GBS GOLD AUSTRALIA PTY LTD

ANNUAL EXPLORATION REPORT
EL23432
FOR PERIOD ENDING 8 MAY 2009
‘HAYES CREEK NORTH’
BURNSIDE PROJECT NT

Pine Creek SD5208 1:250,000
Tipperary 5170 1:100,000

Titleholders: Buffalo Creek Mines Pty Ltd 50%
Territory Goldfields NL 50%

Distribution:
• DRDPIFR Darwin, NT
• GBS Gold Australia P/L, Darwin
• GBS Gold Australia P/L, Perth
• Union Reef Mine Site Pine Creek, NT

Report No: PC/BJV/09-25

Zia U. Bajwah
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SUMMARY

EL 23432 is located about 140km SE of Darwin, Northern Territory, and 3km north of Hayes Creek roadhouse on the Stuart Highway. The tenement was granted to the Burnside Joint Venture, managed by Burnside Operations P/L comprising Territory Goldfields NL and Buffalo Creek Mines NL. These are the wholly owned subsidiaries of GBS Gold Australia Pty Ltd. Three of the six blocks were nominated for surrender before the anniversary of year two.

The tenement overlies the Burrell Creek Formation of the Finniss River Group. East of the tenement is the Hayes Creek Fault, a major north east striking fracture system. The Burrell Creek Formation that forms high ground in the tenement occupies the axial zone of the fold. This is interpreted as a refolded syncline. South-east and South-west of the tenement, deformed and metamorphosed rocks of the South Alligator and Mount Partridge Groups are present, which are interbedded with the Zamu Dolerite.

Review of previous geochemical and geophysical data identifies that the northern part of the tenement may have some potential for gold mineralisation. TMI image of the EL appears to be flat over most of the tenement area. However, northern part of the tenement is characterised by some magnetic ridges which could have significant structure for mineralisation. EL 23432 is of significant importance with respect to its position within GBS’s total tenement portfolio and within the sphere of its Burnside mining operations.

Proposed future work would involve field checking zones of previous anomalous geochemistry and geological significance and interpreting the geophysical and structural aspects of the tenement, and defining further drill targets. This will lead to RC/RAB drilling in the project area to fully assess the geochemical and geophysical targets.
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1.0 INTRODUCTION

Located within historically prospective region of the Pine Creek Orogen, EL 23432 is surrounded by a number of gold and base metal deposits/prospects. Although located in a flat synclinal structure, it still may have some potential for mineralisation. So far, it has been explored with out any success.

2.0 LOCATION AND ACCESS

EL 23432 is situated 140km SE of Darwin NT and 3km north of Hayes Creek Roadhouse on the Stuart Highway. The Brocks Creek exploration office lies 9km to the north, adjacent to the Darwin-Adelaide Railway. The Stuart Highway crosses to the south west of the tenement (Figure 1). Further east and north east extensive elevated outcrops and ridges of Burrell Creek Formation have been dissected by a network of creeks, which makes accessibility difficult. The tenement falls on the Pine Creek 1:250,000 sheet and on the Fenton 1:50,000 sheet. It falls within Douglas pastoral lease.

3.0 TENEMENT STATUS AND OWNERSHIP

EL23432 was granted on 9 May 2003 and expires on 8 May 2009. It comprises 6 blocks that cover approximately 19.32sq.km. Three blocks were surrendered at the end of Year 2. It is registered in the names of Territory Goldfields NL and Buffalo Creek Mines NL in equal shares, which are subsidiaries of GBS Gold Australia Pty Ltd. The tenement is unencumbered by third party tenements. The expenditure covenant set for this, the fourth year, was $1000.00.
Figure 1: Location of EL 23432
4.0 GEOLOGICAL SETTING

Regional geology is outlined in many publications, notably Ahmad et al. (1994), 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 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 overlies the Burrell Creek Formation sediments of the Finniss River Group (Figure 1). East of the tenement is the Hayes Creek Fault, a major north east striking fracture system. The Burrell Creek Formation that forms high ground in the tenement occupies the axial zone of the fold. This is interpreted by AGSO as a refolded syncline.

South-east and South-west of the tenement, deformed and metamorphosed rocks of the South Alligator and Mount Partridge Groups are present (Figure 2), which are interbedded with the Zamu Dolerite. These are the Mount Bonnie Formation, Koolpin Formation, Gerowie Tuff and Wildman Siltstone. The Depot Creek Sandstone and Stray Creek Siltstone are present south of the EL 23432. There are no MODAT occurrences recorded within the tenement.

5.0 PREVIOUS EXPLORATION

Part of the work done during Year 3 included a review of previous exploration. AP1681 covered the 2 eastern blocks of EL23432, plus a larger area to the north and east. Placer Prospecting explored for Cu, Pb, Zn and Mo but found no economic mineralisation during their work in 1967.

AP1959 covered a very large area around the Burnside granite, including the 2 eastern blocks of EL23432. Exploration focussed on prospects outside of EL23432, such as Woolwonga, Lady Josephine, Mount Ringwood, Grove Hill etc. Central Pacific Minerals explored AP1959 in JV with Magellan Petroleum in the late 1960’s and early 1970’s,
Figure 2: Geological Setting of the project area
focussing on Cu, Pb, Zn, with lesser focus on U, Au, Ag, Co, Fe and Mn. No specific work is mentioned within EL23432.

CRA Exploration held **EL1072**, covering the 2 eastern blocks of EL23432, plus an area north of EL23432 in 1977. Soil sampling to the south of EL23432 found some weak Cu anomalies (around 50ppm Cu) and Sn anomalies (below 20ppm Sn). The Sn anomalies were attributed to a locally higher density of Sn-bearing quartz veins with possible contamination from the nearby Hayes Creek tin mine.

**EL4219** covered the whole of EL23432 from 1983-1989. The titleholder viewed the tenement as having potential for quartz-vein stockwork type gold mineralisation in Burrell Creek Formation sediments. Interpretation of Landsat imagery recorded a SE-trending anticlinal structure intersected by NE structures. Rock chip sampling did not return any anomalous results from inside the EL. In the third year Grants Patch Mining entered into an agreement with the Titleholder (Bronte Douglass) and the work on EL4219 then focused on the Zapopan anticline to the north (outside EL23432).

**EL5097** comprised 6 blocks, 3 of which covered EL23432, for a 14 month period from 1988. A ‘structural approach’ (combining geophysical data, aeromagnetic data and regional geology) was favoured over geochemical sampling due to poor drainage, soils and outcrop within the tenement area. Two target areas were outlined, ‘Target 2’ is an interpreted anticline that trends southward into the western block of EL23432. Similar structural targets in the same regional setting have been deemed to have low economic significance, and the ground was relinquished without any further work.

**EL6755** covered the same 6 blocks as EL5097 and was held for a year in 1990 by Billiton Australia. Work included; aeromagnetic survey interpretation (from both BMR and multi-client surveys). The area of EL23432 had a ‘flat aeromagnetic signature’ and the highest stream sediment sample was 0.3ppb Au (out of 3 samples within EL23432). Billiton dropped the ground after the disappointing results.

**EL7919** covered 9 blocks, which included the 2 eastern blocks of EL23432. Solomon Pacific explored the tenement in 1994-96. Work included collecting 2 BLEG stream sediment samples within EL23432 (MOB20 and MOB21), with highest value of 0.8ppb Au and 13ppm As from MOB21. Twelve soil samples within EL23432 returned a maximum value of 2ppb Au (8400N / 7000E; approx MGA 766840E / 8503270N). An
area just outside the boundary of EL23432 (“Centre Point” at approx MGA 767180E / 8503420N) had a low-order stream sediment anomaly (MOB19) which is also coincident with a change in strike of the magnetic lineaments. Geological mapping of the northern block of EL23432 showed Burrell Creek float.

Acacia took over Solomon Pacific in 1996, and continued exploration on EL7919, plus work on EL9428, which included relinquished blocks from EL7919. On EL7919 during 1996, Acacia collected 105 soil auger samples from within EL23432, with highest value of 13ppb from a sample at (Sample 1070686; MGA approx; 765700E / 8503900N). Acacia named **EL9428** ‘Thorium’ due to a radiometric high in that band. A detailed regional aeromagnetic survey was carried out in 1998 plus some stream sediment sampling and rock chip sampling. The stream sediment samples within EL23432 all returned 0.5ppb Au. The ground was relinquished in 2000, which is when Acacia was taken over by Anglogold.

During 2003, the first year of grant of the EL, exploration work by the Burnside Joint Venture initiated the structural analysis of the tenement setting. This was put into a regional context using SPOT and Magnetic images. This work was supplemented by further interpretation during 2004-05. Results of this interpretation show the synclinal nature of the underlying geology. The area is not considered to have a high priority for exploration potential.

Work done during Year 3 of tenure consisted of a historic data compilation. During 2004, a significant part of exploration activity included by checking the historical tenure data, searching data such as COREDAT, MODAT, Explorer 3 and open file company reports 147 soil samples in Explorer 3, comprising 12 soil samples from Solomon Pacific work (and translated from local grid to AMG by Acacia), and 135 soil auger samples collected by Acacia, with a max value of 13ppb Au. 5 stream sediment samples from Acacia work on EL9428 were also examined. All samples were at or below 0.5ppb Au. 10 rock chip samples (3 from Solomon Pacific work; 7 from Acacia work) had a maximum value of 1ppbAu and 175ppm As; CSMO12 assayed at 4ppb Au from the Solomon Pacific work (approx MGA 766900E / 8504170N).
6.0  EXPLORATION DURING THE REPORTING YEAR 2008-09

During the reporting period, company resources remained focused in the development of projects such as Chinese South (Extension), Toms Gully and Cosmo Deeps projects with a budget of tens of million dollars. Chinese South (Extension) came on-line in April and Toms Gully commenced production in July 2008. At the same time significant progress was made in developing Maud Creek deposit with the targeted production of over 75 000 ounces of gold per year. For this purpose a specialised circuit developed by GEOCOAT® technology will be built at Union Reefs treatment facility. This technology will have the ability to process refractory ore with upto 90% gold recovery. However, on 15 September 2008, GBS Gold Australia was declared under voluntary receivership, and all exploration and mining projects were placed under ‘Care and Maintenance’.

GBS Gold regards the tenement highly, particularly due to its close proximity to the Union Reefs mill. Review of previous geochemical and geophysical data identifies that the northern part of the tenement may have some potential for gold mineralisation. Figure 3 shows TMI image of the EL which appears to be flat over most of the tenement area. However, northern part of the tenement is characterised by some magnetic ridges which could have significant structure for mineralisation. Other exploration activities were reconnaissance visit of the area, tenement management and annual exploration report preparation. A total of $6093.00 was expended and details are given in Appendix 1, at the end of this report.

7.0  PROPOSED EXPLORATION PROGRAM FOR YEAR 2009-10

Currently, GBS Gold Australia is under voluntary administration, however, Forbes Manhattan, a Canadian investment bank has announced to acquire all GBS Gold Australia assets with the intention to commence gold production in an immediate future. It is expected agreement between Forbes Manhattan and company Administrators will be signed soon and that will lead to company operations again in the region.
Figure 3: TMI image of the area

![TMI image of the area](image-url)
EL 23432 is of significant importance with respect to its position within GBS’s total tenement portfolio and within the sphere of its Burnside mining operations.

Proposed future work would involve field checking zones of previous anomalous geochemistry and geological significance and interpreting the geophysical and structural aspects of the tenement, and defining further drill targets. This will lead to RC/RAB drilling in the project area to fully assess the geochemical and geophysical targets. Expected expenditure would be a minimum of $16500.00 for the 2009-10 field season and details are given in attached appendix 1:

8. REFERENCES