ANNUAL EXPLORATION REPORT
EL 9608

FOR PERIOD ENDING 24th MAY 2006
‘MOUNT BONNIE SOUTH’
BURNSIDE PROJECT NT

Pine Creek SD5208 1:250,000
Pine Creek 5270 1:100,000
Burrundie (14/6-IV) 1:50,000

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

GBS Report No. PC/BJV/06/23
Prepared for GBS Gold Australia Pty Ltd.
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1. SUMMARY

EL 9608 is located 145km SE of Darwin, NT and 18km SE of Brocks Creek. Northern Gold NL applied for EL9608 (3 blocks) on 10th July 1996. Northern Gold’s main focus was searching for extensions to mineralisation at Mt Bonnie to increase the resource base for development. The licence was finally granted on 25th May 2004, when Northern Gold were in JV with Harmony subsidiary Buffalo Mines Pty Ltd (Burnside JV).

GBS recognise EL9608 as being highly prospective with;

a) similar host lithologies to Cosmo/Chinese
b) several favourable structures crosscutting through the tenement
c) recognition of NW-trending soil anomalies from previous work that have not been followed up with further work
d) similarities to adjacent Golden Dyke mineralisation
e) possible extensions of Mt Bonnie mineralisation

During 2005, GBS made a successful takeover of Northern Gold NL, with the takeover becoming final in November 2005. In April 2006, GBS acquired Harmony’s 50% share in the Burnside JV, and now control 100% of the Burnside Project. During this time, work on EL9608 has been limited to a data review, recognition of mineralisation potential, and planning of drilling. An EOMP (SE Burnside MMP) has been compiled, and drilling on EL9608 is planned immediately following Departmental approvals.
2. LOCATION AND ACCESS

EL 9608 is located 145km SE of Darwin, NT and 18km SE of Brocks Creek (Figure 1). Access from the Stuart Highway is via the Grove Hill Road for 7km, then to the Mt Bonnie access road. From Mt Bonnie, there is a track that heads south towards the Margaret Diggings.

Within the tenement access is poor, due to the hilly terrain and lack of tracks.

3. TENEMENT STATUS AND OWNERSHIP

Northern Gold NL applied for EL 9608 (3 blocks) on 10th July 1996. EL 9608 was granted on 25th May 2004 and expires on 24th May 2010. It comprises three blocks that cover approximately 999 hectares. Underlying cadastre is pastoral lease, with Equest Pty Ltd (PL 1630; Mary River West Station) on the eastern side of the tenement, and Branir Pty Ltd (PL 2683) covering most of the 2 western blocks.

Originally EL 9608 was granted to Northern Gold NL, but as Northern Gold NL were in JV with Harmony subsidiary Buffalo Mines Pty Ltd (Burnside JV) the tenement was transferred to being 50% Buffalo Creek Mines Pty Ltd, and 50% Territory Goldfields NL upon grant. During 2005, GBS made a successful takeover of Northern Gold NL, with the takeover becoming final in November 2005. In April 2006, GBS acquired Harmony’s 50% share in the Burnside JV, and now control 100% of the Burnside Project.

The original covenant of $102,000 came from Northern Gold’s original application, and included a large component of drilling in Year 1. A variation from covenant was lodged last year for $45,800, which also included a drilling component.

A waiver from reduction was granted on 29th May 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.

EL9608 covers a sector of Koolpin Formation metasediments that have been tightly folded and faulted on NW-SE axes. The Koolpin has been intruded and dilated regionally by dolerite sills with a wide range of thicknesses. These dolerites comprise the Zamu Dolerite event that just predates the Pine Creek Orogeny. Cross folding has generated a domal structure in the southern most block of the tenement. This feature is a clone of the mineralised Golden Dyke Dome 4km to the west. Local exposures of Wildman Siltstone of the underlying Mt Partridge Group have been generated by the domal folding. The area is well exposed on strike ridges with scree deposits and alluvial cover in the valley floors and flanks of the ridges.

Gold is well known in a variety of settings in the region of EL9608. Koolpin Fm. occurrences at Golden Dyke Dome 4km to the west are similar to those at Cosmo Howley and by some workers have been considered syngenetic in style or at least strata-bound. Sener (2003) shows that an epigenetic origin is most likely with rock chemistry, metamorphic state and rheidity setting more likely to have played a dominant part. Shaw (20050 interpreted within EL9608 strike (reverse?) faults from the SPOT image cut the axial zones of the principal anticlinal folds and are potential sites for gold deposition. Where these are cut by late stage WNW trending fractures a favourable gold depositional site is to be expected (Figure 2).

Davies No.2 prospect plots erroneously within EL9608. This is actually located further west outside the tenement boundaries.
5. PREVIOUS EXPLORATION

Previous exploration came from examining the historic tenure layer (NT_Historical_EL_AP dated 12/08/2005 from NTGS) in MapInfo, and also from examining scanned Mining Tenure maps from the Minerals and Energy website. A list of previous tenure was compiled, and the reports were obtained after interrogating IRMS. Further checks on work within the Licence came from examining Explorer 3, MODAT and COREDAT.

**AP1959** covered the whole of EL9608, plus a very large area south of EL9608, but also including the Mount Bonnie and Yam Creek areas. 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 EL 9608.

**EL615** – AOG minerals held a large tenement in the area in the mid-1970’s and concentrated most of their work on the Mount Bonnie and Iron Blow prospects.

**EL 3138** covered 57 blocks to the east of EL9608, and included the eastern block of EL9608. Geopeko explored EL 3138, and work done in the early 1980’s included soil sampling and rock chip sampling, but most of this work was further east over the Burrundie Dome. Geopeko then applied for mineral claims over 3 areas (further east of EL 9608) showing geochemical anomalism.

**EL 3612** consisted of 7 blocks, 2 of which are the western blocks of EL9608. The Acquitaine-Nord JV explored for base metals, and drilled 3 percussion/diamond holes into pyrrhotitic carbonaceous sediments within the Upper Koolpin Formatin on the western boundary of EL9608 in 1983 (Figure 3). Minor sphalerite and galena were present but gold results were negative.

Oceania Exploration held **EL 4818** for 3 years in the mid-1980’s. EL 4818 consisted of 2 blocks, one of which is the eastern block of EL9608, and continued further south. Oceania carried out photogeological mapping anf geological field reconnaissance in the first year, and recognised that the Koolpin Formation had iron-rich horizons.
analogous to those hosting mineralisation at Golden Dyke mine. Approximately 28 stream sediment samples were collected within EL 9608 from this work, with no anomalous values recorded within EL 9608.

**EL 4897** covered the same 7 blocks as EL3612 for 3 years in the mid-1980’s. Dundas Gold were exploring for gold and base metal deposits with an emphasis on quartz vein systems and stratabound exhalite related mineralisation. Approximately 19 stream sediment samples were taken within EL9608, with maximum value of 77ppb Au at MGA52 776610E / 8497 950N (assayed by Amdel using method PM6 – bulk cyanide). Dundas outlined 3 prospects from the anomalous results, all of which are west and outside EL 9608.

In the late 1980’s there were several MCN’s within EL 9608. **MCN’ 2910 and 3161** (on the northern boundary of EL 9608) were granted to Zapopan but Dominion gained control in the early 1990’s, and planned soil sampling, vacuum and RAB drilling looking for Mt Bonnie style of mineralisation, but no further results (or whether the work was carried out) is available.

Zapopan held **MCN’s 2908, 2909, 2911 – 2921, 2923 and 2924** but only carried out a review of previous exploration before deeming the tenements as being of low prospectivity and relinquishing them.

Northern Territory Gold held **MCN’s 3123 – 3140** for a couple of years from 1989. Soil sampling was carried out with anomalous values (as reported by Mt Carrington Mines in EL 7913 reports). In mid-1990 the controlling company went into liquidation and the ground was relinquished.

Mt Carrington Mines held **EL7913** to explore for Cosmo Howley / Golden Dyke style mineralisation, with a lesser emphasis on quartz-stockwork type gold mineralisation and stratiform base metal mineralisation. Exploration concentrated on the Cosmo Howley / Golden Dyke mineralisation model, with BLEG soil sampling and 1:2000 geological mapping along the soil lines (Figure 3), which followed up results from Northern Territory Gold. Maximum values of 124ppb Au and 770ppm As were reported. An Au-As association with a metadolerite host similar to Quest 29 mineralisation (near Mt Bundey) was recognised, and RC drilling was recommended. The lack of gold anomalism over the bulk of the area underlain by metasediments downgraded the potential for Golden Dyke-style mineralisation in the Koolpin Formation. No drilling was carried out.

Checking of Explorer 3 and COREDAT databases yielded no data within EL 9608.
Figure 3 - BLEG soil sampling done during EL 7913 tenure. Red = 10-20ppb Au; Magenta = >20ppb Au
6. EXPLORATION FOR PERIOD ENDING 24\textsuperscript{th} MAY 2006

Exploration during Year 1 of the Licence consisted of a remote sensing study based upon satellite SPOT imagery by Shaw (2005). He noted that the domal structure within EL9608 is a clone of the Golden Dyke Dome, and the gold anomaly outlined by previous workers occupies an analogous position to the Golden Dyke and Langley's deposits. He noted splay faults appearing to originate in the McMinns Bluff dislocation cut the tenement. These run sub parallel to the fold axes (orange lines) and may represent limb failures. These are shown as thick blue lines on the image. Lesser faults and fractures (thin blue lines) cut the tenement sub parallel to the McMinns Bluff granite contact (WNW).

During Year 2 GBS Gold acquired 100\% of the Burnside Project with a successful takeover of Northern Gold NL (50\%) and acquisition of Harmony's subsidiary company. There have been many staff changes in the past year coinciding with an amalgamation of tenements. GBS are reviewing their tenement holdings, and in the past year have recognised EL 9608 as being highly prospective with:

\begin{itemize}
  \item a) similar host lithologies to Cosmo/Chinese Howley
  \item b) several favourable structures crosscutting through the tenement
  \item c) recognition of NW-trending soil anomalies from previous work that have not been followed up with further work
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  \item e) possible extensions of Mt Bonnie mineralisation
\end{itemize}

Part of the work done this year included a review of previous exploration on the Licence, and results from this are included in the previous section. These results show that a strong geochemical anomaly is within the SE corner of the licence overlying the dolerite. Drilling by Acquitaine focussed on the Koolpin Formation, and results were 'inconclusive'.

Due to management changes and rig availability, the drilling planned has not yet been carried out.
7. PLANNED EXPLORATION FOR 2006/07

Drilling at EL9608 is a priority for the 2006 field season, and an EOMP application (in progress) outlines the drilling planned at EL9608.

Details of planned drilling include a fence of 2 lines of holes across the BLEG geochemical anomaly in the SW block. This would entail 10 RC holes to around 100m depth (1000m RC). A minimum of $25,000 will be spent in the next year, although it is likely that this cost will be much higher (as drilling costs are much higher than $25,000). Drilling is planned to commence as soon as the SE Burnside MMP is approved, definitely by August 2006.

8. EXPENDITURE

Expenditure statements received from GBS Gold (via ex-JV partner Harmony Gold) showed that $1775 was spent on the tenement in the year (excluding rents and other non-allowable items) attributed to salaries/wages ($1725) and contractors/consultants ($50). A further $1045 (excl GST) was spent during the anniversary period on data review, data compilation, and reviewing prospectivity. This gives a total expenditure of $2820. Since the anniversary period, RC drilling has been planned and included in the SE Burnside EOMP, plus a visit to check site access, drafting, tenement administration, reporting etc. These costs will be included in the next annual report.

An application for a variation from covenant was made on 23rd May.
9. REFERENCES


