GBS GOLD AUSTRALIA PTY LTD

ANNUAL EXPLORATION REPORT

"Howley Ridge Tenement Group"

MCN's 377-380; 852-857; 1035; 3099 – 3115; 3117

YEAR ENDING 31 MARCH 2008

Pine Creek 1:250,000 SD5208
Batchelor 1:100,000 5171

DISTRIBUTION:
DPIFM Darwin NT
Northern Gold NL Perth WA
Burnside Operations P/L Brocks Creek NT
Burnside Operations P/L Perth WA

GBS Report Number: PC/BJV/08-07

Zia U. Bajwah
April 2008

SUMMARY

The Howley Ridge mineral claims are located about 130 km SSE of Darwin and some 8 km NW of the Cosmopolitan Howley Mine within the Pine Creek Orogen. In 2005, GBS made a successful takeover of Northern Gold, and entered an agreement to purchase Harmony's 50% share of the Burnside JV, giving GBS 100% of the project.

The tenements occupy a segment Howley Anticline axis where rocks of the Mount Bonnie Formation, Gerowie Tuff and Burrell Creek Formation are exposed.. The Zamu Dolerite is interlayered within the formations. 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 30 km between the Cosmo Howley Mine and Mt Paqualin. The fold plunges shallowly to the NW in the vicinity of the Cosmo Howley.

During the reporting period, work comprised of review of previous data, reconnaissance visits, planning for the upcoming field season, administrative duties and report preparation.

Review of the data shows that Howley Ridge has some high grades, but appears to lack continuity. It is planned to re-evaluate the Howley Ridge mineralisation by modelling the data and evaluating it against other GBS resources. Further drilling has been planned to test the model, or to upgrade the resource. A program of RC drilling has already been designed to test northerly extension of Howley Anticline. In addition, some soil and rock chip sampling program may also be taken to assess the full potential of the area.

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1.0 INTRODUCTION

The mineral claims are situated north of the Chinese Howley and Howley North Mines and on the western side of the Stuart Highway some 65km north west of Pine Creek and 10 km west of the Brocks Creek Mine Site. This report covers the status of the tenements during the year ended 31 March 2008.

2.0 LOCATION AND ACCESS

The group of 29 mineral claims is centred 8km north west of the Cosmopolitan Howley Mine between latitudes 13°27'30" south and 13°30' south and longitudes 131°18'30" east and 131°20' east (Figure 1). The tenement group situated within the Douglas Pastoral Lease, PL 903, held by Tovehead Pty. Ltd. Access to the claims is either from tracks leading south west from the Stuart Highway around 2km south of Bridge Creek. Access is also possible by driving northwards on tracks along strike from the Cosmopolitan Howley mine site.

3.0 TENEMENT DETAILS

The tenements comprise a contiguous group of 29 mineral claims that totals 749.25ha (Table 1). MCNs 377-380 inclusive were granted to Chrisp de Vries and Associates Pty. Ltd. and Talmina Trading Pty. Ltd. on the 14th of June, 1983, for a period of 10 years. The ground was subsequently acquired by Northern Gold N.L. The tenements were renewed on the 14th of January 1999, for a period expiring on the 31st of December, 2003. Further applications for renewal were approved and expire on 31/12/08. MCNs 852-857 inclusive were granted to Frazer E. Henry, Neville J. Walker, Edmund J. Bailey and John G. Wright on 18/1/85 for a period of 10 years. The titles were transferred from Zapopan N.L. and Harlock Pty. Ltd. to Dominion Gold Operations Pty. Ltd. in May 1990. Territory Goldfields N.L (which is a controlled entity of Northern Gold N.L)

Figure 1: Tenement Location Map

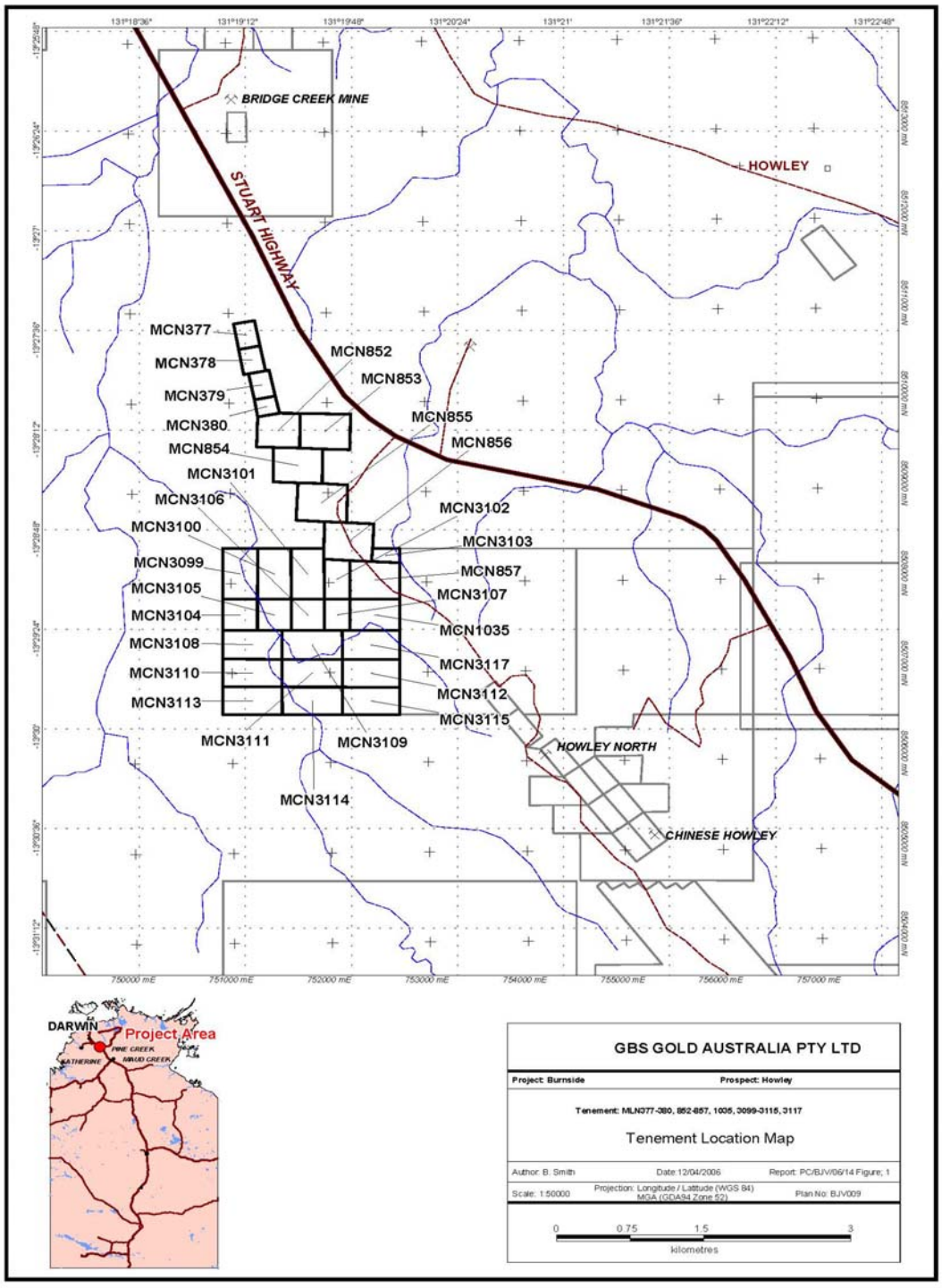


Table 1: Howley Ridge Tenements Status

Tenement No	Date Granted	Date Expire	Area (Hect)
MCN377	14/6/1983	31/12/2008	6.23
MCN378	14/6/1983	31/12/2008	6.46
MCN379	14/6/1983	31/12/2008	6.73
MCN380	14/6/1983	31/12/2008	4.48
MCN852	18/1/1985	31/12/2014	17.15
MCN853	18/1/1985	31/12/2014	20
MCN854	18/1/1985	31/12/2014	20
MCN855	18/1/1985	31/12/2014	20
MCN856	18/1/1985	31/12/2014	20
MCN857	18/1/1985	31/12/2014	20
MCN1035	27/2/1986	31/12/2006	20
MCN3099	28/3/1989	27/3/2009	20
MCN3100	28/3/1989	27/3/2009	18
MCN3101	28/3/1989	27/3/2009	18
MCN3102	28/3/1989	27/3/2009	11
MCN3103	28/3/1989	27/3/2009	4
MCN3104	28/3/1989	27/3/2009	15
MCN3105	28/3/1989	27/3/2009	14
MCN3106	28/3/1989	27/3/2009	14
MCN3107	28/3/1989	27/3/2009	10
MCN3108	28/3/1989	27/3/2009	19
MCN3109	28/3/1989	27/3/2009	19
MCN3110	28/3/1989	27/3/2009	19
MCN3111	28/3/1989	27/3/2009	19
MCN3112	28/3/1989	27/3/2009	19
MCN3113	28/3/1989	27/3/2009	19
MCN3114	28/3/1989	27/3/2009	19
MCN3115	28/3/1989	27/3/2009	19
MCN3117	28/3/1989	27/3/2009	19

subsequently acquired the ground. The mineral claims were renewed on 30/6/95 for a period ending on 17/1/05. Further renewal applications were approved and expire on 31/12/14. MCN 1035 was granted on the 27/2/86 and is subject to renewal application before 31/12/2006.

MCNs 3099 - 3115 and 3117 were granted to Northern Gold N.L. on 28/3/89 for a period of five years. The titles were transferred to Dominion Gold Operations Pty. Ltd. and renewed on the 30/6/95 for a period ending on the 273/04. Further renewals were granted for a period ending 27/3/09. The mineral claims were subsequently acquired by Territory Goldfields N.L. The tenements are now subject to a joint venture agreement between Territory Goldfields NL and Buffalo Creek Mines P/L which was finalised on 4th 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 control 100% of the Burnside Project.

4.0 GEOLOGICAL SETTING

4.1 Regional Geology

The Howley Ridge tenement group is situated within the Pine Creek Orogen, a tightly folded sequence of Palaeoproterozoic rocks, 10km to 14km in thickness, laid down on a rifted granitic Archaean basement during the interval ~2.2-1.87Ga. The sequence is dominated by pelitic and psammitic (continental shelf shallow marine) sediments with locally significant inter-layered cherty tuff units. Pre-orogenic mafic sills of the Zamu Dolerite event (~1.87Ga) intruded 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 zone. The Cullen intrusive event introduced a suite of fractionated calc-alkaline granitic batholiths into the sequence in the period ~1.84-1.75Ga. 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 Meso- to Neoproterozoic clastic rocks and volcanics have an unconformable relationship to the older sequences.

Flat lying Palaeozoic Mesozoic strata along with Cainozoic sediments and proto-laterite cementation overlie parts of the Pine Creek Orogen lithologies. Recent scree deposits sometimes with proto-laterite cement occupy the lower hill slopes while fluviatile sands, gravels and black soil deposits mask the river/creek flats areas. Regionally 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.

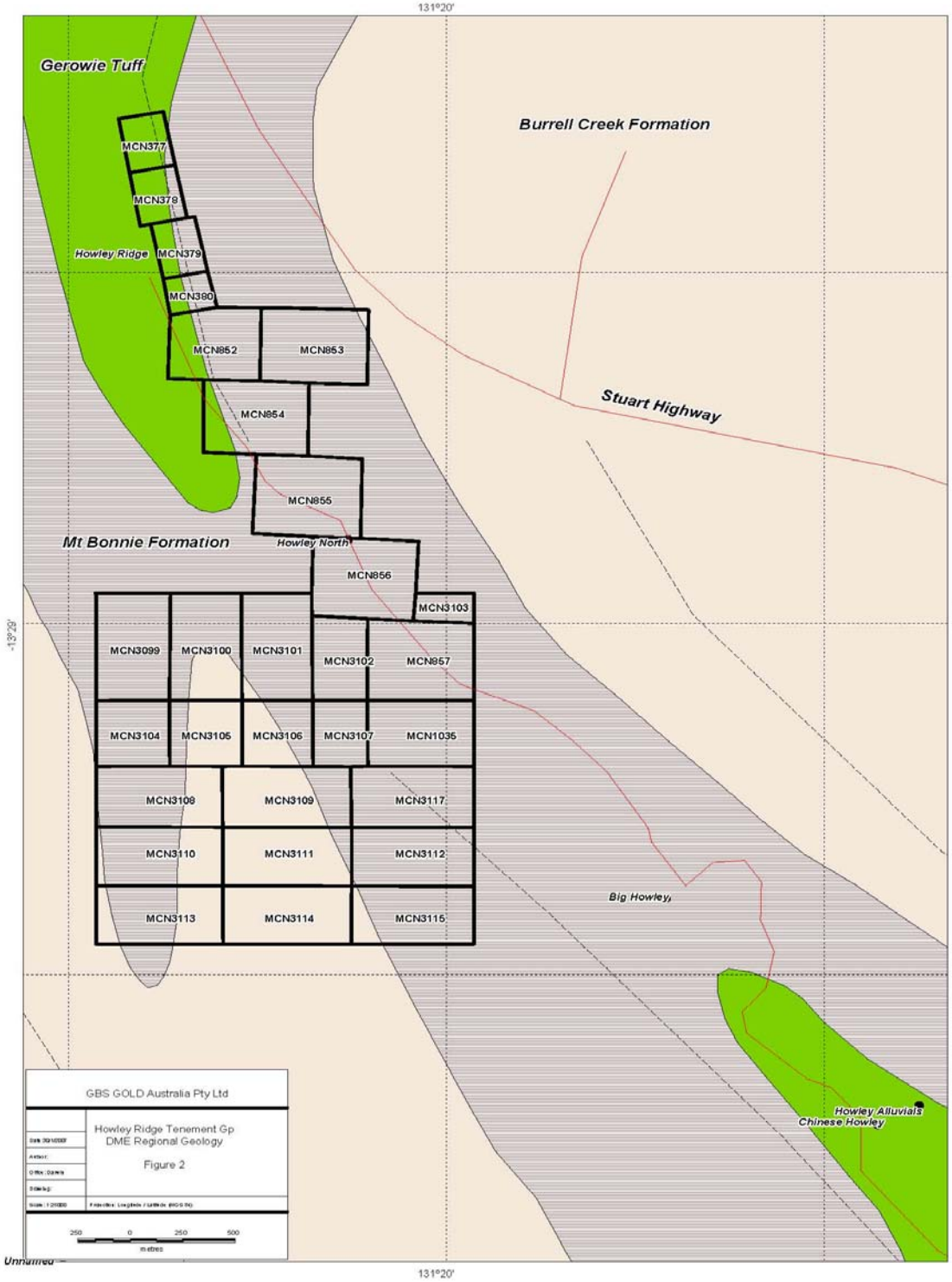
4.2 Local Geology

The Howley Ridge area is comprised of folded and faulted members of the South Alligator Group and Lower Finniss River Group of Palaeoproterozoic age (Figure 2). 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 mine and plunges shallowly to the south in the Bridge Creek area. There are several cross folds that create local plunge reversals and domal structures along the axial trend. The axial trend is north westerly at Cosmo Howley mine and in the vicinity of Howley Ridge the fold has a variable shallow southerly plunge and the fold axis changes to a northerly strike, perhaps warping around a blind cupola of granitoid.

An anatomising series of N to NW trending, 80 degree west dipping, ductile-brittleshear zones have cut the earlier fold structures and offset both S_0 and S_1 structures. Outcrop on the claims comprises formations of the South Alligator Group.

Koolpin Formation is the oldest unit and comprises carbonaceous mudstones, nodular chert, iron formation and siltstone. It hosts the Cosmo Howley mineralization to the south and is reported to be intermittently exposed at the north end of the Howley Ridge

Figure 2: Geology of the Project area



prospect. It is conformably overlain by cherty tuffs and siltstones of the Gerowie Tuff **Mount Bonnie Formation** occupies the southern part of tenement area and conformably overlies the Gerowie Tuff. The first occurrence of the Mount Bonnie Formation is taken to be a coarse-grained greywacke, which forms a distinctive marker horizon along the eastern limb of the anticline. The main rock types consist of alternating mudstones, greywackes, siltstones and thin BIF horizons. Pre orogenic sills of **Zamu Dolerite** have concordantly intruded and dilated parts of the South Alligator Group sediments and underlying Wildman Siltstone throughout the region. Gold mineralisation along the Howley Ridge may occur in any lithological unit, though best grades are associated with ferruginous and carbonaceous facies and Zamu Dolerite contact zones. The mineralisation is manifested as tension fractures, stockwork zones and laminated quartz veins. Gold mineralisation has a heterogeneous distribution, and is confined to elongate zones associated with the Howley Anticline or shear zones. Mapping suggests that the dominant control on mineralisation is structural rather than lithological as the mineralisation generally occurs in quartz veins parallel to shear fabrics, in stockwork zones, where quartz veins occur as tension fractures which have been formed synchronously with shearing, and also parallel to either bedding or an axial planar cleavage or as disseminated gold within sheared alteration zones.

5.0 PREVIOUS EXPLORATION ACTIVITY

Previous exploration activity as outlined by Shaw (2005) is as follows: In **1983/84** an intensive program of geological mapping, costeaning and sampling, percussion drilling, RRMIP geophysical survey, and sediment sampling was completed in conjunction with work on the Bridge Creek Prospect. Twenty RC holes were completed in this phase. This program highlighted the prospectivity of the area with better RC intersections of 3m @ 6.3 g/t Au in B6, 16m @ 1.5 g/t Au in B4, and 5m @ 2.5 g/t Au in C4. Four costeans were excavated, however the results did not reflect the results of the RC drilling. (A full presentation of results are contained in Richardson & Kater, 1984.)

In **1985/86** an additional RC drill hole was completed in the region of the previous drilling (BCP 86/8). The hole contained significant low-grade anomalous gold values,

but results were considered too dispersed to be encouraging. This hole is shown in detail in Bravo, 1986.

During **1987/88**, a program of soil sampling was followed by further RC drilling. The BLEG soil sampling program over the claim areas was used to define targets. The soil program showed a strong gold anomaly over the anticlinal hinge zone of up to 295 ppb Au (BLEG) and 2.8 ppm Au, from fire assay. Sixteen RC holes (HR1-HR16) were drilled on the anomalies. The results were encouraging with best intercepts of 3m @ 2.40g/t Au in HR10 and 4m @ 2.16g/t Au in HR12. Results of this program are given in detail in Ronk, 1988. Northern Gold N.L. also completed geochemical soil sampling over MCN 1035, during 1988. The program over the claim was part of a broader survey conducted over the Howley Anticline. Samples were collected at 10m intervals and composited to 50m and assayed gold using BLEG methods. The program identified numerous anomalous values, up to 409 ppb Au, in areas closely associated with the anticlinal axis.

During the **1989 to 1991** field seasons, 53 RC holes were drilled on MCNs 377-380 for a total of 2,878m (HR17-59). These holes were drilled on an azimuth of 86° magnetic (grid east). Following promising results from HR22 and HR49, ten additional holes were drilled to depths of 20 to 35m for a total of 395m. These holes were spaced 10m apart and were drilled at 45°. Six holes were drilled on an azimuth of 86° magnetic and 4 holes on an azimuth of 266° magnetic. Initial drilling identified several discontinuous pods of mineralization. A small, but significant, number of samples returned variable results suggesting coarse gold to be present. To test for coarse gold, three high grade assay samples received from HR4923, HR4924 and HR2224 were panned in the field. All three samples produced a well defined gold tail and a total of 6 grams of coarse gold was recovered from approximately 7kg of sample. This exercise confirmed the presence of coarse nuggety gold in the area, and also suggests that the assay technique significantly underestimated the gold content of some of the higher grade samples. The zone containing the high grade mineralisation appeared to be continuous along strike for at least 100m and open to the south with the highest grades concentrated at 18m vertical depth. The initial high grade intersections appeared to be related to a quartz vein, 6m wide and striking 350°. The vein dips 60° to the east at its northern end, but is vertical at its southern end. This variation in dip complicated the interpretation of the initial drilling.

The higher grade zone is 1-2m wide and is situated on the hanging wall side of the vein. Samples were initially panned off on site however no visible gold was recorded from the later holes. Ten additional holes NUG01-NUG10 were drilled to test the extent of the high grade zone. The assay results confirmed the extent of mineralisation but no high grade zones were reported. The drilling has discounted the continuity of the two high grade pods between sections, however the geometry, dimensions and grade of the zone remains poorly understood. A full discussion and presentation of results and methods is contained in Stokes & Partington, 1991.

In **1994**, Northern Gold N.L. completed a resource definition RC drill program, following a re-evaluation of data obtained from all previous drilling. The aim of the drill program was to test the northern and southern strike extent of the 'Nugget' resource, and to close off mineralisation to the east (Hardy, 1994). The 60 holes totaled 3,582m (HR78-HR137) and were planned with azimuth 90°, and inclined at - 60°. The drilling was initially carried out on a drill spacing of 20m on section, closing down to 10m on infill sections, and with 25m drill spacing between sections. Samples were collected every metre and submitted to Assaycorp, in Pine Creek, for 50 gram fire assay quartz-flush analysis (Hardy, 1994). The best intersections from the drilling program were 3m @ 12.02g/t Au from 52m in HR80, 3m @ 10.44g/t Au from 22m in HR101 and 5m @ 4.70g/t Au from 18m in HR126.

During **1996/97**, Northern Gold N.L. completed a close spaced vertical RC drilling program to allow inferences to be drawn about the continuity of mineralisation in this region, and to indicate structural ranges for use in kriging a resource block model. Reconnaissance RAB drilling was also completed to the south of the RC drilling. A total of 103 RC holes (HRGC138 - 240) were drilled for an advance of 2,241m. The holes were drilled at 5m intervals along sections 10m apart. Samples were collected each metre and submitted to Assaycorp for 50 gram fire assay quartz-flush analysis (Farrelly, 1997).

The best intersections from this RC grade control density drilling program were 4m @ 2.64g/t Au from 13m in HRGC228, 2m @ 4.28g/t Au from 12m in HRGC191, 2m @ 5.06g/t Au from 15m in HRGC183 and 3m @ 42.7g/t Au from 13m in HRGC170.

A total of 170 RAB holes were drilled for 891m. The best intersection from the RAB drilling program was 10m @ 26.3g/t Au from 1m in HRS97 (Farrelly, 1997). The RC data was used to determine geostatistical parameters, which were used to develop a constrained block model (Farrelly, 1996).

During **1998/99** Northern Gold N.L. upgraded the datum plate, corner posts and boundary lines of MCN 1035, to comply with Regulation 19 (8) of the Northern Territory Mining Regulations. Northern Gold N.L. completed a review of gold and base metal mineralisation within the North Howley Ridge area, during **2000 and 2001**. The reviews focused on the North Howley gold anomaly as well as RAB and RC drilling completed by Dominion Gold Operations Pty. Ltd. and Northern Gold N.L.

In April **2002** Territory Goldfields NL and Buffalo Creek Mines NL entered into a joint venture agreement that included the Howley Ridge tenements as part of a wider schedule of mining assets. This asset group included the gold treatment facility at Brocks Creek, the new underground development at Zapopan Mine and the Cosmopolitan Howley deeps resource drillingproject. Resource drilling had also been carried out at Yam Creek-North Point, Chinese South Extension and at Mottram's prospect. The management entity for the joint venture is Burnside Operations P/L. The new manager conducted a review of the Burnside gold resource assets including the Howley Ridge tenement group.

In **2003-2004** the joint venture conducted a technical review of the Howley Ridge Group tenements. It was concluded that there was insufficient continuity in the nuggety mineralisation to bring it readily into production at the Brocks Creek mill. In **2004-2005** the Burnside Joint Venture focused on developing the Zapopan Mine near Brocks Creek during 2003. A decline access was installed to the –100m RL and 10,000t of development ore was treated at Union Reefs. Underground and surface diamond drilling programs in that year were completed at Zapopan to extend the known resource. At Cosmo Howley further diamond core drilling work designed to test the deep mineralisation beneath the open pit identified a mineral resource containing 1 million ounces of gold. No field work was conducted on the Howley Ridge Group tenements.

For the period **2005-2006** a number of changes took place in the ownership of the Howley Ridge MCNs. During 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. Howley Ridge tenements were downgraded by the Burnside JV, but there may be potential for near-surface mineralisation, with nuggety high values sporadically distributed throughout. Data collected during previous drilling programmes in all tenement areas are being systematically entered into DataShed from original logs and lab assay sheets. Holes HGRC138 – 240 (drilled by Northern Gold in 1996/97 on Howley Ridge tenements were entered into DataShed in November 2005. Further holes were edited (additional information added) during February 2006.

6.0 EXPLORATION YEAR ENDING 31 MARCH 2008

GBS Gold Australia regards the Howley Ridge Group of tenements highly because of their significance for having potential to produce sizeable gold deposits in the near future. Their importance is further highlighted by their presence in the close proximity of Cosmo Deeps project which is being developed with a budget of several millions of dollars and ear-marked for coming online in 2009-10. In addition, during the reporting, much attention was focused in developing gold deposits such as Maud Creek and Toms Gully which will help to accelerate gold production the area.

Review of the data shows that Howley Ridge has some high grades, but appears to lack continuity. It is planned to re-evaluate the Howley Ridge mineralisation by modelling the data and evaluating it against other GBS resources. Further drilling has been planned to test the model, or to upgrade the resource.

During 2007-2008 work completed over the Howley Ridge MCNs consisted of:

1. Review of previous data
2. Reconnaissance visits
3. Planning for the upcoming field season
4. Administrative duties
5. Report preparation

Cost of the above activity was $7250.00 and details are given in Table 2.

Table 2: Exploration Expenditure Details

Tenement No	**Expenditure ($)**
MCN377	250.00
MCN378	250.00
MCN379	250.00
MCN380	250.00
MCN852	250.00
MCN853	250.00
MCN854	250.00
MCN855	250.00
MCN856	250.00
MCN857	250.00
MCN1035	250.00
MCN3099	250.00
MCN3100	250.00
MCN3101	250.00
MCN3102	250.00
MCN3103	250.00
MCN3104	250.00
MCN3105	250.00
MCN3106	250.00
MCN3107	250.00
MCN3108	250.00
MCN3109	250.00
MCN3110	250.00
MCN3111	250.00
MCN3112	250.00
MCN3113	250.00
MCN3114	250.00
MCN3115	250.00
MCN3117	250.00
TOTAL	**7250.00**

7.0 PROPOSED PROGRAMME YEAR ENDING 31MARCH 2009

GBS Gold Australia has embarked on the development of Cosmo Deeps project which involves old Cosmo Howley mine, Chinese South, Chinese North and Mottram gold deposits. Howley Ridge project is located on the north of current development area. It is anticipated that next phase of exploration and resource definition will include a dedicated program for the Howley Ridge project. A program of RC drilling has already been designed to test northerly extension of Howley Anticline. In addition, some soil and rock chip sampling program may also be taken to assess the full potential of the area. A minimum budget of $25000.00 has been set-a-side for this program.

8.0 REFERENCES

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