GBS GOLD AUSTRALIA PTY LTD

ANNUAL EXPLORATION REPORT
ON MCN’s 3839 - 3844
FOR PERIOD ENDING 31ST December 2006
EVA VALLEY (YEURALBA GROUP)
NORTHERN TERRITORY

Katherine SD5309 1:250,000
Eva Valley 5469 1:100,000
Titleholder: Terra Gold Mining Ltd

Distribution:-

1. DPIFM Darwin NT
2. GBS Gold Australia Perth
3. Burnside Operations P/L Brocks Creek
4. Union Reefs, Pine Creek

Zia U. Bajwah
April 2007
SUMMARY

The Eva Valley tenement group comprises six MCNs (3839 – 3844) centred some 68km north east of Katherine NT and 3km north of the old Eva Valley (Manyallaluk) homestead. They were originally pegged by Denehurst Limited to protect the Copper Flower prospect prior to surrender of EL4457. The tenements were transferred to Harmony Gold in 2001. During 2005, Terra Gold purchased Harmony Gold’s Maud Creek tenements, including the Eva Valley tenements. Since 2005, Terra Gold is wholly subsidiary of GBS Gold Australia Pty Ltd.

The tenements cover a prospective sector of Tollis Formation volcanics, grey-wackes, Maud Dolerite and banded ironstones striking NNW. The prospect has been explored for gold and base metals mineralisation since the mid 1960s. Significant gold and base metals anomalies have been identified at a number of localities. However, a detailed exploration program has not been carried out to test the full potential of the area. GBS Gold intends to explore and valuate the area commencing with in-depth technical review.
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1. INTRODUCTION

GBS Gold Australia Pty Ltd acquired Yeuralba Group of tenements through its subsidiary Terra Gold in 2005 which were originally granted to Denehurst Limited to protect the Copper Flower prospect prior to surrender of EL4457. These tenements have been explored for gold and base metals mineralisation. Significant gold and base metals anomalies have been identified at a number of localities. However, a detailed exploration program has not been carried out to test the full potential of the area. GBS Gold intends to explore and valuate the area commencing with in-depth technical review.

2. LOCATION AND ACCESS

The tenements are located 3km NNW of Manyallaluk (previously old Eva Valley Homestead) and approximately 68km north east of Katherine (Figure 1). Access via Katherine is SE along the Stuart Highway for 65km to the turn off northwards onto the Central Arnhem Highway for 20km to the Manyallaluk turnoff. A graded road continues northwards for 35km to the homestead and a further 3km by bush track to the tenements. It is understood that the owners of Manyallaluk conduct tourist activities on the property.

3. TENEMENT STATUS AND OWNERSHIP

The Eva Valley tenement group comprises MCN 3839-3844 inclusive, a contiguous group totalling 240 ha. They were originally pegged by Denehurst Limited to protect the Copper Flower prospect prior to surrender of EL4457. Denehurst later joint ventured the property to Billiton/Acacia Resources Limited with Acacia earning 34%. Denehurst and Acacia sold the tenements to Kilkenny Gold NL (Dolomatrix International) in 1998. The tenements were transferred to Harmony Gold in 2001. During 2005, Terra Gold purchased Harmony Gold’s Maud Creek tenements, including the Eva Valley tenements. Since 2005, Terra Gold is wholly subsidiary of GBS Gold Australia Pty Ltd.
Table 1: Yeuralba Group Tenement Details.

<table>
<thead>
<tr>
<th>Tenement No.</th>
<th>Grant Date</th>
<th>Expiry Date</th>
<th>Area Hectres</th>
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<tr>
<td>MCN3839</td>
<td>24 Aug 1990</td>
<td>31 Dec 2007</td>
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<td>24 Aug 1990</td>
<td>31 Dec 2007</td>
<td>40</td>
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</tr>
<tr>
<td>MCN3844</td>
<td>24 Aug 1990</td>
<td>31 Dec 2007</td>
<td>40</td>
</tr>
</tbody>
</table>

The land covered by the claims is situated on old Eva Valley Station (Manyallaluk) held under pastoral lease 705 that is operated by the Barunga-Wugularr Aboriginal Community. Prior discussions with the Northern Land Council would be required prior to conducting ground disturbing exploration programs.

4. GEOLICAL SETTING

Regional geology is outlined in many publications, notably Kruse et al. (1994). The Eva Valley tenements lie in the extreme south-eastern margin of the Pine Creek Orogen, and the geology of the Pine Creek Orogen is detailed in many publications, including Needham and Stuart-Smith (1984), and Needham et al. (1988).

Within the Eva Valley tenements the rock sequence comprises Tollis Formation grey-wackes, siltstones and mafic volcanics that strike generally NNW. In the prospect area Maud Dolerite has intruded and dilated the Tollis Formation as a pre orogenic, semi-
concordant package of mafic to micro-dioritic sills. The sequence is truncated to the north-west by faulting and by outcrops of Eva Valley Granite, a fine grained biotite leucogranite. To the west, the Tollis Formation is intruded by Yeuralba Granite that has greisenised parts of the contact zone and induced tin-tungsten occurrences. The airborne magnetics show that a strong crustal lineament strikes NW close to the Eva Valley prospect and passes beneath Cretaceous cover to the south. At the prospect the sequence strikes north westerly parallel to the lineament and is bounded to the west by a strong sinuous shear zone within the Tollis Formation. To the east of the shear, and sub parallel to it, copper showings associated with banded ironstone units occur over a strike length of 3km. A major dolerite unit of the Maud Dolerite suite occurs just east of the prospective sequence. A banded ironstone horizon that hosts copper and gold mineralisation has been traced within the Tollis Formation discontinuously for 8km. It has been displaced by NW and NE trending faults. The unit at surface comprises magnetite, haematite, tourmaline and chert, with secondary copper minerals and limonite. Increased gold values are associated with higher copper concentrations. Drilling has shown that the primary sulphide suite comprises finely disseminated chalcopyrite, sphalerite, and galena with some pyrrhotite and arsenopyrite.

5. PREVIOUS EXPLORATION

Shaw (2005) has outlined previous exploration at the Eva Valley tenements, and this is reported here. Exploration for base metals and gold has been intermittent since the early 1960s. Early work was conducted by Geopeko (1966-1970) Nord Resources P/L on EL1594 (1977-1982) and Newmont Pty Ltd (1979). Newmont conducted EMP surveys targeting large massive sulphide deposits without success. Billiton Australia explored the area from 1984-1987. Denehurst Limited took over the tenements in 1988. In the late 1980s, Denehurst Ltd conducted work on EL 4457 in the Eva Valley area. In 1989 this work culminated in costeeming and the drilling of 25 reverse circulation drill holes at the Copper Flower prospect. The drilling met with significant gold and copper values with a best intercept at 13m @ 3.38g Au/t and 0.93% copper from 30m depth in the CFRC1 drill hole. Primary sulphides were generally encountered from about 28m down hole.
Using a density of 2.3 for oxide and 2.7 for fresh a cross sectional resource using halfway extrapolation (12.5m) identified 116,000t @ 1.98g Au/t and 1% copper to a depth of 50m. The mineralisation was described as sub vertical narrow higher grade zones up to 4m wide that exceed 5.0g Au/t, within a much wider zone of lower grade (>0.5g Au/t material. The mineralised envelope dips steeply to the west and is about 30m wide at surface, narrowing to 10m wide at 50m depth. The host rock is described as a propylitically altered fine grained andesitic volcanic. The main mineralised zone at Copper Flower extends for about 80m and appears to be cut off by a fault at the northern end where a second zone is offset about 25m to the west. The relative small dimensions of the shoots and strike length, low average gold grade and the presence of metallurgically problematic copper oxides led to the project being downgraded. There has been no further field work reported to date. Kilkenny Gold NL conducted database reviews, acquired aerial photography and geological and topographic maps. These are yet to be located and reviewed by GBS Gold. During 2002, Harmony reviewed available historic data that led to the above geological and exploration summary and formed the basis for annual reporting.

During year 2005, data integration into DataShed continues on a regional basis. Many of the reports have been added to the site library ad catalogued for easy retrieval. During 2005 Terra Gold commissioned Geocraft Pty Ltd to compile and validate the Maud Creek database. This included the 25 RC drillholes and costeasting carried out at Copper Flower. This work requires QA/QC and validation because Geocraft did not validate database against the original datasets.

6. EXPLORATION FOR YEAR ENDING 31\textsuperscript{ST} DECEMBER 2006

During the reporting year, GBS Gold embarked on the re-commissioning of the dual 2.5 MTA gold plant located at the Union Reefs. Therefore, much of the human and technical resources were focused on this project, and proving up the gold resources in the Burnside project area. As a result, mining commenced at Brocks Creek, Rising Tide and Fountain Head in 2006. In addition resource evaluation and definition work continued to Cosmo Deeps and Yam Creek. These projects have been developed with expenditure budget of well over $30 million.
As a result of that Yeuralba group of tenements received lower priority. Exploration activities were restricted to a review, data integration and report preparation. However, during the review, strategic significance of this group of tenements was realised, particularly its close proximity with the Maud Creek project. With further exploration, Yeuralba project may provide additional gold resource thus complimenting the Maud Creek project. Table 2 depicts exploration expenditure on the Yeuralba group of tenements individually. This program costed $3438.00 during the reporting year.

Table 2: Expenditure details during the reporting period.

<table>
<thead>
<tr>
<th>Tenement No.</th>
<th>Expenditure ($)</th>
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<tr>
<td><strong>TOTAL</strong></td>
<td><strong>3438.00</strong></td>
</tr>
</tbody>
</table>

7. PLANNED EXPLORATION FOR 2007

During 2007, an in-depth review of the Yeuralba Group of tenements will take place to identify targets together with ground truthing. However, this project has been assessed supplementary to the Maud Creek. With Maud Creek project, coming on line in the near
future, Yeuralba project will under gone fully blown field exploration program which will include geochemical sampling and drilling to evaluate gold-copper mineralisation for further development. For the next year, a minimum budget of $5000.00 is proposed.

8.0 REFERENCES


