GBS GOLD AUSTRALIA PTY LTD

ANNUAL EXPLORATION REPORT

YAM CREEK/ NORTH POINT GROUP
Year Ending 31 December 2007

MLN 214, 341, 343, 349, 823-832, 858-863, 940, 1112.

McKinlay River 1:10, 0000
Pine Creek 1:10, 0000
PINE CREEK 1:250, 000

Distribution:
DPIFM Darwin NT
GBS Perth Office WA
UNION REEFS MINE SITE NT
BROCKS CREE MINE SITE NT

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February 2008
SUMMARY

Yam Creek/North Point gold district is located approximately 150km SSE of Darwin. It mainly covers historical Yam Creek alluvial and hard rock gold mining field which was discovered in 1872.

Gold mineralisation occurs as quartz vein systems, hosted by structurally prepared sites within cyclic greywacke-mudstones of the Palaeoproterozoic Mount Bonnie Formation. Episodic gold production has been reported from underground as well processing of alluvial/elluvials cover material. The area has been the subject of modern gold exploration since the late 1970’s. Exploration, post 1988 was managed by Northern Gold NL and its subsidiaries and Acacia Resources (AngloGold) subject to option agreement.

Since formation of the joint venture the Yam Creek and North Point area has been subjected to RC drilling programs that were designed to prove up gold resources that could supplement mill feed for a full scale mining operation in the area. During 2003 a geo-statistical consultant was commissioned to conduct a resource study on the North Point and Princess Louise gold deposits. During 2007, a campaign conducted by the Exploration Department drilled 98 RC and AC holes for 2685 metres. However, assay data of the samples retrieved was quite discouraging and none of the sample returned any significant gold mineralisation. A second drilling program was carried out by Resource Definition Department. During this campaign, 29 RC and 90 AC holes were drilled for 3447 metres. Significant gold mineralisation was encountered in many of samples which helped to improve the previous ore resources in the area.

During 2008 a program of data evaluation, block modelling and ore reserve optimisation will take place. In addition infill RC/diamond drilling may also be carried out to firm up the ore resource inventory.

Keywords: Pine Creek Orogen, gold exploration, base metals, Yam Creek, South Alligator Group, Mount Bonnie Formation Princess Louise, North Point, Iron Blow. Drilling, Assaying.
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1.0 INTRODUCTION

The Yam Creek/North Point gold district is located approximately 150km SSE of Darwin. It mainly covers historical Yam Creek alluvial and bedrock gold mining field which was discovered in 1872. The tenement group has been explored intensively since the late 1970s and contains significant gold resources at North Point and Princess Louise as well as advanced targets at several other locations. This report covers work completed during the 2007 calendar year.

2.0 TENEMENT DETAILS

The Yam Creek group consists of 22 mineral leases and 12 mineral claims, covering an area totalling 578.2 hectares. The tenement details are listed in Table 1.

The Yam Creek tenements are held by Territory Goldfields N.L and Buffalo Creek Mines P/L and managed by Burnside Operations P/L which is wholly owned subsidiary of GBS Gold Australia P/L.

Table 1 Yam Creek Group Tenement Details

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In September 2005 an agreement was signed whereby Harmony Gold Operations P/L (Buffalo Creek Mines P/L) sold its 50% interest in the tenements to Northern Gold NL. In turn Northern Gold NL was taken over by GBS Gold Australia P/L.

A search of the Heritage Register indicated that no Aboriginal significant sacred sites fall within the tenement group.

### 3.0 LOCATION AND ACCESS

The tenements are located between latitudes 13°28’ south and 13°31’30” south and longitudes 131°31’30” east and 131°33’30” east (Figure 1). The prospects are located on the Burrundie and Ban Ban 1:50,000 topographic sheets.

The group is situated within Pastoral Lease No. 903, Douglas, held by Tovehead Pty. Ltd. Access to the tenements from the Stuart Highway is north-eastwards along the Fountain Head road for 23km, then NE along the Grove Hill Road.

The area of economic interest comprises elongate ridges of moderate relief that mark the outcrop of resistate sediments that host the gold mineralisation. Within the ridge,
Figure 1: Yam Creek Group tenements setting
area access is locally compromised by steep sided slopes and eroded gullies. On the adjacent flats and pediment, access is relatively good in the dry season.

4.0 GEOLOGICAL SETTING

4.1 Regional Geology

The Yam Creek/North Point group of tenements are situated within the Pine Creek Orogen, a tightly folded sequence of Lower Proterozoic rocks, up to 14km in thickness, laid down on a rifted granitic Archaean basement during the interval ~2.2-1.87Ga. Geology of the area has been described by Stuart-Smith et al. (1987) and Ahmad et al. (1993). The sequence is dominated by pelitic and psammitic (continental shelf shallow marine) sediments with locally significant inter-layered tuff units. Pre-orogenic mafic sills of the Zamu Dolerite event (~1.87Ga) intruded the lower formations of the South Alligator Group.

During the Top End Orogeny (Nimbuwah Event ~1.87-1.85Ga) the sequence was tightly folded, faulted and pervasively altered with metamorphic grade averaging greenschist facies with phyllite in sheared zones.

The Cullen intrusive event introduced a suite of fractionated calc-alkaline granitic batholiths into the sequence in the period ~1.84-1.78Ga. These high temperature I-type intrusives induced strong contact metamorphic aureoles ranging up to (garnet) amphibolite facies, and created regionally extensive biotite and andalusite hornfels facies.

Less deformed Middle and Late Proterozoic clastic rocks and volcanics have an unconformable relationship to the older sequences. Flat lying Palaeozoic and Mesozoic strata along with Cainozoic sediments and proto-laterite cementation overlie parts of the Pine Creek Geosyncline lithologies. Recent scree deposits occupy the lower hill slopes while fluviatile sands, gravels and black soil deposits mask the river/creek flats areas.

There is a tendency for gold mineralisation to be focused in anticlinal settings within strata of the South Alligator Group and lower parts of the Finniss River Group. This sequence evolved from initial low energy shallow basinal sedimentation to higher energy deeper water flysch facies. Some of the gold mineralisation appears to be related to the I-type members of Cullen Batholith, formed during the evolution of hydrothermal fluids as a result of fractionation and differentiation processes (Bajwah, 1994).
4.2 Local Geology

The Yam Creek and North Point gold prospects are located within Palaeoproterozoic Mount Bonnie Formation and Gerowie Tuff, and occupy structurally prepared fault-fold sites on splays from the regionally important Hayes Creek Fault that trends NE through the area. Local geology of the area is shown in Figure 2.

The dominant mineralised structural feature within the tenement area comprises the west limb of the Yam Creek anticline that dips west at 50-60 degrees. The east limb is steep to overturned and the axis plunges north at 10-30 degrees.

The rocks comprise silt-greywacke-mudstone sediments of the South Alligator Group (Lower Mount Bonnie Formation). These are overlain by Finniss River Group, comprising greywacke (flysch) sediments of the Burrell Creek Formation. The underlying Gerowie Tuff and local sills of Zamu Dolerite are exposed in the south of the area in the core of the fold.

In the vicinity of the Darwin-Alice Springs railway line, the northern portion of the Yam Creek anticline appears to have been down-thrown by a set of NE and ENE trending fault structures.

Towards the south, the east limb and axis of the Yam Creek anticline is truncated by the Hayes Creek Fault and associated splays. This has dislocated the Yam Creek anticline from the main part of the Golden Dyke Dome that lies to the south.

4.3 Gold Mineralisation

At North Point and Princess Louise, auriferous quartz-sulphide veining is associated with greywacke-dominated packages within the west limb and axial zones of the Yam Creek fold, particularly where bedding slip, reverse faults and splays cut the limb at shallow angles. Lithological contrasts between silt-mudstone packages and massive greywackes has been a further focusing factor for auriferous quartz veining.

Within the finer grained lithologies the veining has sub vertical, perhaps axial planar foliation dips. Within the more massive brittle greywacke horizons the veins take the form of ladder veins or cross fracture sets sub normal to the bedding and dip shallowly eastwards. The upper greywacke-dominated package hosts most of the gold resource.

Figure 2: Geological setting of the Yam Creek Project area
Refraction of vein dips has been observed passing from one litho-type to the other. The thickness of the finer grained packages appears to be greater at Princess Louise where compared with the North Point sequence, controls to Mineralisation and possible Extensions.

The following is an extract from a resource report by Elliott (1994) who made a detailed study of the mineralised setting for Dominion Mining Ltd.

*The Yam Creek resource is an epigenetic deposit, situated within a greywacke-mudstone association of the Mt. Bonnie Formation (South Alligator Group) on the western limb of the Yam Creek Anticline. The anticline plunges ≈ 10° to the north, with the west limb dipping at ≈60° W (range 50°-75° W). Axial plane cleavage (S1) is well developed in the mudstone units and is sub-vertical, but is refracted at the mudstone-greywacke contact due to competency contrasts, producing a cleavage dip of 10°-50° to the east.*

A number of north-east trending faults displace bedding trends in the Yam Creek area. The faults are thought to be sub-vertical and appear to post-date mineralisation.

The majority of mineralisation is associated with quartz filled tension gash veins within the greywacke, controlled by the refracted cleavage pattern. The veins are best developed near the hanging wall (western) contact of greywacke and mudstone, occurring as an echelon vein sets, vein thickness varying from stringers to over one metre. Carbonaceous shears within the greywacke and at the mudstone contacts often contain minor but high grade gold mineralisation, associated with quartz stringers and small boudins. This type of mineralisation is thought to originate from tension gash veins rolled into the shears. Low grade gold mineralisation (0.1-0.5 g/t) is pervasive throughout the greywacke host.

The mineralised greywacke unit is open along strike to the north and down dip (west). To the south mineralisation has decreased significantly, however drill hole density is low and is situated in an area of structural complexity. It is likely mineralisation continues further south along strike. Similar styles of mineralisation could be targeted further east in a second greywacke unit.

**Mineralisation Domains and Ore Type**

Primary mineralisation occurs within quartz veined greywackes and lesser mudstones. Quartz vein gangue mineralogy consists of common pyrite, less common arsenopyrite and rarer chlorite, carbonate and pyrrhotite. Free gold has been recognised in the oxide zone, associated with ferruginous (ex-sulphide?) quartz veins.
Gold bearing alluvial material occurs over most of the resource area. The alluvial cover has a maximum thickness of 4m, with gold occurring in basal conglomerates as fine gold, nuggets and in quartz specimens. Auriferous eluvial material is also widespread.

Primary ore material has been classified as oxide or sulphide, transitional ore has not been recognised. The average depth of the base of oxidation is approximately 33m.

The recognition of late stage faulting as a 'spatial control' to mineralisation is important, especially at a flitching stage and during optimisation.

The two principal deposits have been outlined by several campaigns of RC drilling and were computer resource-modelled in 2003.

For **North Point** the indicated and inferred resource at 0.7g/t cut off totalled 278,000t @ 2.27g/t Au.

For **Princess Louise** the indicated and inferred resource at 0.7g/t cut off totalled 170,000t @ 2.25g/t Au.

In 2005, Bill Makar was commissioned to review the mining economics of the deposits with a more up to date range of gold prices and factoring in the availability of the Union Reefs treatment plant. His report is attached as Appendix One.

**The Iron Blow (MLN 214)** prospect occurs on the eastern side of the tenement group. It comprises a strata-bound massive sulphide deposit of zinc-lead-silver-copper gold mineralisation. The deposit occurs in basal sediments (carbonaceous siltstone, shale, greywacke, chert, conglomerate and carbonate of the Mt Bonnie Formation. It is geologically similar to the Mt Bonnie deposit to the south.

The Iron Blow gossan was discovered in 1873 and developed as an underground mine in 1886 when 100t was mined. Between 1898 and 1906 Northern Territory Goldfields of Australia produced 13,700t from underground and surface mining. It was extensively explored between 1957 and 1971 by the BMR, mining companies and NTGS.

A Geopeko-BHP JV explored the deposit from 1975, drilling 15 core holes, 8 of which met with massive sulphide. They determined that Iron Blow comprised two stacked lenses. The Upper Lode contained 92,000t averaging 400g/t Ag, 8.1% Zn, 3.0% Pb, 0.4% Cu and 4.3g/t gold. The Lower Lode was larger and lower grade comprising 887,500t averaging 87.3g/t Ag, 6.7% Zn, 0.7% Pb, 0.4% Cu, and 1.9g/t gold.
The oxide zone was relatively enriched in gold and silver and the deposit was open pitted to 40m by Henry and Walker in 1984. The ore was treated at the Mt Bonnie plant along with the Mt Bonnie deposit’s oxide component. Records show that Iron Blow produced 10,000t of oxide @ 9.0g/t gold and 250g/t Ag and 25,000t of sulphide @ 7.0g/t Au, and 360g/t Ag in this period.

Both Mt Bonnie and Iron Blow coincide with significant airborne magnetic anomalies. No other comparable anomalies occur in the area so this appears to downgrade the potential for repetitions of these stratiform, perhaps syngenetic exhalative deposits.

5.0 PREVIOUS EXPLORATION

5.1 Historic Activity

The Yam Creek region was historically one of the better known bedrock and alluvial gold mining areas in the Northern Territory. The first significant reef gold discovery, the Priscilla Reef, was made in 1872. This was followed by a period of intense mining activity, which continued until the early twentieth century. The district was famous for its gold nuggets, the largest being 700 ounces (22.5 kilograms). The alluvial deposits in the North Point area were worked by Chinese miners late last century.

By 1901 a three compartment shaft had been sunk at Yam Creek with two cross cuts driven west at 42m and 62m as a prospecting exercise. The lodes met with in the 62m cross cut were reported to average 5.0 g Au/t over a width of 20m.

In 1937 it was reported (Cottle) total production from the field was 29,000t for the recovery of 10,501oz. Most of this was thought to have been from stopes off the Yam Creek cross cuts.

The Princess Louise mine further south along the Priscilla Line was reported in 1891 as having produced 2,422t @ an average recovered grade of 51.0g Au/t. The gold was recovered from east dipping (50 degrees) quartz-sulphide veins within a west dipping greywacke unit, 4m thick. The shoots were reported to plunge northerly at 30 degrees.

In more recent times exploration work was carried out by Geopeko, Territory Resources N.L., Dundas Gold Corporation N.L., Dominion Gold Operations Pty. Ltd., Northern Gold N.L. and Anglogold Australasia Limited.
5.2 Modern Exploration

**Mines Department 1974.** Drilled two diamond core holes at Princess Louise. These were not logged due to Cyclone Tracy and are at the Darwin core library.

**Geopeko 1977 to 1979.** Activities conducted included gridding, stream sediment sampling, geological mapping, at 1:1,000 scale, an IP survey, and diamond drilling, five holes for 511.64m, and mapping of accessible underground workings. The prospect was named ‘Quest 95.’ Goulevitch reported that gold occurred in thin quartz leaders in two greywacke-mudstone units each about 20m thick, separated by about 30m of barren material. The upper horizon was better mineralised and almost continuous over 3km.

**Territory Resources N.L 1985-1988.** Work included an aeromagnetic survey, a Geo-Flite multispectral scanning survey, geological mapping, alluvial pit sampling and trial mining, 4 costeans for 320m in the alluvial areas and bedrock targets, and 9 percussion holes for 165m. (TERP-1 to 9)

An aeromagnetic survey in 1985 over EL 4415 included MCN 898 and MCN 899 [North Point].

In 1986, an extensive pit sampling and alluvial mapping program was completed over North Point, covering MCN 898. Gold was recovered from most samples and encouraging results were obtained.

Four costeans were sampled and mapped in detail on MCN 898 to follow up previous indications of bedrock gold mineralisation.

Bulk samples were taken to 1m depth on MCN 898 and MCN 899. The upper 0.5m of laterite and eluvial/colluvial material was mined from the eastern section of MCN 898. Mining also took place on MCN 899, where approximately 70cm of colluvial and alluvial material was removed from two pits.

The potential for bedrock gold mineralisation along the northern extension of the Priscilla Reef at North Point was suggested by aeromagnetic interpretation.

Exploration showed that the bedrock mineralisation occurs predominantly in ladder quartz veins and stockworks within a greywacke unit of the Mount Bonnie Formation, which forms the northern extension of the “Priscilla Line”. Further south, in the Sandy Creek region, gold mineralisation was identified within quartz veins hosted by Zamu Dolerite. (outside the tenement group)

The bedrock potential of MCN 625, MCN 624 and MCN 898 were further examined by mapping and 9 RC holes. The percussion holes were drilled in the southern portion of MCN 898.
Exploration over MCN 625, MCN 624 and MCN 899, was completed by a consultant, on behalf of Territory Resources N.L. The objective of the program was to investigate the alluvial diggings by the Chinese last century and to assess the underlying bedrock gold potential of the North Point area.

The work undertaken included gridding, geological mapping, excavator pitting, mapping and sampling of excavator pits, panning of samples from the pits and assaying the concentrates.

**Dundas Gold Corporation N.L.1987.** They commissioned Elliott Exploration Co. Pty. Ltd. to carry out a detailed evaluation of MLNs 823-832 and MLNs 858-863.

This work involved the excavation of 38 costeans for 1916m at 60m intervals, geological mapping, sampling, resource calculations and 326 RAB percussion drill holes for a total of 8,942m.

The trenching reported wide zones of +0.4g Au/t anomalism in surficial cemented soils. The drilling was oriented to the east despite the well-documented easterly dip on mineralisation. Despite this, significant gold values (+1.0g Au/t) were met with on most traverses over 3km of strike.

**Dominion Gold Operations Pty. Ltd.1987.** This company completed geological mapping, reconnaissance rock chip sampling and a data review over MCN 46, MCN 47, MCN 49 and MCN 50. These mineral claims contain many of the old workings within the area, which followed the quartz veins on the westernmost anticlinal axis. Dominion’s sampling of these quartz veins returned a best assay of 2.84 g/t. The vein sampling completed within MCN 46 and MCN 47 gave poor values.

Further work completed by Dominion Gold Operations Pty. Ltd., between 1988 and 1994, included costean excavation, vacuum drilling 318 holes for 1145m, RAB drilling, 10 holes for 261m, RC drilling, 124 holes for 5,589m, resource calculations and metallurgical testwork.

Dominion sank a test open pit to the west of the Yam Creek shaft in the vicinity of the old Temperance workings. They mined a 100m section of the west lode, only one resource drill section lay within the pit.

In addition, a 15m test pit was sunk by Dominion on the North Point deposit between 8860mN and 9075mN, following vertical blast hole drilling. On section the plus 1.0g/t Au zones are erratic, generally narrow discontinuous and poddy within a broad low grade envelope.

**Eupene Exploration Enterprises, 1988.** Worked on behalf of the Tanami Joint Venture in the vicinity of the Temperance workings and conducted gridding, 15 costeans for
666m, 50 RAB percussion holes for 2.398m, 15 RC holes for 466m, 3 diamond holes for 114.5m, soil sampling and resource estimation (150,000t 2 0g Au/t) Zapopan NL and Henry and Walker dug a trial pit on the resource at Temperance.

**Zapopan 1991**, dewatered the Yam Creek shaft but found it blocked with debris for the bottom 4m. The upper level was also blocked and they abandoned the exercise after spending $80,000.

**Northern Gold N.L 1996**. completed a work program using geophysical digital data, MMI geochemical soil sampling and RC drilling

The MMI soil sampling program consisted of the collection of 1,100 samples taken on a 10m spacing on 100 metre lines.

Results returned were highly anomalous with peak values of 784 ppb Au and 448 ppb Au. The northern area showed wide highly anomalous zones. The central part on the Yam Creek line, although densely covered in old workings, showed relatively poor results.

Infill RC test drilling consisted of the completion of 26 holes for a total of 1,995m.

Drilling located the high grade mineralisation previously defined by Dominion in 1994, and Dundas exploration in 1987. Results from drill testing the eastern greywacke were the most encouraging, with best intersections returned in YC151, reporting 6m @ 14.25 g/t Au from 24m, and in YC150 with 4m @ 2.98 g/t Au from 10m.

The second phase of drilling identified southern strike and dip continuations of this high grade mineralisation. Best results include 2m @ 5.62 g/t Au from 58m in YC153, 5m @ 1.14 g/t Au from 40m in YC155, and 3m at 4.24 g/t Au from 22m in YC161.

**Northern Gold N.L 1997**. Completed a work program involving magnetic interpretation, resource estimates, vertical vacuum and RAB drilling along strike from the RC drilling, and digital terrain modelling.

The data was used in conjunction with aerial mapping, site visits, previous interpretations and reviews to determine the best methods of exploration.

The company purchased multiclient airborne magnetics and Landsat from World Geoscience. The results of the geophysics were used primarily as imaged processed data for regional interpretation of exploration concepts. A contour map of the region was also compiled.

The Yam Creek resource on MLN’s 828–832 was block modelled using inverse distance squared methodology, with a greywacke unit of the Mount Bonnie Formation as geological control.
The model produced used large search ranges in order to include sufficient data to estimate block grades, and lacks sufficient support to be classified as either measured or indicated as defined by the JORC code.

The resource at Yam Creek was estimated above a 0.90 g/t Au cut off:

959,770 t @ 2.02 g/t Au (Uncut)
959,770 t @ 1.31 g/t Au (Cut 10g/t)

**Anglogold Australasia Limited, 1999.** They entered into an option agreement (Princess Louise Project, from April 1999) with Northern Gold N.L. over MLNs 823 - 832, 858 - 863 and 940, and MCNs 46 - 47, 49 - 50, 624 - 625, 898 - 899, 4428, 4430, 4432 and 4434.

They conducted aerial photography, gridding, soil sampling (76 samples), geological mapping, vacuum drilling (520 holes), rock chip sampling, detailed airborne magnetics and radiometrics, RC drilling 88 holes for 7,137m plus 334m of precollars, and diamond drilling, 11 holes. Grade control drilling was carried out at North Point and Princess Louise totalling 213 holes.

**AngloGold Australasia Limited 2000.** Preliminary resource estimates, and RC drilling programs were completed by Anglogold Australasia Limited during the 2000 exploration season.

A total of 104 RC holes were drilled by Drillcorp - Western Deephole Ltd. and Drillex, for 6,307, targeting the North Point and Princess Louise anomalies, in addition to strike extensions along the Priscilla Line. The samples were submitted to Amdel Ltd., Darwin, for gold analysis using FA1 technique. The work outlined significant mineralisation in the upper greywacke unit at both the North Point and Princess Louise prospects.

A program of vacuum sampling at the Left Of Centre Prospect, intended to test the bedrock below an alluvial anomaly. The program was abandoned after several attempted test holes could not penetrate a clay layer at the base of the alluvium. No samples were taken.

An evaluation of the resources defined at Princess Louise and North Point areas was also completed during the exploration season. The following estimates were calculated using a 1 g/t Au cutoff, and a minimum mining width of 3m.

North Point 368,000t @ 1.88 g/t for 22,243 Oz
Princess Louise 423,000t @ 1.52 g/t for 20,672 Oz

Expenditure under the option by AngloGold was $435,548.
Northern Gold NL 2001. The company completed a thorough data review during the 2001 year of tenure to further evaluate the mineralisation potential within the tenements. Expenditure was $2,060.00.

Burnside JV 2002. The Burnside Joint Venture carried out the following exploration activity during the year ended 31st December 2002.

Surveying and database validation; site preparation and RC drilling-
Princess Louise 618m in 15 holes; North Point 1,654m in 42 holes.

First pass resource modelling Princess Louise and North Point.

Princess Louise, main zone, 43,243t @ 2.00g Au/t to 30m depth.10.0g/t Au top cut. 
North Point : 86,331t @ 2.09g Au/t to 36m depth.

Both of these resource models were subjected to preliminary computer generated pit shell designs and mine cost optimisation.

Burnside JV 2003. The Burnside Joint Venture commissioned a geo-statistical consultant to review the resource models for North Point and Princess Louise.

For North Point the indicated and inferred resource at 0.7g/t cut off totalled 278,000t @ 2.27g/t Au.

For Princess Louise the indicated and inferred resource at 0.7g/t cut off totalled 170,000t @ 2.25g/t Au.

Expenditure for the year totalled $19,923.

Burnside JV 2004. During the year the JV conducted an internal review of the North Point and Princess Louise deposits. Further RC drilling was recommended to close off the mineralisation beneath and along strike from the 2003 design pits.

During 2005, Yam Creek project was reviewed with a view to firm up gold resources under GBS Australia P/L control and possible ore feed to commissioning of the Union Reef mill near Pine Creek. Bill Makar conducted an internal review on the North Point and Princess Louise deposits demonstrating a useful comparison between grade control and exploration drill densities.

Among his conclusions at North Point exploration drilling indicates a relatively continuous and robust gold-mineralised unit that is generally broader in the oxide zone and develops into narrow limbs down dip. On the other hand the grade control work shows a much more broken up and poddy nature to the deposit. Gold grade is higher using the grade control data and tonnes are somewhat decreased. At Princess Louise he concluded the mineralised tonnes are upgraded significantly with the grade control
density spacing and that gold grade was marginally higher compared to the exploration
density drilling. In fact both North Point and Princess Louise were upgraded in the (0-20m) oxide zone by grade control drill density work. This review prompted to undertake a drilling campaign to define further ore resources in the Yam Creek project and results are described below.

7.0 EXPLORATION PROGRAM YEAR ENDING 31 DECEMBER 2007

Re-commissioning of Union Reefs mill in September 2006 prompted higher ranking of the Yam Creek-North Point project, which included North Point and Princess Louise deposits. The project has shown significant potential for gold mineralisation in previous investigations. Exploration and resource definition program continued in 2007 which is an extension of 2006 program reported previously.

Drilling

An aggressive program of RC and Air core drilling was undertaken by Exploration and Resource definition departments to identify new areas of mineralisation and to prepare a new resource estimate in the project area.

During 2006, a campaign of RC drilling (with diamond tails) was carried out to define gold resources and investigate possible extension down dip and northern side of the known gold mineralisation at North Point. To continue this program, in 2007, a campaign by the Exploration Department drilled 98 RC and AC holes for 2685 metres. All drilling information (e.g MGA co-ordinates, survey data etc) is given in Appendix 1.

Encountered lithologies during drilling are alluvium/clay, greywacke, siltstone, dolerite, carbonaceous mudstone and lesser amount of phyllite. Lithological horizons were cut across by quartz veins, some of which contain sulfides such as pyrite and arsenopyrite. Hydrothermal alteration such as hematitisation and sericitisation was also common in places.
A total of 769 samples were retrieved during drilling and were analysed for Au, Cu, Pb, and Zn. Au was analysed by fire assay where base metals were assayed by ICP by North Australian Laboratories, Pine Creek. Samples were selected from 1 to 3 metres composite. All assay results are given in Appendix 1. Unfortunately, almost all of the samples assayed had very low gold concentrations. Similarly, base metals concentrations are too low to be anomalous. A better way to generate drilling targets is required.

The second drilling program was carried out by Resource Definition Department. During this campaign, 29 RC and 90 AC holes were drilled for 3447 metres. The main lithologies intersected during drilling were clay, phyllite, siltstone, mudstone, carbonaceous mudstone, sandstone, shale, carbonaceous shale, and greywacke. These lithologies have been intersected by quartz-sulfide veins and some of which contain gold.

Table 2 provides information about some significant gold intercepts in the 2007 drilling program. Mineralised intersections in drill holes NPRC0701, NPRC0703, NPRC0704, NPRC0707, NPRC0714, and NPRC0716 deserve special mention. NPRC0701 gave a mineralised intersection of 3.0 m ranging from 0.52 g/t to 2.91 g/t. A high-grade mineralised intersection (3.0 m) was discovered in NPDH0703 which contained 15.5 to 40.5 g/t from 7 to 9 meter depth. Drill hole NPDH0707 also contained significant gold mineralisation ranging from 10.6 to 13.8 g/t from 9 to 11 metres depth. NPRC0610 is characterised by 4 m of gold mineralised strata ranging from 0.25 to 7.8 g/t (from 20 to 24 meters). NPRC0716 intersected high-grade mineralisation from 23 to 26 m depth as high as 30 g/t. NPRC0704 also recorded strong mineralisation from 11 to 17 m depth.
Table 2: Significant Gold intercepts from North Point and Yam Creek

<table>
<thead>
<tr>
<th>Hole_ID</th>
<th>Local Easting</th>
<th>Local Northing</th>
<th>From (m)</th>
<th>To (m)</th>
<th>Grade (g/t Au)</th>
</tr>
</thead>
<tbody>
<tr>
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<td>10026</td>
<td>9390</td>
<td>12</td>
<td>13</td>
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<td>9390</td>
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<tr>
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Based on current and previous drilling, a preliminary resource estimate for North Point is given below.

NorthPoint 2007 Resource Estimation

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<tr>
<th>Lode</th>
<th>Tonnes</th>
<th>Au</th>
<th>Oz</th>
<th>Lode</th>
<th>Tonnes</th>
<th>Au</th>
<th>Oz</th>
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<tr>
<td>17</td>
<td>226,463</td>
<td>1.46</td>
<td>10,641</td>
<td>17</td>
<td>211,359</td>
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<td>57</td>
<td>134,386</td>
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<td>5,768</td>
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<td>154,484</td>
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<td>9</td>
<td>292,015</td>
<td>1.03</td>
<td>9,711</td>
</tr>
<tr>
<td>Total</td>
<td>515,332</td>
<td>1.36</td>
<td>22,444</td>
<td>Total</td>
<td>646,423</td>
<td>1.04</td>
<td>21,581</td>
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</tbody>
</table>

The revised model for North Point was completed in 2007. The resource will be sent on to Minecomp for pit optimisation work. The ore blocks shown in the Figure 3 uses the previous pit optimisation for the old model. The economic mineralisation will not exceed the previous maximum pit depth.
Expenditure for the year ending 31 December 2004 are reported in Table 3.

**Table 3: Expenditure details for the Yam Creek Tenements ending 31 December 2007**

<table>
<thead>
<tr>
<th>Tenement No.</th>
<th>Expenditure ($)</th>
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<tbody>
<tr>
<td>MCN 46</td>
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<td>MCN 47</td>
<td>406.00</td>
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<td>MCN 49</td>
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<td>MLN 214</td>
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</table>
7.0 FORWARD PROGRAM 2008

During 2008, data validation and optimisation will continue. A program of data evaluation, block modelling and ore reserve optimisation will take place. In addition infill RC/diamond drilling may also be carried out to firm up the ore resource inventory. This project may also lead to pit design and pit optimisation in 2008. A minimum expenditure of $30,000.00 is set aside for the Yam Creek Project for gold exploration and evaluation in 2008.

8.0 REFERENCES

1:250,000 Metallogenic Map Series, Department of Mines and Energy, Northern Territory Geological Survey.


