GBS GOLD AUSTRALIA PTY LTD

ANNUAL EXPLORATION REPORT
MCN 4267
FOR PERIOD ENDING 11 MAY 2008
“DAVIES”
BURNSIDE PROJECT NT

Pine Creek SD5208 1:250 000
Pine Creek 5270 1:100 000

Titleholders: Buffalo Creek Mines Pty Ltd – 42.5%
Territory Goldfields NL – 42.5%
McCleary Investments Pty Ltd – 15%

GBS Report No. PC/BJV/08-16

Zia U. Bajwah
August 2008
MCN 4267 is situated 150 km southeast of Darwin and 500 m north of the Golden Dyke Open Pit. GBS Gold Australia acquired the tenement by friendly take over of Northern Gold NL in 2005.

A small resource of gold mineralisation (Davies No. 1) hosted by the Koolpin Formation and outlined by RC and diamond drilling. It has a 60m strike length, averages 2m in width and is estimated at 49,000t @ 2.58g Au/t. The deposit comprised of quartz vein system which is concordant and tabular. It is hosted by sulphidised carbonaceous shale that dips steeply west.

During the reporting period, a peripheral review of the tenement was undertaken in which potential and strategic significance of the tenement was identified. The tenement is located in one of the most fertile parts of the Pine Creek Orogen which is known to contain gold and base metals mineralisation. Recent drilling on the near-by Iron Blow deposit has provided significant encouragement for exploring all prospects in the area. However, during the reporting period, company resources focused in the development of Toms Gully, Cosmo Deeps and Maud Creek projects with a budget of 10’s of millions of dollars. Toms Gully gold mine and treatment plant came into production on 25 July 2008 whereas Cosmo Deeps and Maud Creek projects are expected to come online in 2010 and 2011 respectively. During 2007-2008 work completed over MCN 4267 consisted of reconnaissance survey, planning for the upcoming field season and report preparation. During the coming year, company plans to drill-test high priority targets such as Mt Bonnie and Golden Dyke Dome, and therefore, this project will remain on ranking exercise with low priority.
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1. INTRODUCTION

The tenement (MCN 4267) is located in the Golden Dyke Dome which is host to gold and base metals mineralisation in the Pine Creek Orogen. GBS Gold Australia acquired the project by a friendly take over of Northern Gold NL in 2005. It has the potential to provide feed stock to the Union Reefs gold processing facility.

2. LOCATION AND ACCESS

MCN 4267 is located 15km SE of the Brocks Creek mine office, on the Burrundie (14/6-IV) 1:50,000 sheet. It is also 6.5km ENE of the Hayes Creek Inn on the Stuart Highway. The mineral claim lies between latitudes 13°33’30” south and 13°34’30” south, and longitudes 131°30’30” east and 131°31’ east (Figure 1). It is situated within Pastoral Lease No. 903, Douglas, held by Tovehead Pty. Ltd. Access is via the Stuart Highway turning north onto the Grove Hill/Mt Bonnie Road. The road passes just east of the tenement.

3. TENEMENT STATUS AND OWNERSHIP


In April 2002, the tenement came under the control of the Burnside JV, and Northern Gold’s 85% interest was shared with JV company Buffalo Creek Goldfields Pty Ltd, a subsidiary of Harmony Gold. In September 2005, Northern Gold entered into an agreement with a Harmony subsidiary company to acquire the 50% Harmony interest in
Figure 1: Tenement Location Map
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. GBS Gold now holds
85% of the tenement through subsidiaries Territory Goldfields NL and Buffalo Creek
Mines Pty Ltd.

4. GEOLOGY

Regional geology is outlined in many publications, notably Ahmad et al. (1993), and
Needham and Needham and Stuart-Smith (1984), and Needham et al. (1988). The
tenement is within the Pine Creek Origin, a folded sequence of the 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
tenement lies on the arcuate western limb of the Golden Dyke Dome (Figure 2). The
Dome comprises Koolpin Formation, the basal member of the South Alligator Group. It
is typically of dark anoxic mudstones, chert and grey-wackes, with minor calc-silicate
facies rocks and magnetic iron formation facies. Concordant sills of Zamu Dolerite of
various thicknesses are interlayered with the Koolpin Formation. Wildman Siltstone is
exposed by erosion in the core of the Dome.

These rocks have been tightly compressed into a series of north-south trending folds with
west limbs generally shallower dipping than the east. North-east striking faults including
splays off the Hayes Creek Fault have truncated parts of the Golden Dyke Dome and
have played a part in localising gold mineralisation. North-west and north east trending
cross-fractures may also play a part in localising gold mineralisation. An interpretation of
the SPOT image indicates that the most important gold mineralisation in the Golden
Dyke Dome is focussed on an arcuate parasitic anticline ("Good Shepherd Anticline") on
the western limb of the Dome. This extends from Langley’s in the south to Afghans
Gully-Black Rock in the north, a distance of 3km. Outcrop is quite good in the elevated
areas, but a veneer of colluvium and rock detritus masks the geology on the low lying
sectors.
Figure 2: Geological setting of the project area
The topography of the area comprises a series of low hills and ridges with sub-crop present on the crests and flanks. Seasonal creeks forming the headwaters of the Margaret River have incised the area. Gold mineralisation is within a bedding-concordant west dipping structure that comprises a quartz veined carbonaceous shale striking 340 degrees. The better grade mineralisation is one to two metres in thickness, and dips 70 degrees westerly. The strike extent of the best mineralisation appears to be in the vicinity of 60m.

5. PREVIOUS EXPLORATION

Shaw (2005) has outlined previous exploration at MCN4267, and this is incorporated here.

The Golden Dyke area, containing some of the earliest worked gold deposits in the Northern Territory, was first prospected in 1872, after the initial discovery of alluvial gold. Early production was largely derived from outcropping reefs and alluvial deposits. Various companies have extensively and systematically explored the Golden Dyke Dome, since the early 1900’s. These include, Golden Dyke Mining N.L., Anglo-Queensland Mining Pty. Ltd., Geopeko, Anaconda Australia, C.R.A.E., Oceania Exploration and Mining N.L., Zapopan N.L., Henry and Walker Ltd., Harlock Pty. Ltd., Eupene Exploration Enterprises, Kintaro Resources Ltd., Mount Bonnie Gold Unit Trust, Dominion Gold Operations Pty. Ltd. and Northern Gold N.L.

In 1980, Geopeko conducted a thorough exploration program over the Davies Prospect. This work consisted of costeaining, rock chip sampling, mapping and diamond drilling (Nicholson, 1981). Channel sampling of costeans identified a narrow, high grade zone of bedrock mineralisation in a siliceous gossan. Assay results returned up to 13.1 g/t Au within a strike length of 60m. The mineralisation was reported as hosted by a thin bed of carbonaceous shale in Koolpin Formation. Five diamond drill holes (S12, S17, S18, S19, S20), totalling 746.69m, were also completed at Davies No. 1 Prospect. This confirmed
promising grades of mineralisation over a strike length of approximately 60m, with a width of 1 to 2m. The best intersections were, 1.5m @ 36.0g/t Au from 76.2m in S12, 1.14m @ 2.75 g/t Au from 105.16m in S17, and 0.65m @ 4.7 g/t Au from 126.7m in S19 (Nicholson, 1981).

In the mid-1990’s, Northern Gold tested the reliability of previous drilling, and strike continuity of mineralisation by a programme of RC drilling and costeaneing (Hardy, 1994). The program was also aimed at testing the potential for mineralisation in sedimentary rocks overlying a footwall dolerite sill, below the main zone of mineralisation. Seven RC drill holes (DV1 - DV7) were completed for 472 metres, along four lines. All samples, collected at 1m intervals, were submitted to Assaycorp, in Pine Creek, for 50 gram fire assay, quartz-flush Au analysis. Best intercepts included 2m @ 20.7g/t Au from 12m (DV5), and 2m @ 8.73g/t Au from 8m in DV7.

The previous diamond drilling and the RC drilling results suggested that the mineralisation had a maximum strike length of 60m. The results from the RC drilling program confirmed the mineralisation is 1 to 2m wide and dips steeply to the west (Hardy, 1994). The underlying dolerite-sediment target exhibited well developed quartz and pyrite, arsenopyrite, chlorite and minor tremolite alteration, however the assay results indicated that there was no associated gold mineralisation. Further drilling of 25 RC drill holes (DV8 – DV32) were completed for 1,639m, on ten sections. The program was aimed at defining the dip and strike continuity of the mineralisation, and to close off the mineralisation to the south. Best intercepts were 1m @ 6.63 g/t Au from 23m in DV31, and 3m @ 3.97 g/t Au from 12m in DV13 (Mottram, 1999). The holes drilled to the south of the 1994 program returned poor results. Block modelling and ore resource calculations by Northern Gold in 1996 at Davies No.1 prospect used a model for 70m vertical depth and a top cut of 10 g/t with a 0.7 g/t lower cut off, resulting in a resource of 49,490 tonnes @ 2.58 g/t Au (4100oz Au). In 1998/99 NGNL commissioned a review, including MCN4267, to appraise the Golden
Dyke Project Area for additional gold mineralisation and possible farm-in style joint
venture agreements. NGNL entered into a JV agreement with Buffalo Creek Mines NL in
April 2001. During the time of the Burnside JV, the property has been the subject of
technical and ranking reviews while extensive exploratory drilling and underground
development was conducted at Zapopan, and resource modelling was carried out at
Cosmo Howley.

During the year 2005 - 06 GBS Gold acquired 100% of the Burnside Project with a
successful takeover of Northern Gold NL (50%) and acquisition of Harmony’s subsidiary
company. GBS have also acquired the mill at Union Reefs, and is re-evaluating the
ranking of some of the tenements. Davies now has a more favourable ranking as GBS are
investigating the capability of treating refractory ore at its Union Reefs plant. As the
Davies tenement is within EL10347, work done on checking drill data on EL10347
during the year also applies to MCN4267. Work started on integrating and validating the
historic drillhole database in December 2005. JMA Surveyors visited the tenement in
March 2006 to look for markers or drillholes with no success. Mining by Henry &
Walker in the 1980’s has obliterated grids and topographic features, and rehabilitation by
Northern Gold has obscured drillholes and old grid/tenement markers. NGNL converted
drillholes on the Davies No.1 and Golden Dyke grids into AMG coordinates. These have
been converted to MGA coordinates using GDAIT. The Geopeko mapped geology was
scanned into MapInfo.

6. EXPLORATION FOR YEAR ENDING 11 May 2008

During the reporting period, a peripheral review of the tenement was undertaken in which
potential and strategic significance of the tenement was identified. The tenement is
located in one of the most fertile parts of the Pine Creek Orogen which is known to
contain gold and base metals mineralisation. Recent drilling on the near-by Iron Blow
deposit has provided significant encouragement for exploring all prospects in the area. At
present, a small resource of gold mineralisation (Davies No. 1) is estimated to contain
49,000t @ 2.58g Au/t. This estimate can be up-graded with additional drilling. However,
during the reporting period, company resources focused in the development of Toms
Gully, Cosmo Deeps and Maud Creek projects with a budget of 10’s of millions of
dollars. Toms Gully gold mine and treatment plant came into production on 25 July 2008 whereas Cosmo Deeps and Maud Creek projects are expected to come online in 2010 and 2011 respectively.

During 2007-2008 work completed over MCN 4267 consisted of:

1. Reconnaissance survey
2. Planning for the upcoming field season
3. Report Preparation

Exploration and consolidation of the tenement will be an important part of GBS Gold’s plan to continue to replenish supply to the mill. Therefore, this project is considered important for GBS Gold Australia to take into account the favourable gold price. An expenditure of $4630.00 incurred during the reporting period.

7. FORWARD PROGRAMME 2008-09

With the encouraging results from Iron Blow drilling program, the strategic significance of the tenement has been upgraded. It already contains a resource of 49,490 tonnes @ 2.58 g/t Au and is located in a close proximity to the Union Reefs gold processing mill. With further exploration, this resource may increase significantly and could play an important in replenishing feed stock to the mill. However, at present much attention is focused in developing Maud Creek and Cosmo Deeps projects. During coming year, company plans to drill-test high priority targets such as Mt Bonnie and Golden Dyke Dome, and therefore, this project will remain on ranking exercise with low priority. For the year 2008-09, an expenditure of $4500.00 is proposed.

8. REFERENCES


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