GBS GOLD AUSTRALIA PTY LTD

ANNUAL REPORT

MLN1059

Moline

FOR PERIOD ENDING 15 August 2007

Mount Evelyn: 1:250, 000
Ranford Hill: 1:100,000

Titleholder: Michael Daniel Teelow

Distribution:
- DPIFM Darwin NT
- GBS Gold Australia P/L Perth
- Burnside Operations P/L Brocks Creek NT
- Union Reef Mine Site Pine Creek NT

GBS Report No. PC/MO/07-04

Zia U. Bajwah
November 2007
SUMMARY

MLN 1059 is located about 220 km SE of Darwin and contains a number of abandoned mines/pits (e.g. Hercules, School, Moline and Tumbling Dice). GBS subsidiary Terra Gold Mining Ltd has an option agreement with Michael Teelow (title holder) to explore and mine gold within the tenement.

The tenement encompasses a suite of meta-sedimentary rocks belonging to the Burrell Creek and Mt Bonnie Formations of the Pine Creek Orogen. Locally these rocks are isoclinally folded with fold axes plunging at shallow angles to the south east. Mineralisation is found in zones of pyrite, quartz, and brecciated country rock with minor veinlets of sphalerite, tetrahedrite, arsenopyrite, chalcopyrite and carbonates.

During the reporting period, a soil survey was undertaken over the Moline Project area covering several exploration licences, and it also included MLN 1059. A total of 8 soil samples were retrieved and were analysed for Au, Cu, Pb, Zn and As. These samples came from the south-eastern corner of MLN 1059. Au ranges from 22 ppb to 90 ppb. EX2410 shows the highest concentration of Au, AS, Cu, Pb and Zn indicating a close association of base metals with gold mineralisation.

An extensive program of soil sampling has commenced in the Moline Project, covering several tenements to assess the full potential of the area. It is expected that results of this program will be assessed in the next year. Identified target zones will be drill tested and this program will be extended onto MLN 1059. Drilling results reported in the last year’s technical report further support the contention of gold resource extension within MLN 1059. GBS Gold intends to concentrate on the development of Cosmo Deeps, Maud Creek and Toms Gully project as a priority. The company regards MLN 1059 as a strategic asset which will provide significant resource inventory base in the near future.
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Appendix 1 Geochemical Analyses of Soil Samples
1.0 INTRODUCTION

MLN 1059 covers a number of abandoned gold mines/pits which were last worked out in 1990’s. It is located about 220 km SE of Darwin on the Kakadu Highway. This report describes exploration activity undertaken during the reporting period ended on 15 August 2007.

2.0 LOCATION AND ACCESS

MLN 1059 is located about 200km SE of Darwin. Access is from Pine Creek (220km SE of Darwin) along the Kakadu Highway (approximately 45km east of Pine Creek). Access to MLN1059 is via the main haul road, old mining tracks and station tracks (Figure 1). Within the tenements access is possible by the well established tracks, developed during previous exploration and mining operations.

Topography consists of low hills and ridges, usually with good rock outcrop, which drain into the Mary River via Bowerbird, Evelyn, Eureka and O’Neil Creeks. The Mary River forms the northern boundary of EL24127, and the Wandie Creek is close to the southern boundary of the tenement group. Vegetation consists of open savannah woodlands.

3.0 TENEMENT STATUS AND OWNERSHIP

MLN 1059 is held by Michael Daniel Teelow along with other exploration licences in the area (Figure 1). It was granted on 16 August 1990 and will expire on 15 August 2015. An option agreement dated 30 October 2003, and a Deed of Variation dated 12 November 2004 gave GBS subsidiary Terra Gold Mining Limited the option to prospect and explore for minerals on the tenements during the option period. The project area is surrounded by a number of exploration licences (24127, 24262, 22966, 22967 and 22968), which are being explored by GBS Gold Australia under an optional agreement with the tenement holders.

MLN 1059 straddles 3 graticular blocks and covers about 418 hectares. Underlying cadastre is the Mary River Wildlife Ranch Pty Ltd (No. 1631) for the whole area.
4. GEOLOGY

4.1 Regional Geology

MLN 1059 is situated within the central region of the Pine Creek Orogen, which is characterised by open to tight, upright N to NW-trending folds of the Palaeoproterozoic meta-sedimentary and volcanic rocks (Ferenczi and Sweet, 2005). The geology within the tenement areas is shown in Figure 2. NW-trending overturned anticlines of Mt Bonnie Formation sediments dominate the central tenements, with some exposures of refolded Gerowie tuff further to the northwest. Folded Burrell Creek Formation sediments are the dominant lithology further north and south on EL’s 24127, 24262, 22966, 22967 and 22968. Portions of McCarthys Granite are mapped on EL24262, and Allamber Springs Granite is recorded on the western boundaries of EL’s 22970 and 24127. The Bludells Dolerite is mapped as a wormlike body within the Allamber Springs Granite on EL24127, and is considered to be a mafic end-member of the host pluton (Stuart-Smith et al., 1993). Mineralogical evidence suggests that these rocks predate the host granite intrusions, and may represent remnant rafts of Zamu Dolerite.

4.2 Local Geology

The area around the Moline Pits is dominated by two main sequences of meta-sediments of the South Alligator Group and Finniss River Group (Figure 3). An upper sequence of thickly bedded greywackes and siltstones of the Burrell Creek Formation and a lower sequence of thinly bedded cherty shale and carbonaceous shales of the Mt Bonnie Formation. Mineralisation is found within both units. Within MLN 1059 meta-sediments are isoclinally folded about axes plunging at low angles towards the southeast. These folds are intersected by west dipping shear zones trending between NW-SE to N-S which control the ore shoots hosting pyrite, gold and base metal mineralisation. Steeply dipping, northwest trending shears, parallel to fold axial planes, are common. Some steep northeast trending, cross faults, are also present (and outcrop in the west wall at the south end of the pit) and post date the mineralisation.
Figure 2: Region Geological Setting of the area.
Figure 3: Geological Setting of the Project area
The Hercules shear which contained the Hercules Reef cross cuts the stratigraphy and trends 345 magnetic in the north of the pit, but swings to trend 315 magnetic (sub parallel to stratigraphy and locally known as the Carolina Reef) in the south of the pit and continues through School Pit. This structure is mineralised over 3km strike length and dips steeply (average 65 degrees) to the west. Ore shoots pinch and swell both down dip and along strike. There are at least two sub parallel but weaker mineralised shears in the hanging wall.

The Hercules pit contains three ore shoots that pitch south at shallow angles. The two southern shoots are hosted by greywacke/siltstone beds within a synclinal fold plunging to the SE across the pit, while the northern shoot is contained within the carbonaceous shales and cherts. Shoots are probably part of a shear-link or dilational-jog structure within the trend of the shear.

Mineralisation in the Hercules Reef is in dilational breccia zones filled with pyrite, quartz, country rock fragments and variable veinlets of sphalerite, tetrahedrite, arsenopyrite, chalcopyrite and carbonates. Gold occurs as fine particles (1-25 microns) within micro-fractures in pyrite and within grains of sphalerite, pyrite and galena. High copper is associated with higher gold values.

5.0 PREVIOUS MINING AND EXPLORATION HISTORY

MLN1059 encloses the main open pits of Hercules, School, Moline and Tumbling Dice, along with several smaller satellite pits, which were in operation between 1989-1992. Ferenczi and Sweet (2005) summarised the early history of gold discovery in the Moline area. Gold was first discovered at Northern Hercules mine (also called Eureka) by Chinese miners in 1882. Underground mining of the high-grade (31g/t Au) oxidised veins by various companies continued sporadically until 1957, producing 1.15t Au (Stuart-Smith et. al, 1988) and extending to 120m (400ft) depth. Re-treatment of tailings in 1987, and open cut mining by Moline Management Pty Ltd from 1988 – 1991 recovered a further 1.23t Au.
Since the grant of MLN 1059 to the current holder, the tenement has been under review, care and maintenance with peripheral activities undertaken.

During the first year of grant of the tenement, the work consisted of a preliminary review of previous work, which focussed on the gold mineralisation and drill results. During the second year of tenure, the work consisted of a further review of previous work, compilation of a geochemical database, drill hole planning and field mapping.

Reporting period ending on 15 August 2006 saw exploration activity on ground with the drilling of four diamond drill holes and assaying the sample retrieved from drill holes within the project area. Significant assay results are given below.

- In RC pre-collars best results are MEX003 2m@3.26g/t Au from surface and MEX001 2m@3.2g/t Au from 8m.
- In HQ Diamond Core best results are MEX004 0.86m@6.53g/t Au from 70m and 0.97m@8.45g/t Au from 88.3m, in MEX003 2.09m@1.12g/t Au and 1.98m@4.45g/t Au from 194 and 203m respectively.

**6.0 EXPLORATION DURING PERIOD ENDING 15 OCTOBER 2007**

During the reporting period, a soil survey was undertaken over the Moline Project area covering several exploration licences, and it also included MLN 1059. A total of 8 soil samples were retrieved and were analysed for Au, Cu, Pb, Zn and As. Sampling and analytical procedures are discussed below and assays are reported in Appendix 1.

**Sampling Procedure**

Soil sampling program is devised in the office and soil sample locations are loaded into GPS. Field Technicians under the supervision of a geologist navigate to each location using the GPS. At a soil sampling location, a hole approximately 30cm by 30cm by 20cm deep is dug using a pick. This is done to remove the top layer of leached soil for access to the transition zone between soil horizons A and B where typically the highest iron concentration is found.
Material at the bottom of the hole is broken up by using the pick until it is of a slightly fine “milled” consistency. Soil is then sieved using a 2mm pan sieve and a collection pan. Approximate weight of sample collected is 2kg.

After the soil sample is collected a pin flag is written up with the site location number and sample number and placed in the hole. Hole is then back filled. Field Technician then moves on to the next location, on the Moline Soil Program the grid we are sampling is 50m by 400m. At the end of the day samples are packed into Poly-weave bags (5 per bag). After several days poly bags are packed into a bulker bag for dispatch to the SGS laboratory at Townsville.

Soil samples are analysed for a suite of trace elements such as Au, Cu, Pb, Zn and As. Au is analysed by fire assay with a low detection limit (1 ppb). Base metals were assayed by digesting the sample with three acids and the elements are analysed by AAS.

**Geochemistry**

Soil sampling program was undertaken in conjunction with the surrounding ELs covering the Moline Project area. These samples came from the south-eastern corner of MLN 1059. Au ranges from 22 ppb to 90 ppb; sample EX2408 recorded 0 concentration of Au (Table 1). EX2410 shows the highest concentration of Au, AS, Cu, Pb and Zn indicating a close association of base metals with gold mineralisation.

**Table 1: Geochemical assays of soil samples from MLN 1059**

<table>
<thead>
<tr>
<th>SampleID</th>
<th>Au (ppb)</th>
<th>Cu (ppm)</th>
<th>Pb (ppm)</th>
<th>Zn (ppm)</th>
<th>As (ppm)</th>
</tr>
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<tbody>
<tr>
<td>EX2400</td>
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<td>90</td>
<td>470</td>
<td>53</td>
<td>184</td>
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</tbody>
</table>
In addition, activities such as data entry, data validation and technical review of the project was undertaken to plan exploration for the next reporting year.

During 2006-07, 10,000 tonnes of the low grade ore was retrieved from the existing stockpile from the MLN 1059, and was processed at Union Reefs gold mill.

This activity costed $50899.00 during the reporting period.

7.0 PLANNED EXPLORATION DURING 2007/08

MLN 1059 contains gold deposits such as Moline Dam, Hercules, Tumbling Dice and School deposits which have been mined in the past. Geological and drilling data suggest that still significant extension of gold resource exists which can provide a viable mineral resource. An extensive program of soil sampling has commenced in the Moline Project area to assess the full potential of the area. It is expected that results of this program will be assessed in the next year. Identified target zones will be drill tested and this program will be extended onto MLN 1059. Drilling results reported in the last year’s technical report further support the contention of gold resource extension within MLN 1059.

However, GBS Gold intends to concentrate on the development of Cosmo Deeps, Maud Creek and Toms Gully project as a priority. The company regards MLN 1059 as a strategic asset which will provide significant resource inventory base in the near future. A minimum expenditure of $15000.00 is set-a-side for the next year’s exploration program.

8.0 REFERENCES


