Ltd interpreted an arcuate syncline within EL24405, which would make the central part of the tenement potentially prospective. Anglogold interpreted NE-trending faults within EL24405 as an extension from the nearby Princess Louise/North Point area, and these faults were based upon their aeromagnetic interpretations. The regional TMI shows a NE-trending magnetic low ‘trough’ on the eastern side of EL24405, between the tenement and the Yam Creek/Princess Louise line of mineralisation (Figure 2).

The data review has indicated the tenement has little outcrop and is largely covered by alluvium/colluvium, so the usual geochemical sampling programmes will not be successful in this area.
7. PLANNED EXPLORATION FOR 2006/07

Work planned for the next year includes;

a) try to obtain the Anglogold geophysical survey within the area, and check the geophysical signature within EL24405. Anglogold carried out a more detailed geophysical survey than the regional NTGS surveys, and this may have more data on structure within the tenement.

b) geological reconnaissance/mapping – there are outcrops mapped at 1:100,000 scale on the western side of EL24405. A field visit is planned to determine if any detailed structural information can be gleaned from these outcrops, and other subcrops within the tenement.

c) Ground check of vacuum anomalies outlined by Dominion vacuum drilling. Verify Dominion data against original logs (if possible).

The ideal method to test the prospectivity of the tenement would be RAB or vacuum drilling, and this may be attempted in subsequent years, as it is doubtful a rig will be available within the next year.

Expenditure is expected to be $5000.

8. EXPENDITURE

No expenditure was recorded on EL24405 during Year 1 due to:

a) literature search and data review work being charged (and costed) outside the anniversary period (ie; will form part of Year 2 expenditure)

b) changeover of accounts systems from previous JV partner Harmony Gold to GBS Gold in April 2006 has led to changes in cost codes etc. It does not appear that Harmony Gold posted any expenses (eg; tenement management) to EL24405. This may be because EL24405 was granted during the year of the transfer/sale of assets to GBS Gold (?)
9. REFERENCES

