GBS GOLD Australia Pty Ltd

ANNUAL EXPLORATION REPORT

EL 24307

FOR PERIOD ENDING 5 July 2007

TOWNS RIVER NT

Mount Young 1:250 000
Towns 1:100 000

Titleholders:

Gary Anthony Clarke	**33%**
Geoffrey Robert Orridge	**33%**
Michael Daniel Teelow	**33%**

Distribution:-

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

GBS Report No. MB/TN/07-01

Zia Bajwah
July 2007

SUMMARY

EL 24307 is located in the Gulf of Carpentaria, within the McArthur Basin. The Licence is approximately 230 km NW of Borroloola by road, and approximately 100 km SE of Ngukurr. It was granted to Gary Clarke (33%), Geoff Orridge (33%) and Mike Teelow (33%) on 6 July 2005 for a period of 6 years. GBS Gold Australia acquired the rights to explore the tenements in 2005 under an agreement with the tenement holders.

The project area comprises sedimentary units of the Masterton Sandstone, Mallapunyah Formation (McArthur Group), Balbarini Dolomite (Nathan Group) and Limmen Sandstone, Abner Sandstone, and McMinn Formation. A number of exploration programs have been conducted which covers the tenement partially or completely with out any success. Current technical review of the project area has identified base metals, uranium, diamond and iron ore potential of the area.

GBS Gold regards EL 24307 a strategic asset which can assist the company to diversify its portfolio. Current technical review identified multi-commodity potential of the project pointing which GBS Gold intends to explore vigorously in the coming years. For this, a dedicated program of geological mapping, geochemical/indicator mineral sampling and possible RAB drilling will be undertaken to fully assess the mineral potential of the area. A minimum budget of $20000.00 is proposed.

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1. INTRODUCTION

EL 24307 covers a sequence of meta-sedimentary units of the Proterozoic McArthur Basin which may be prospective for base metals, diamonds and iron ore. In the following, a summary of activities carried out during the reporting is presented.

2. LOCATION AND ACCESS

EL 24307 is located in the Gulf of Carpentaria, within the McArthur Basin. The Licence is approximately 230 km NW of Borroloola by road, and approximately 100 km SE of Ngukurr. Access is either east along the Roper Highway, then turning on the road to Borroloola (before Ngurkurr) then travelling SE for 100 km. Access from Borroloola is along the same road (Figure 1).

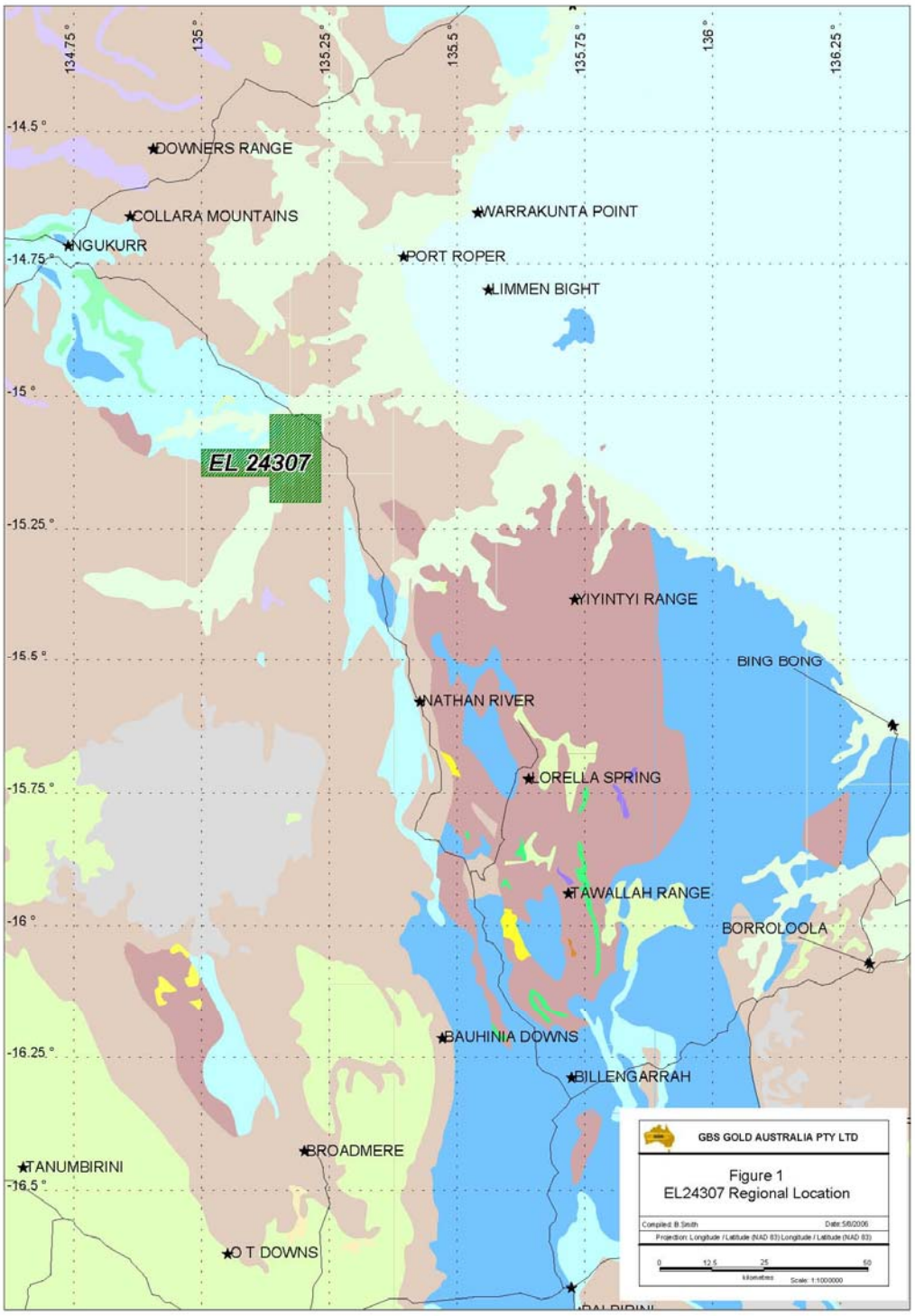
The Towns River transects the Licence, and most of the ground is low-lying numerous swamps. Small outcrops are located to the south and west of the Licence.

3. TENEMENT STATUS AND OWNERSHIP

The Licence consists of 84 blocks comprising 278.5 square kilometres, and was granted to Gary Clarke (33%), Geoff Orridge (33%) and Mike Teelow (33%) on 6 July 2005 for a period of 6 years. GBS Gold Australia acquired the rights to explore the tenements in 2005 under an agreement with the tenement holders. The covenant for the second year was set $20000.00.

Underlying cadastre is held by the NT Land Corporation, on Crown Lease (in perpetuity) no. 819. This ground is also gazetted as the proposed Limmen National Park.

Figure 1: Tenement Location Map



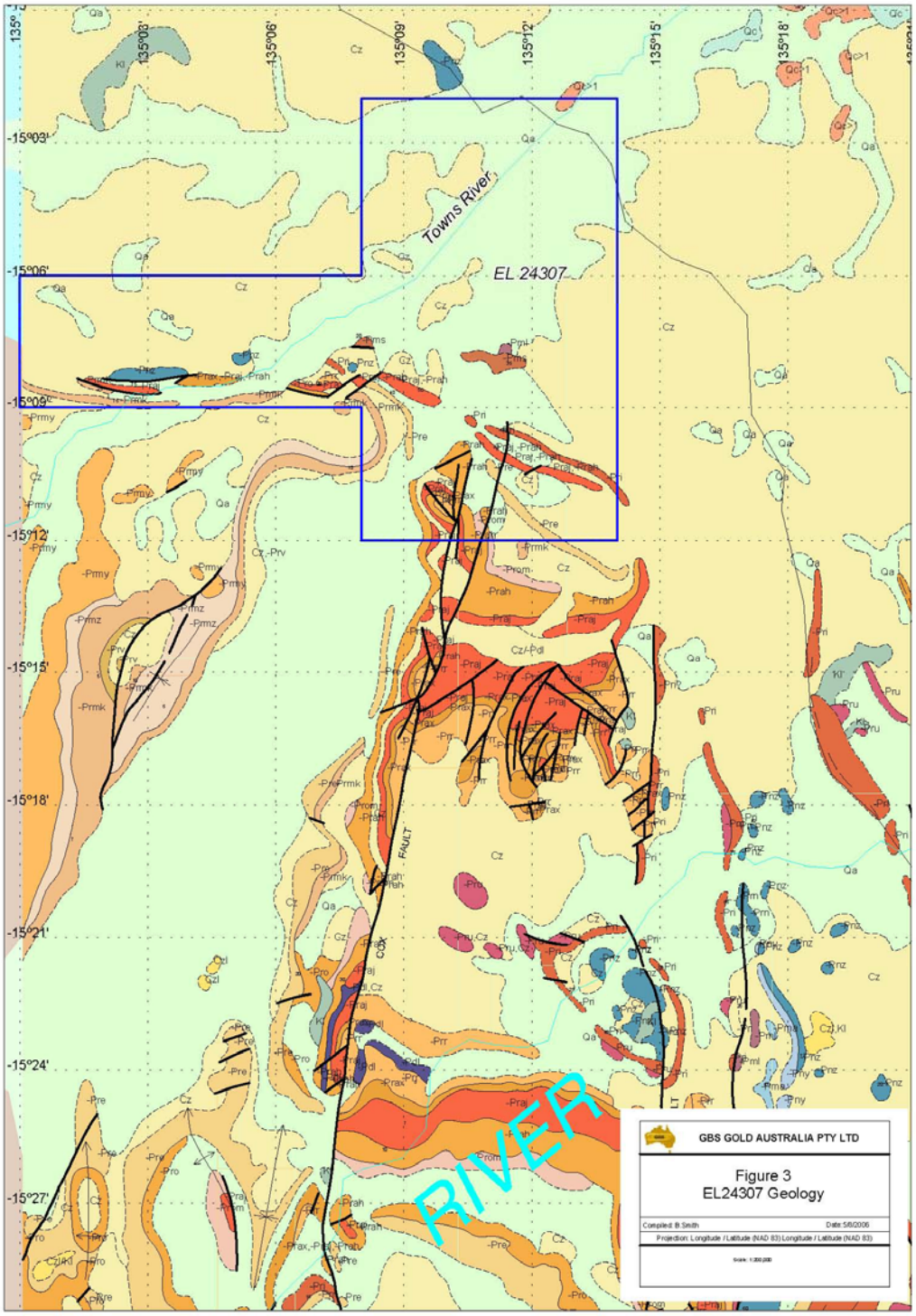
4. GEOLOGY

EL 24307 is located in the north-eastern part of the McArthur Basin, which is a thick Palaeo- to Mesoproterozoic platform cover sequence of the North Australian Craton (Plumb, 1979). Exposures of the basin cover an area of about 180 000 km^2 in a roughly north-west trend from the Queensland-Northern Territory border (Haines et al, 1993). It is bounded by older Palaeoproterozoic rocks of the Murphy Inlier in the south-east, the Pine Creek Orogen in the south-west, and the Arnhem Block in the north-east. According to Plumb and Wellman (1987) the McArthur Basin contains an un-metamorphosed and relatively undeformed sequence of sedimentary and minor volcanics with a preserved thickness of up to 10 km.

The project area is covered mainly by Quaternary alluvium and colluvium surrounding the Towns River and tributaries. Mapped outcrops of the Masterton Sandstone, Mallapunyah Formation (McArthur Group), the Balbarini Dolomite (Nathan Group) and the Limmen Sandstone, the Abner Sandstone, and the McMinn Formation of the Roper Group are present within EL 24307 (Figure 2).

The Masterton Sandstone (Pms – refer to Figure 2)) and Mallapunyah Formation (Pml) are the oldest formations which belong to the McArthur Group and they unconformably overlie the Tawallah Group. The oldest stratigraphic unit of the project area is the Masterton Sandstone which comprises a sequence of white, pink and reddish sandstones, minor mudstone and conglomerate that mark the regional base of the McArthur Group. The Mallapunyah Formation conformably overlies the Masterton Sandstone and is conformably overlain by the Amelia Dolomite. It is characterised by red-brown to purple and green laminated mudstones and siltstones and an abundance of evaporate pseudomorphs. Due to its characteristic features, it is considered to be red bed unit, comprising mudstone, siltstones, dolostones and sandstone with pseudomorphs after halite and gypsum, and well developed botryoidal quartz nodules after anhydrite (Haines et al, 1993). Recessive mudstone and siltstone beds are generally exposed in stream channels.

Figure 2: Geological Setting of the Project area



The Mesoproterozoic Nathan Group, which overlies the McArthur Group unconformably, is represented by the Balbarini Dolomite (Pnz). It is a sequence of silicified dolostones and minor dolomitic sandstones lying beneath the Roper Group in the western part of the EL. Extensive silicification and leaching appears to be mainly due to proximity to the Cretaceous weathering surface. As a result of that, primary structures either have been destroyed or at least partly obscured. The Balbarini Dolomite gradually overlies the Smythe Sandstone, or occasionally unconformably overlies McArthur Group when the Smythe Sandstone is locally absent. Haines et al, (1993) noted that the Balbarini Dolomite is characterised by the presence of elevated levels of base metal values. Within the unit disseminated galena and barite pods are common in places. Minor zinc and Ag are also present. In some places, hematitic lenticular bodies 0.3 – 3m wide and 7-10m length, possibly lying on an unconformity between Balbarini Dolomite and Limmen Sandstone have been identified (MODAT).

Three formations of the Roper Group present which are the Limmen Sandstone ((Pri), Abner Sandstone (Pra) and McMinn Formation. The Roper Group is separated from older rocks by a regional unconformity and is the youngest component of the McArthur Basin (Haines et al, 1993).

5. PREVIOUS EXPLORATION

Carpentaria Exploration Company held **AP 983**, which covered a huge area over a significant part of the McArthur Basin, and down around Robinson River. No work appears to have been done within EL 24307.

AP 1436 covered the western portion of EL 24307, and a large area to the northwest to the Roper River. However, results of any work done are unknown.

AP 2820 covered all of EL 24307, and a large area to the west. Pechiney Australia delineated 38 radioactive anomalies but none was considered worthy for further follow up.

EL 873 covered the western portion of the Licence, plus a substantial area to the northwest. Base metals exploration by the company returned ‘insignificant’ values and the ground was not considered prospective, and was dropped.

In 1977, the Australian and New Zealand Exploration Company explored for manganese on 4 tenements, including **EL's 1068 and 1069**, both which partly lie on EL 24307.

EL 1817 covered the westernmost 9 blocks of EL24307, plus another 102 blocks to the north and west. Reporting by Stratiform Copper Investigations also included work done on EL's 1567 and 1665 further west on the HODGSON DOWNS and URAPUNGA 250k sheets. The company concluded that the areas were unlikely to contain economic stratiform copper mineralisation, and also there was low potential for economic Pb-Zn.

EL 3264 covered most of EL 24307, plus areas to the north and east. CRA explored the tenement during the early 1980's, targetting diamonds and base metals. One hole was drilled (DD83TR1) on an interpreted gravity high, but did not intersect base metal anomalism. One micro-diamond was found within the tenement.

The most significant work effort came from Ashton Mining, who explored a large area within the McArthur Basin in the early 1990's for diamonds, plus base metals and manganese. Work included stream sediment sampling, loam sampling, bulk sampling, rock chip sampling, geophysics (airborne TEM, magnetics; ground EM surveys, PROTEM sounding), RC and diamond drilling (TRC and TRD-series holes). EL's 7260 and 7341 both partly covered EL 24307.

EL7260; Ashton Mining explored EL7260, with initial work following up 2 aeromag anomalies (MY-1 and MY-2) which are weathered dolerite. 4 loam and stream sediment samples from these anomalies producd chromite.
EL 9090 covered the 15 westernmost blocks of EL 24307, but the work done in this time was not reported.

There are 23 samples listed within the Diamond Indicator Minerals (DIM) Database taken from stream sediment sampling by CRA (11 samples) on EL 3264, and 12 samples by Ashton Mining (EL 7260, 7341).

During 2006-07, GBS Gold Australia, after acquiring the tenement in 2005, undertook an exercise of literature review to assess the potential of the project area. Available data sets on the project were acquired.

6. EXPLORATION FOR YEAR ENDING 6 July 2006

During 2006-2007 work completed over the EL 23270 consisted of:

1. Data Integration and validation for the Data Shed database
2. Technical review of the project area
3. Report Preparation

During 2006, company resources focused on the re-commissioning of the dual-mill 2.5Mtpa Union Reefs CIL gold plant, located at Union Reefs near Pine Creek. Ore from two initial open pits (Fountain Head and Rising Tide deposits) came online mid September and High Grade ore was sourced from the Brocks Creek Underground Mine (Zapopan) in late September 2006. In addition much of the efforts were also concentrated on proving up resources at Cosmo Deeps, Maud Creek and Yam Creek with several million dollars budget.

Although in the past, exploration results have been disappointing on the area covered by EL 24307, but technical review of the project area indicate that it still might have some potential for base metals, iron ore, uranium and diamonds. This view is supported by the presence of the Mallapunyah Formation, conformably overlies the Masterton Sandstone.

The Mallapunyah Formation conformably overlies the Masterton Sandstone and is conformably overlain by the Amelia Dolomite. Due to characteristics features Haines et al (1993) considered it to be red bed unit, which is prospective for base metal mineralisation. This assumption is further supported by Haines et al, (1993) who noted elevated levels of base metal values within the Balbarini Dolomite. Furthermore, disseminated galena and barite pods are present in places. During previous exploration program, some radiometric anomalies were found but were not further pursued. Current uranium euphoria dictates that this energy mineral should be explored in the project area.

In some places, hematitic lenticular bodies in 0.3 – 3m wide and 7-10m length, possibly lying on an unconformity between Balbarini Dolomite and Limmen Sandstone have been described (MODAT). The project area also contains Abner

Sandstone and together with the presence of Indicator Minerals anomalies suggest the possibility of diamonds.

This program costed $6078.00 and details are reported in the Appendix 1.

7. PLANNED EXPLORATION FOR YEAR ENDING 5 July 2008

GBS Gold regards EL 24307 a strategic asset which can assist the company to diversify its portfolio. Current technical review identified multi-commodity potential of the project pointing which GBS Gold intends to explore vigorously in the coming years. For this, a dedicated program of geological mapping, geochemical/indicator mineral sampling and possible RAB drilling will be undertaken to fully assess the mineral potential of the area. A minimum budget of $20000.00 is proposed.

8. REFERENCES

Haines, P.W., Pietsch, B.A., Rawlings, D.J., and Madigan, T.L., and Findhammer, T.L., 1993, Mount Young, 1:250 000 Map Series and Explanatory Notes. Northern Territory Geological Survey.

Plumb, K.A., 1979, Structure and tectonics style of the Pre-Cambrian shields and platforms of northern Australia.

Plumb, K.A., and Wellman, P., 1987, McArthur Basin Northern Territory: mapping of deep roughs using gravity and magnetic anomalies. BMR Journal of Australian Geology and Geophysics. 10, 243-251.

APPENDIX 1

NORTHERN TERRITORY EXPLORATION EXPENDITURE
FOR MINERAL TENEMENT

Section 1. Tenement type, number and operation name: (One licence only per form even if combined reporting has been approved)	
Type	*Exploration Licence*
Number	*24307*
Operation Name (optional)	*Towns River*

Section 2. Period covered by this return:			
Twelve-month period:		**If Final Report:**	
From	*6 July 2006*	From	
To	*5 July 2007*	To	
Covenant for the reporting period:		$ 20000.00	

Section 3. Give title of accompanying technical report:	
Title of Technical Report	ANNUAL EXPLORATION REPORT EL 24307 FOR PERIOD ENDING 5 July 2007, TOWNS RIVER NT
Author	*Zia U. Bajwah*

Section 4. Locality of operation:	
Geological Province	*McArthur Basin*
Geographic Location	*Towns River*

Section 5. Work program for the next twelve months:

Activities proposed (please mark with an "X"):

[X]	Drilling and/or costeaning	[x]	Literature review
[ ]	Airborne geophysics	[x]	Geological mapping
[ ]	Ground geophysics	[x]	Rock/soil/stream sediment sampling
[ ]	Other:		

Estimated Cost: $20000.00

Section 6. Summary of operations and expenditure:

Please include salaries, wages, consultants fees, field expenses, fuel and transport, administration and overheads under the appropriate headings below. Mark the work done for the appropriate subsections with an "X" or similar, except where indicated. Complete the right-hand columns to indicate the data supplied with the Technical Report.

Do not include the following as expenditure (if relevant, these may be discussed in Section 7):

- Insurance
- Company Prospectus
- Rent & DepartmentFees
- Bond
- Transfer costs
- Title Search
- Legal costs
- Advertising
- Land Access Compensation
- Meetings with Land Councils
- Payments to Traditional Owners
- Fines

Exploration Work type	Work Done (mark with an "X" or provide details)		Expenditure		Data and Format Supplied in the Technical Report	
					Digital	Hard copy
Office Studies						
Literature search	**x**		1535.00		**x**	
Database compilation	**x**		1850.00			
Computer modelling						
Reprocessing of data						
General research	**x**		1287.00		**x**	
Report preparation	**x**		890.00		**x**	
Other (specify) management			516.00			
	Subtotal		6078.00			
Airborne Exploration Surveys (state line kms)						
Aeromagnetics		kms				
Radiometrics		kms				
Electromagnetics		kms				
Gravity		kms				
Digital terrain modelling		kms				
Other (specify)		kms				
	Subtotal		$			
Remote Sensing						
Aerial photography						
LANDSAT						
SPOT						
MSS						
Other (specify)						
	Subtotal		$			
Ground Exploration Surveys						
Geological Mapping						
Regional						
Reconnaissance						
Prospect						
Underground						
Costean						
Ground Geophysics						
Radiometrics						
Magnetics						
Gravity						
Digital terrain modelling						
Electromagnetics						
SP/AP/EP						
IP						
AMT/CSAMT						
Resistivity						
Complex resistivity						
Seismic reflection						
Seismic refraction						
Well logging						
Geophysical interpretation						
Petrophysics						
Other (specify)						

Geochemical Surveying and Geochronology (state number of samples)									
Drill (cuttings, core, etc.)									
Stream sediment									
Soil									
Rock chip									
Laterite									
Water									
Biogeochemistry									
Isotope									
Whole rock									
Mineral analysis									
Laboratory analysis (type)									
Petrology									
Other (specify) DENSITY									
Ground Exploration Subtotal									
Drilling (state number of holes & metres)									
Diamond									
Reverse circulation (RC)									
Rotary air blast (RAB)									
Air-core									
Auger									
Other (specify)									
	Subtotal								
Other Operations									
Costeaning/Trenching									
Bulk sampling									
Mill process testing									
Ore reserve estimation									
Underground development (describe)									
Mineral processing									
Other (specify)									
	Subtotal								
Access and Rehabilitation									
Track maintenance									
Rehabilitation									
Monitoring									
Other (specify)									
	Subtotal								
TOTAL EXPENDITURE					**6078.00**				

Section 7. Comments on your exploration activities:

I certify that the information contained herein, is a true statement of the operations carried out and the monies expended on the above mentioned tenement during the period specified as required under the *Northern Territory Mining Act* and the Regulations thereunder.

[X] I have attached the Technical Report

1. Name:	Zia U. Bajwah	2. Name:	
Position:	Geologist	Position:	
Signature:		Signature:	
Date:	8/08/2008	Date:	