



GBS GOLD AUSTRALIA PTY LTD

ANNUAL EXPLORATION REPORT

ERL 89

FOR PERIOD ENDING 18 September 2006

BIG HOWLEY

BURNSIDE PROJECT NT

Pine Creek SD5208 1:250,000

Batchelor 5171 1:100,000

Titleholders: Buffalo Creek Mines Pty Ltd – 50%

Territory Goldfields NL – 50%

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/BJV/07/42

**Zia U. Bajwah
October 2007**

SUMMARY

ERL 89 is located 130 km SSE of Darwin, NT, and 5km NW of the Cosmo Howley Project area. Previous work led to a resource estimate of 204,000t @ 2.4 g/t Au at South Ridge by Northern Gold N.L and an ERL was applied for over the then sub economic resource.

In 2002 Northern Gold NL subsidiary, Territory Goldfields NL, entered into a joint venture with Buffalo Creek Mines P/L, creating the Burnside JV. The Burnside JV reviewed ERL 89 and concluded that the South Ridge deposit ranked low compared with other more advanced projects such as Cosmo Deeps, Zapopan and Rising Tide. As a consequence activity in recent years has been confined to data reviews, reconnaissance visits and reporting. In 2005, GBS Gold Australia Pty Ltd acquired the project by a successful take over of Burnside Joint Venture.

The stratigraphy within the tenement comprises units of the Mt Bonnie Formation and the Burrell Creek Formation. The Mt Bonnie Formation is within the South Alligator River Group and occupies the core of the structure. It is siltstone-mudstone dominated with poorly sorted greywacke. Core of the anticline may also contain the Zamu Dolerite. The Burrell Creek Formation is the lower member of the Finnis River Group and lies on the flanks of the fold. It is typically higher energy sedimentation with coarser greywackes and sand-silt units.

During the reporting period, a technical review of the data collected in previous exploration programs was undertaken which identified gold potential of the area. Exploration activities carried out during the reporting period are data integration and validation, technical review, reconnaissance visit and report writing. During 2007-08, data integration into DataShed will continue. In addition, further soil/rock geochemical sampling and drilling is required to assess the full potential of the area. It appears that further exploration will be undertaken in conjunction with SEL 25748.

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1.0 INTRODUCTION

ERL 89 is situated on the north-eastern side of the Howley project area and at present contains small gold resource. However, it is considered to be important project due to its close proximity to the Cosmo Deep project. In this report, exploration activities during the reporting period are presented.

2.0 LOCATION AND ACCESS

ERL 89 is located approximately 130 km SSE of Darwin and 5 km of the Cosmo Howley Gold Mine, between 13°29' south and 13°30' south and longitudes 131°20' east and 131°21' east (Figure 1).

The Licence is situated within the Douglas Pastoral Lease, PL 903, held by Tovehead Pty. Ltd. The simplest access is from the old Stuart Highway (Dorat Rd) through the Cosmo Howley mine site, and then north-west along tracks. These tracks are along the west side of the Howley deposits, and are subject to flooding at creek-crossings during the wet season, but road works may overcome the flooding problem and allow year-round access.

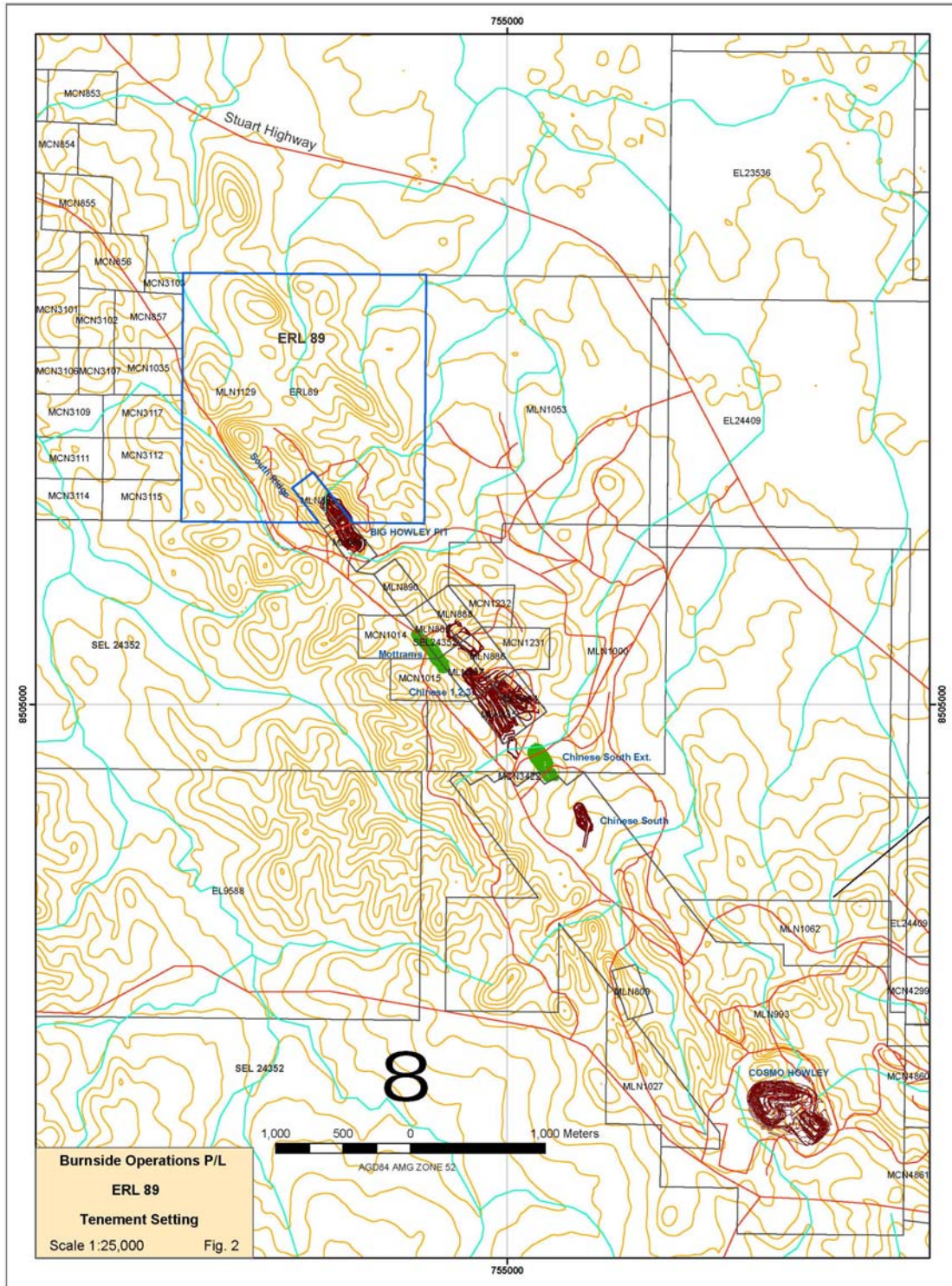
2.0 TENEMENT STATUS AND OWNERSHIP

ERL 89 was granted to Northern Gold N.L. on the 19 September 1989, for a period of five years. The licence of 324.8ha was previously held by Northern Gold N.L. as part of EL 4226.

Dominion Gold Operations Pty. Ltd. acquired the property as part of regional package purchased from Northern Gold N.L. on the 15 of February, 1991. The transfer was effective as of 7 May 1991.

Territory Goldfields N.L. (which was a subsidiary of Northern Gold N.L.) subsequently re-acquired the tenement in May, 1995. Renewals were granted on the 19 October 1995, and again on 13 September 1999, for periods expiring on the 18 September 2009.

Figure 1: Tenement Location Map



The Licence was subject to a joint venture agreement between Territory Goldfields NL and (Harmony Gold subsidiary) Buffalo Creek Mines P/L from 4 April 2002 (Burnside JV).

GBS Gold acquired Northern Gold NL in late 2005, and purchased Harmony's 50% share of the Burnside JV. GBS Gold now controls 100% of the Burnside Project.

A mineral lease application (MLN1129) covering the entire licence has been submitted and approval is being expedited.

4.0 GEOLOGICAL SETTING

Regional geology is outlined in many publications, notably Ahmad *et al.* (1994), Stuart-Smith (1984) and Needham *et al.* (1988). The tenements are within the Pine Creek Orogen, a folded sequence of Lower Palaeoproterozoic 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. The Howley Ridge area is comprised of folded and faulted members of the South Alligator Group and lower Finnis River Group of Palaeoproterozoic age.

The sequence has been folded into a macroscopic asymmetric anticline with parasitic flanking folds and thrust faults. This arcuate structure is termed the Howley Anticline and has been traced along strike for 30km between the Cosmo Howley Mine and Mt Paqualin.

The fold plunges shallowly to the NW in the vicinity of the Cosmo Howley. There are several cross folds that create local plunge reversals and domal structures along the axial trend. At Cosmo Howley the axial trend is north westerly, and in the vicinity of Howley Ridge the fold axis strikes north with a variable shallow southerly plunge. The plunge/strike difference may be due to warping around a blind granite cupola.

The fold is the dominant feature in ERL 89 and has provided the principal focus of exploration activities. The axial plane strikes north westerly and has a low to moderate NW plunge. The structure is isoclinal and moderately overturned to the east with axial planar phyllitic cleavage dipping steeply west.

Geological setting of the project area is shown in Figure 2. The stratigraphy within the tenement comprises units of the Mt Bonnie Formation and the Burrell Creek Formation. The Mt Bonnie Formation is within the South Alligator River Group and occupies the core of the structure. It is siltstone-mudstone dominated with poorly sorted greywacke. Core of the anticline may also contain the Zamu Dolerite.

The Burrell Creek Formation is the lower member of the Finniss River Group and lies on the flanks of the fold. It is typically higher energy sedimentation with coarser greywackes and sand-silt units.

5.0 PREVIOUS EXPLORATION

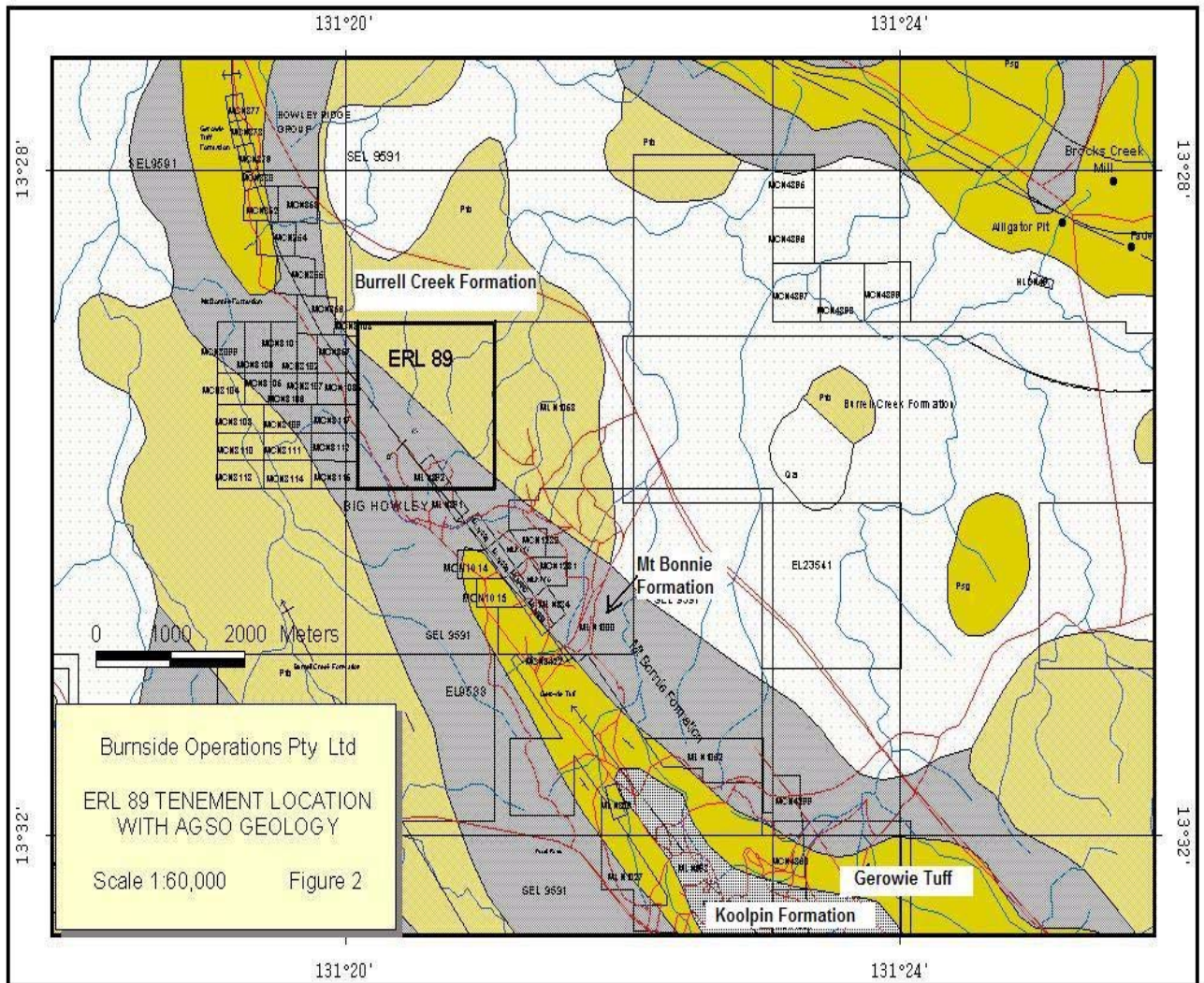
Shaw (2005) has outlined previous exploration within ERL89, and this is summarised here. For further details on work done, please refer to earlier reports.

Hunter Resources carried out geochemical sampling in EL4226 (which covered ERL89, MLN 1053 and other tenements in the Chinese Howley area). This work was sufficient to outline coincident Au, As and Cu anomalies to the west of Big Howley in the area now known as South Ridge.

During the late 1980's ownership of EL 4226 passed to Northern Gold N.L. Northern Gold conducted the following exploration on ERL89:

- a) gridding
- b) airborne magnetic and radiometric survey by Kevron Geophysics
- c) mapping

Figure 2: Geological setting of the project area



- d) soil geochemistry (BLEG soils), which outlined a strong NW-trending anomalous zone to the north and west of Big Howley deposit.

RC drilling has been reported in previous reports, with holes NGRC4, NGRC 6 – 29 drilled in March/April 1988, and holes NGRC 36-72 drilled in June 1990 within ERL89. These holes were drilled by Northern Gold, and the original hole prefix is CH4, CH 6 – 29 and CH 36 – 72. These holes defined the ‘South Ridge’ deposit/resource. A resource calculation using Micromine 3D block model to 40m depth gave 204000t @ 2.4g/t Au for a cutoff of 1.5g/t Au (non-JORC, inferred). Coarse gold was noted, with additional check sampling and panning of high-grade intervals recommended. Sectional spacing varies up to 120m, and lateral strike continuity of ore zones between sections was assumed.

In May 1991 Dominion Gold purchased the tenement, and carried out;

- a) infill gridding
- b) detailed mapping
- c) rock chip sampling

RC drilling was reported within ERL89, and previous reports note 23 holes totalling 690m (BSEX1-3, 7-11, 12-20, 24 -30). It appears that these holes are also incorrectly named, and the correct drillhole prefix is BSRC, not BSEX. It appears to be a typo/keyboard error that was propagated from reports extending back to 1995. Previous reporting of BSEX holes should be replaced with BSRC holes, which are in the database. Results appeared patchy, with a reported peak response of 3.27g/t Au.

In 1995-1996 Northern Gold N.L. re-acquired the ground and completed a work program involving digital data acquisition and interpretation. Landsat Imagery, SPOT Imagery and AGSO mapping were obtained and used in conjunction with aerial mapping to fully evaluate the area, including structural interpretations and logging soil types. Further work in the next few years included acquisition of multi-client geophysics, and digital terrain modelling. The data was used in conjunction with aerial mapping, site visits and previous digital interpretations.

In April 2002 Territory Goldfields NL and Buffalo Creek Mines NL entered into a joint venture agreement that included the Howley tenements as part of a wider schedule of mining assets.

In 2003-2004 the joint venture focused on RC drilling programmes at Chinese Howley and Mottrams to the south of Big Howley. Work on ER L89 was limited to a brief review of the South Ridge and Big Howley deposits.

In 2004 – 2005 the Burnside JV did not conduct any further fieldwork on the Howley Ridge tenements due to its low ranking and mature exploration status. In 2005 – 2006 the Burnside JV noted that the South Ridge deposit had been previously judged to be ‘narrow and sub-economic at prevailing gold price and subject to mill availability’.

In September 2005, Northern Gold entered into an agreement with a Harmony subsidiary company to acquire the 50% Harmony interest in the Burnside JV. GBS Gold acquired 100% of Northern Gold in January 2006, and finalised the 50% acquisition of Harmony’s share in March 2006.

During 2006-07, data collected in previous drilling programmes in all tenement areas was entered into DataShed from original logs and lab assay sheets. As part of the review of tenements by GBS, the old reports were scrutinised for previous drilling, and it was found that the drillhole nomenclature had been incorrectly reported for both the CH and BSRC holes for over a decade. The CH holes (drilled by Northern Gold) were located on the Northern Gold grid, which has 5 digit coordinates, and a NW-trending baseline. When the tenement was purchased by Dominion, they renamed the holes ‘NGRC’ (presumably for Northern Gold Reverse Circulation), but the conversion to the Dominion local grid (4 digit, NNW-trending baseline incorporating Cosmo and Chinese Howley) was incomplete. The holes existed in the database as CH holes on the Northern Gold grid. These holes have been left out of previous reviews along the whole Chinese Howley super pit area due to the coordinates being in a different local grid coordinate system.

Work done during the year included;

- a) finding and correcting the drillhole nomenclature error

- b) converting the coordinates from the Northern Gold grid to MGA coordinates
- c) adding additional information missing from the database from these holes.

6.0 EXPLORATION FOR YEAR ENDING 18 SEPTEMBER 2007

During the reporting period, a technical review of the data collected in previous exploration programs was undertaken which identified gold potential of the area. Limited drilling undertaken has defined a resource estimated by using Micromine 3D block model to 40m depth gave 204000t @ 2.4g/t Au for a cutoff of 1.5g/t Au (South Ridge) which could be increased if more systematic exploration and drilling are undertaken. Geological setting and structure of the area is very similar to gold deposits such as Chinese Howley, Kazi and Zapopan and certainly has the potential to increase the tonnage by further exploration. Exploration activities carried out during the reporting period are:

- Data integration and validation
- Technical review
- Reconnaissance visit
- Report writing

This activity costed \$5514.00 and details are reported in Appendix 1.

However, during the reporting period, much attention was focused in re-commissioning of the Union Reefs dual gold mill and bringing online deposits such as Zapopan, Fountain Head and Rising tide to feed the mill.

7.0 PLANNED EXPLORATION FOR 2007-08

ERL 89 abuts the Cosmo Deep project which has high priority. Currently, developmental work is underway at Chinese Howley, Mottrams and other deposits in the Cosmo Deep project with a budget of 10's million dollars. It is expected that the mining from the Cosmo Deep project will commence in 2008-09. The project encompassing ERL 89 has shown significant potential for gold mineralisation and it is expected that gold resource discovered within the project area will enhance the resource base established so far.

During 2007-08, data integration into DataShed will continue. Data validation is required before the data can be used for reliable resource estimation, and this work is in progress. In addition, further soil/rock geochemical sampling and drilling is required to assess the full potential of the area. It appears that further exploration will be undertaken in conjunction with SEL 25748.

A minimum covenant proposed for the 2007-08 year is \$8,000.

8.0 REFERENCES

- Ahmad, M., Wygralak, A.S., Ferenczi, P.A., and Bajwah, Z.U. 1993. Explanatory Notes and Mineral Deposit Data Sheets. *1:250,000 Metallogenic Map Series, Department of Mines and Energy, Northern Territory Geological Survey*
- Needham, R.S and Stuart-Smith, P.G., 1984. Geology of the Pine Creek Geosyncline, Northern Territory – 1:500,000 scale map. Bureau of Mineral Resources, Australia.
- Needham, R.S., Stuart-Smith, P.G., and Page, R.W., 1988. Tectonic evolution of the Pine Creek Inlier, Northern Territory. *Precambrian Research 40/41, pp 543-564.*
- Shaw, J 2005. Annual Exploration Report ERL 89 “Big Howley” Year ending 18th September 2005. Harmony Gold (unpubl). *Northern Territory Geological Survey Company Report CR2005-0374.*

APPENDIX 1: Mineral Exploration Expenditure Statement for ERL 89

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| 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 | <i>ERL</i> |
| Number | <i>89</i> |
| Operation Name (optional) | <i>Burnside Operations</i> |

| |
|--|
| Section 2. Period covered by this return: |
|--|

| | | | |
|------------------------------------|--------------------------|-------------------------|--|
| Twelve-month period: | | If Final Report: | |
| From | <i>19 September 2006</i> | From | |
| To | <i>18 September 2007</i> | To | |
| Covenant for the reporting period: | | \$10000.00 | |

| |
|--|
| Section 3. Give title of accompanying technical report: |
|--|

| | |
|---------------------------|---|
| Title of Technical Report | <i>ANNUAL EXPLORATION REPORT, ERL 89 "BIG HOWLEY" YEAR ENDING 18 SEPTEMBER 2007</i> |
| Author | <i>Zia U. Bajwah</i> |

| |
|--|
| Section 4. Locality of operation: |
|--|

| | |
|---------------------|---------------------------------|
| Geological Province | <i>Pine Creek Orogen</i> |
| Geographic Location | <i>Big Howley</i> |

Section 5. Work program for the next twelve months:

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

| | |
|-------------------------------------|------------------------------------|
| <input checked="" type="checkbox"/> | Drilling and/or costeaming |
| <input type="checkbox"/> | Literature review |
| <input type="checkbox"/> | Airborne geophysics |
| <input checked="" type="checkbox"/> | Geological mapping |
| <input type="checkbox"/> | Ground geophysics |
| <input checked="" type="checkbox"/> | Rock/soil/stream sediment sampling |
| <input type="checkbox"/> | Other: |

Estimated Cost: \$8000.00

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

- Insurance
- Company Prospectus
- Rent & Department Fees
- 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 | | | | |
| Database compilation | x | 1645.00 | | |
| Computer modelling | | | | |
| Reprocessing of data | | | | |
| General research | x | 1134.00 | | |
| Report preparation | x | 1260.00 | | |
| Other (specify) Admin | x | 580.00 | | |
| Subtotal | | \$4619.00 | | |
| 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 | x | 895.00 | | |
| Prospect | | | | |
| Underground | | | | |
| Costean | | | | |
| Ground Geophysics | | | | |
| Radiometrics | | | | |
| Magnetics | | | | |
| Gravity | | | | |
| Digital terrain modelling | | | | |

| Exploration Work type | Work Done (mark with an "X" or provide details) | Expenditure | Data and Format Supplied in the Technical Report | |
|-------------------------------|--|-------------|--|-----------|
| | | | Digital | Hard copy |
| 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 | | | | | |
| <i>(state number of samples)</i> | | | | | |
| Drill (cuttings, core, etc.) | | | | | |
| Stream sediment | | | | | |
| Soil | | | | | |
| Rock chip | | | | | |
| Laterite | | | | | |
| Water | | | | | |
| Biogeochemistry | | | | | |
| Isotope | | | | | |
| Whole rock | | | | | |
| Mineral analysis | | | | | |
| Laboratory analysis (type) | | | | | |
| Petrology | | | | | |
| Other (specify) | | | | | |
| Ground Exploration Subtotal | | | | \$895.00 | |
| Drilling (state number of holes & metres) | | | | | |
| Diamond | | holes | metres | | |
| Reverse circulation (RC) | | holes | metres | | |
| Rotary air blast (RAB) | | holes | metres | | |
| Air-core | | holes | metres | | |
| Auger | | holes | metres | | |
| Other (specify) | | holes | metres | | |
| Subtotal | | | | \$ | |
| Other Operations | | | | | |
| Costeaming/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 | | \$5514.00 |

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|--|--|
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| | |

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.

I have attached the Technical Report

1. Name: Zia U. Bajwah

Position: Geologist

Signature:

Date: 17/10/2007

2. Name:

Position:

Signature:

Date: