GBS GOLD AUSTRALIA PTY LTD

ANNUAL EXPLORATION REPORT

MCN 4293 – 4296 AND MCN 4956 - 4958

FOR PERIOD ENDING 29 JUNE 2008

“BRIDGE CREEK NORTH”

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/08-12

Zia U. Bajwah
July 2008
SUMMARY

The Bridge Creek North tenement group (MCN 4293 - MCN 4296 and MCN 4956 - MCN 4958) is located about 135 km south of Darwin, and are 35km SE of Adelaide River Township.

A small gold deposit (Ios) is located on the northern side of the project area where it is hosted in the brecciated contact zone between the Gerowie Tuff and the Zamu dolerite. Mineralised horizon is confined to an axial zone of the NS-trending anticline which is northern continuation of the Howley Anticline. In the southern part of the project area the Koolpin Formation, Gerowie Tuff, interlayered with the Zamu Dolerite, are present. F3 fold in the form of anticlinal structure exerts strong structural control in the project area.

Exploration carried out by Territory Goldfields NL during the 1990’s shows the tenement group host gold mineralisation. The most prospective is the Ios prospect, with a reported resource of 723,438t @ 1.29g/t Au for approximately 30,000oz Au. It is anticipated that with further exploration the project area will provide additional resource as feed stock to the Union Reefs mill in the near future.

During the reporting period review, data validation and ranking of the tenement continued which identified further gold potential in the area. This group of tenements has been ear-marked for development after the depletion of Mottram and Chinese Howley (south extension) deposits. Planning is underway to test the Bridge Creek North project for further gold mineralisation. In the year 2008-09, a possible campaign of sampling and RC drilling may be carried out.
1.0 INTRODUCTION

The project area is located about 135 km South of Darwin and about 15 km NW of Cosmo Howley mine. It is known to contain gold mineralisation similar to that found in the Pine Creek Orogen.

2.0 LOCATION AND ACCESS

The mineral claims lie between latitudes 13°24’S and 13°26’S, and longitudes 131°19’E and 131°20’E (Figure 1).

Access to the tenements may be achieved via the Stuart Highway that passes just west of the group. A seasonal track traverses longitudinally through the tenements passing north from Bridge Creek. Access is severely affected during the wet season due to creek crossings and black soil flats associated with Bridge Creek. A fence and locked gate (Mt Ringwood Station has key) blocks the track just north of the railway. The 4WD track north of the railway is in poor condition and obscured by long grass.

3.0 TENEMENT DETAILS

The Bridge Creek North tenement group comprises MCN 4293 to MCN 4296 inclusive and MCN 4956 to MCN 4958 inclusive and total 272.0ha (Fig. 1 and Table 1).

They fall within Pastoral Lease No. 1183, Mount Ringwood, held by Donald Aaron White, Pastoral Lease No. 903, Douglas, held by Branir Pty. Ltd, Crown Lease (Perpetual) No. 900, held by the Northern Territory Land Corporation, and Crown

Table 1. Tenement details Bridge Creek North Group

<table>
<thead>
<tr>
<th>Tenement No.</th>
<th>Grant Date</th>
<th>Expiry Date</th>
<th>Area (hectares)</th>
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<td>01/07/1992</td>
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</tr>
<tr>
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<td>01/07/1992</td>
<td>31/12/2011</td>
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<td>01/07/1992</td>
<td>31/12/2011</td>
<td>40.0</td>
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<td>31/12/2011</td>
<td>40.0</td>
</tr>
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<td>31/12/2014</td>
<td>40.0</td>
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<td>31/12/2014</td>
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</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td><strong>272.0</strong></td>
</tr>
</tbody>
</table>
Lease (Term) by AustralAsia Railway Corporation. The Darwin-Adelaide railway line (RO 24350) intersects through MCN’s 4956 and 4958.

MCNs 4293 - 4296 were originally granted to Mr. R. J. Edwards on the 1st of July 1992, expiring on the 30th of June 1997. Northern Gold N.L. and Reynolds Australia Metals Limited entered into an option agreement over all its Bridge Creek tenements on the 5th of May 1993.

Ranford Gold Mines Pty. Ltd. carried out alluvial mining over MCNs 4293-4296 under an agreement with R. J. Edwards. A transfer of these tenements from R. J. Edwards to Northern Gold N.L. (50%) and Camelot Northern Territory Limited (50%), formerly Reynolds Australia Metals Ltd., was registered on the 4th of July 1995.

The mineral claims were renewed on the 4th of December, 1997, for a period expiring on the 31st of December, 2001. Further renewal was granted and expires at the end of 2011.

MCNs 4956 - 4958 were granted to Northern Gold N.L. on June 26th 1995, for a period of 10 years, expiring on December 31st 2004. A renewal application was lodged in late 2004. These claims were added to the Bridge Creek alluvial agreement in October 1995.

The Bridge Creek alluvial agreement was terminated in December 1998.

The tenements were incorporated into the Burnside Joint Venture (50% Territory Gold NL, 50% Buffalo Creek Mines Pty Ltd) on 4th April 2002, under the management of Burnside Operations Pty Ltd. 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 April 2006. GBS Gold now holds 100% of the tenement through subsidiaries Territory Goldfields NL and Buffalo Creek Mines Pty Ltd.

Group reporting was granted by DPIFM in earlier years of the tenure, with the group reporting date set by the original date of grant (anniversary date).
4.0 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 Orogen, a folded sequence of Palaeo-proterozoic 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 geology of the area is dominated by units of the South Alligator Group (Koolpin Formation, Gerowie Tuff) and the Finniss River Group (Burrell Creek Formation). An important feature is the presence of sills of the Zamu Dolerite, interlayered within the stratigraphic sequence. Geology of the area is shown in Figure 2. This sequence has been intruded by the late-orogenic Burnside Granite towards east, which is an I-type fractionated granite, responsible for gold mineralisation in the adjacent meta-sediments (Bajwah, 1994).

The Bridge Creek North group covers a sector of the Howley Anticline, a macroscopic fold structure, which has been traced from the Cosmo Howley Gold Mine in the south to beyond Mount Paqualin in the north, a distance of 30 km.

At Bridge Creek, erosion of the north striking Howley Anticline and parasitic folds has exposed foliated, sulphidic and carbonaceous black mudstones and wackes of the Koolpin Formation. These are in turn overlain by foliated epiclastics and felsic tuffs of the Gerowie Tuff.

Units of the Zamu Dolerite have served to act as stratigraphic markers and help to define fold limbs and the position of the axis and core of the Howley Anticline. The contact zone between the Zamu Dolerite and the Gerowie Tuff is locally strongly deformed with some apparent tectonic interleaving of lithologies.

In gold-mineralised locations the axial zone is cut and dextrally offset by a series of NE striking anastomosing brittle-ductile shears with associated quartz veinining. These are commonly in association with reverse faults that generally dip westerly.
Figure 2: Geology of the project area
4.1 Gold Mineralisation and Potential

The project area is located in the most prospective region of the Pine Creek Orogen where, Palaeoproterozoic host lithologies are intruded by the fractionated, I-type Burnside granite. This is a typical sequence which is host to a number of gold deposits in the area.

A small gold deposit is located on the northern side of the project area where it is hosted in the brecciated contact zone between the Gerowie Tuff and the Zamu Dolerite. Mineralised horizon is confined to an axial zone of the NS-trending anticline which is northern continuation of the Howley Anticline. Figure 2 shows that southern part of the project area is also characterised by the presence of Koolpin Formation, Gerowie Tuff, interlayered by the Zamu Dolerite. F3 fold in the form of anticlinal structure exerts strong structural control in the project area. TMI image (Figure 3) of the area shows prominent magnetic NS-trending ridges which are similar to other gold-bearing “magnetic highs” in the area. On the basis of this information, further extension of Ios gold deposit towards north and even south is likely.

A review of the historical exploration data shows that the project area is under explored. An initial soil/rock geochemical sampling program may help to define targets for drilling. Under recent sediment cover, RAB drilling can provide important subsurface information for advance gold exploration program.

5.0 PREVIOUS EXPLORATION

Shaw (2005) has outlined previous exploration at the Bridge Creek North tenements, and this is incorporated here.

The axial zone of the Howley Anticline has historically been the subject of alluvial gold exploration and mining for over 100 years. Surficial sands and gravels shed from extensive vein deposits within the Koolpin Formation, Gerowie Tuff and sheared sectors of the Zamu Dolerite have been worked intermittently to the present day. An alluvial treatment agreement existed until 1998 on MLN 766 and MLN 1060 at Bridge Creek, just south of the report area and treatment also extended into the Bridge Creek North Group itself. Between December 1992 and December 1996 Ranford Gold Mines Pty. Ltd. carried out alluvial mining under an agreement with R. J. Edwards, who held the alluvial rights over the area.
Figure 3: TMI image of the project area
The Bridge Creek North tenement group was previously covered by EL 5319. Soil sampling over this tenement gave anomalous results which corresponded with soil sampling by Northern Gold N.L. to the south, at Bridge Creek, on MLN 1060.

During the 1992/93 field season, Northern Gold N.L. completed a reverse circulation drilling program over MCN4293-4296 comprising 1,273m in 22 angled holes. Drilling was directed at testing beneath a previously delineated gold soil anomaly, which was coincident with the Howley Anticline. The area tested was along strike, and to the north of the Bridge Creek mineralisation. Extensive RC drilling of the Bridge Creek primary gold resource extended onto MCN4295 and a resource estimate of 812,000t @ 1.56g/t Au with top cut of 15g/t Au and cutoff of 0.7g/t Au was calculated at Ios prospect (Farrelly, 1995). The drilling also intersected minor anomalous mineralisation with assay results indicating a weak discontinuous mineralised system.

Between 1999 and 2006 no field exploration has been carried out. Work was restricted to a review of existing geological, geochemical and geophysical data as part of a target generation and ranking exercise for the whole Howley Anticline trend. In 2002 the tenement group became part of the Burnside JV, and the tenement group was given a low priority ranking with the mineral claims ranked as ‘sub-economic’ due to the encumbrances on Ios prospect by the railway, and the prevailing economic conditions of the time. A reconnaissance visit and a review of the structural setting of the tenements using remote sensing was carried out.

During 2006, GBS Gold acquired 100% of the Burnside Project with a successful takeover of Northern Gold NL (50%) and acquisition of Harmony’s subsidiary company (50%). GBS have also acquired the mill at Union Reefs, and is re-evaluating the ranking of some of the tenements. Previous ranking of the Bridge Creek North tenements placed a low priority on the group. The primary focus of GBS Gold in 2006 is to complete feasibility work with the aim of bringing the resources at Zapopan, Cosmo, and Fountain Head into production. Work on the Bridge Creek North group during the past year was limited to editing of drillhole records in DataShed. A total of 186 out of 421 drillhole collar records within the Bridge Creek North tenements were edited between November 2005 and March 2006. However, further data validation is required, including converting all collar coordinates from AMG66 to MGA94 (Zone 52).

During 2006-07, data integration/validation into DataShed has progressed. Data validation is required before the data can be used for resource modelling, and this work is in progress. Desktop reviews (in MapInfo) indicated that the southern portion of Ios prospect is encumbered by the railway RO 24350, but there may be some potential for economic extraction of the orebody on the northern side. The data needs
modelling, with some field-checking, followed by further drilling to confirm the previous resource.

6.0 EXPLORATION ACTIVITY YEAR ENDING 29 JUNE 2008

No on-ground activity was undertaken due to company resources focused in the development of several deposits such as Toms Gully, Maud Creek and Cosmo Deeps with a budget of ten’s of millions dollars. In addition, production started from Mottrams and Chinese Howley (south extension) to supplement ore feed to the Union Reefs mill. On 25 July 2008, Toms Gully mill commenced treatment of gold ore from Toms Gully mine.

During the reporting period review, data validation and ranking of the tenement continued which identified further gold potential in the area. This group of tenements has been ear-marked for development after the depletion of Mottram and Chinese Howley (south extension) deposits. A brief summary of activities during the reporting year is given below.

- Technical review
- Data validation
- Reconnaissance visit
- Report preparation

A total of $7583.00 incurred for the above exercise and details are given in Table 2 below.

Table 2: Expenditure details for Bridge Creek North Group

<table>
<thead>
<tr>
<th>Tenement No.</th>
<th>Expenditure ($)</th>
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<tbody>
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7.0 FORWARD PROGRAMME 2008-09

GBS Gold regards the Bridge Creek North project strategic which will provide additional feed stock to the Union Reefs mill. There is a strong possibility that with further exploration, current resources might increase substantially. However, current emphasis is in the development of Toms Gully, Cosmo Deeps and Maud Creek projects with a budget of several million dollars. Planning is underway to test the Bridge Creek North project for further gold mineralisation. In the year 2008-09, a possible campaign of sampling and RC drilling may be carried out. A minimum covenant of $12000.00 is proposed for the year 2008-09.

6.1 REFERENCES


