ANNUAL EXPLORATION REPORT
EL 23506
FOR PERIOD ENDING 8th May 2006
McKEDDIES

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

Titleholders: Geoffrey Robert Orridge (33.34%)
Gary Anthony Clarke (33.33%)
Michael Daniel Teelow (33.33%)

GBS Report No. PC/BJV/06/18
Prepared for GBS Gold Australia Pty Ltd
By BR Smith
24th July 2006
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1. SUMMARY

EL23506 is located approximately 40km NE of Pine Creek, and north of the Allamber Springs Granite. The area is considered prospective for both gold and iron ore mineralisation, and exploration during the current Licence tenure has tested both these commodities. Agreements for exploration rights to EL23506 have been made between the Titleholders and two companies; GBS subsidiary Terra Gold, and Territory Iron Limited (TIL). Territory Iron Limited drilled 5 RC holes for 146m during the year, and intersected 4m @ 62.57% Fe in FERC004, at Frances Creek East.

2. LOCATION AND ACCESS

EL23506 is situated approximately 200km SE of Darwin, and 40km NE of Pine Creek. Vehicle access is from the Mt Wells road to the west, or Mary River homestead road leading from the Kakadu Highway to the south.

The tenement falls on the Pine Creek 1:250,000 sheet and straddles the McKinlay River 1:100,000 sheet to the north, and Pine Creek 1:100,000 sheet to the south (Figure 1).
3. TENEMENT STATUS AND OWNERSHIP

EL23506 was granted on 8\textsuperscript{th} May 2003 and expires on 7\textsuperscript{th} May 2009. It comprises 52 blocks that cover approximately 173.7 sq. km. A deferral from reduction was granted for both Years 2 and 3.

A deed of agreement signed by the Titleholders in November 2005 exists between the Titleholders and Terra Gold Mining Ltd, a subsidiary of GBS Gold. The agreement gives Terra the sole and exclusive right of prospection and exploring on a number of tenements held by the Titleholders, but excludes iron ore on ten graticular blocks within EL23506 (refer below). Terra must exercise the option to purchase EL23506 (and other tenements) by 1\textsuperscript{st} July 2009.

There is also a Heads of Agreement (HOA) between the Titleholders and Territory Iron Limited (TIL) dated January 2005, which gives TIL the rights to explore for iron ore on 10 graticular blocks of EL23506 (SD521368C, SD521368D, SD521368J, SD521368M, SD521368N, SD521368O, SD521368R, SD521368S, SD521368W, SD521368Y; Figure 2).

A Heads of Agreement between TIL and GBS subsidiary Terra Gold Mining Ltd has been drafted, pending approval from the Titleholders. The HOA allows for TIL to explore for and mine iron ore and manganese on selected GBS tenements, and GBS has the right to explore for and mine gold/silver on selected TIL tenements. This agreement covers the sharing of information (subject to confidentiality) between TIL and GBS, and so this report covers exploration completed by TIL on EL23506.

MCN’s 668 - 671 held by Whitvista Pty Ltd lie within the NW part of the tenure covering McKeddies, and MCN(A) 5115 (Softwood Plantations Pty Ltd; contact Australasia Gold) covers an area in block SD521295L, and these areas are excised from EL23506.

Underlying cadastre is almost evenly split E-W between Mary River Wildlife Ranch Pty Ltd (PPL 1631) to the east, and Ban Ban Springs Station Pty Ltd (PPL 0695) to the west. The expenditure covenant set for this, the third year, was $10,000.00.
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Figure 2
Graticular Blocks in EL 23506

GBS Gold Australia Pty Ltd

Date: 23/7/2006
Author: B. Smith
Office:...
Drawing:...

Scale: 1:100000
Projection: MGA Zone 52 (GDA 94)
4. GEOLOGY

EL23506 is situated within the Pine Creek Geosyncline, a tightly folded sequence of Lower Proterozoic rocks. A full description of the geology and stratigraphy of the Pine Creek Geosyncline can be found in several texts, including Ahmad et al., (1993). The 1:100,000 McKinlay River geology map (Wallace et al., 1981) covers the northern tenement area, and the 1:100,000 Pine Creek geology map covers the southern part of the tenement area (Stuart-Smith et al., 1987; Figure 3).

The tenement area covers the early Proterozoic Namoona Group (Masson Formation), and the younger Mt Partridge Group (Mundogie Sandstone and Wildman Siltstone). The Namoona Group comprises carbonaceous phyllites and slates with minor quartzite and carbonate horizons, has poor outcrop in a broad central valley. The Mundogie Sandstone forms hill ranges bordering the central valley to the NE and SW. The main regional structure is a broad NW-plunging anticlinorium, with the axial region running centrally along the belt of the Namoona Group (Orridge, 2004).

MODAT occurrences within the tenement include some iron ore occurrences (Frances Creek East) in the far south-east corner of the licence, and the Glenys Sn diggings, which comprise alluvial and quartz-cassiterite stringers in the Mundogie Sandstone. The McKeddie alluvial gold occurrence is within one of the excised tenement areas.
Figure 3
EL23506 Geology Map

GBS Gold Australia Pty Ltd
5. PREVIOUS MINING AND EXPLORATION

Orridge (2004, 2005) conducted a ‘preliminary review’ of work done within the tenement area. In summary, Orridge noted that the area has been in almost continuous exploration for tin, gold, uranium and base metals. During the 1980’s the Woodcutters Group (Nicron Resources) found stratigraphic, lithofacies and geochemical similarities to Rum Jungle along the granite margin on the eastern side of EL23506. Anomalous Cu, Pb and Zn values extended along a strike length of 25km.

The best drilling results came from the Black Bream anomaly, with 7.4m @ 0.89% Cu from 74.6m in ASDDH1 in the primary zone, and ASRC1 intersected 42m @ 0.26%Cu from 8m in the oxide zone. Zn and Pb were sporadic, with maximum values of 3940ppm Zn and 940ppm Pb, with slightly elevated Co (to 240ppm) and Ni (to 250ppm).

Radiometric anomalies were noted by Total Mining Australia during exploration of EL4414. The anomalies are within the belt of carbonaceous shale and carbonates on the granite contact which correlate with the Rum Jungle sequence. Drilling only found narrow zones of U mineralisation.

Orridge (2004) reported that gold exploration within EL23506 has been ‘essentially of a reconnaissance nature and may not be conclusive given the extensive soil cover and poor exposure in the central Masson Formation belt’.

Iron ore mineralisation was found by mapping, costeanning and percussion drilling at Frances Creek East, and an estimate of a possible 1.5Mt of ‘low grade ore’ may be present.
6. EXPLORATION DURING CURRENT TENURE

During the first year of grant of the tenement, the work consisted of a preliminary review of previous work, which focussed on the base metal mineralisation and drill results. Fieldwork by the Titleholder consisted of prospecting for gold in the area NW of McKeddies workings using metal detectors. The prospecting noted localities of quartz veining and gossan/ironstone float.

During the second year of tenure, the Titleholder carried out field inspection of the Dam Paddock ironstones (in the Frances Creek East area) with photogeological mapping.

During the third year of tenure (2005-2006) Terra Gold expressed interest in exploring the tenement. In July 2005, Terra Gold was subjected to a reverse takeover by Emerson Exploration Inc (now GBS Gold International Inc) which was complete by November 2005. These changes in management and exploration staff during the year impacted on the gold exploration work done.

A Heads of Agreement signed between the Titleholders and Territory Iron Pty Ltd (TIPL) in January 2005 gave TIPL the right to explore for iron ore in 10 of the southern graticular blocks of EL23506. Territory Iron outlined their field activities to the Titleholders, which were within the September 2005 quarter, and is reported here from their correspondence with the Titleholders (Appendix 1). Exploration comprised:

a) excavation of drill access and drill pads
b) drilling of 5 RC holes for 146m, and
c) collection of 19 drill samples of iron mineralisation.

Drillholes were sited to test under the Northern Outcrop and the Central Outcrop. These two areas form part of a N-S striking line of ironstone mineralisation cropping out as a series of ridges over 2km. Geological appraisal of the percussion drill chips gave a ‘disappointing result’. However, analytical results were more encouraging, with values of 4m @ 62.57%Fe from surface in FERC004.

Drill samples were collected for assay in 1m intervals in areas logged as hematite. Samples were riffle split and sample preparation carried out by North Australian Laboratories in Pine Creek. Sample pulps were freighted to Ultra Trace Analytical Laboratories of Canning Vale in WA. Samples were cast using a 12:22 flux with added sodium nitrate, to form a glass bead that was analysed by XRF. Fe, SiO₂, Al₂O₃, TiO₂, CaO, Mn, P, S, MgO, and K₂O were determined by X-Ray Fluorescence Spectrometry, and reported in %. Loss on Ignition was determined between 105°C and 1000°C, and reported on a dry sample basis. Drill results are in Appendix 1.
7. PLANNED EXPLORATION DURING 2006/07

Further work on EL23506 will involve;
   a) geological (ironstone) mapping and rock chip sampling (1 week)
   b) Scout RC/RAB drilling, and follow-up drilling

The programme is based on successful results. There may be a decrease in the amount of scout drilling based on results from mapping, and more drilling may occur if results are encouraging. Work is expected to cost at least $30,000.

8. REFERENCES


9. EXPENDITURE

Expenditure totals $27654.25 for the year.
Below is expenditure on EL23506 as supplied by Territory Iron:

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Below is expenditure as supplied by GBS Gold:

- MV Expenses: 404.38
- Option Cost: 4,833.33
- Computing: 915.79
- Database management: 373.33
- Drafting: 383.00
- Freight: 460.50
- Geologists: 250.00
- Surveying: 31.17
- Airfares/Accom: 44.98
- Tenement Administration: 720.29
- Communications: 59.72
- Payroll: 2,067.76
- Minor Equipment: 236.22
- Consumables: 393.92
- Admin Overhead @ 15%: 2,389.48

**TOTAL**: $13,563.87