ANNUAL EXPLORATION REPORT ON EL 9608

“Mount Bonnie South”

YEAR ENDING 24 MAY 2009

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

TITLE HOLDERS: Buffalo Creek Mines Pty Limited (50%)
                 Territory Goldfields Pty Ltd (50%)

Distribution:–

1. DPIFM Darwin NT
2. GBS Gold Australia Perth
3. Burnside Operations P/L Brocks Creek
4. Union Reefs, Pine Creek

Report Number: PC/BJV/09-26

Zia U. Bajwah
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SUMMARY

EL 9608 is located about 145 km SE of Darwin, NT and 18 km SE of Brocks Creek. EL 9608 was granted on 25 May 2004 and expires on 24 May 2010. It comprises three blocks that cover approximately 10 km². Originally, EL 9608 was granted to Northern Gold NL, which in 2005 became the subsidiary of GBS Gold Australia Pty Ltd.

EL 9608 covers the Koolpin Formation meta-sediments that have been tightly folded and faulted on NW-SE axes. The Koolpin Formation has been intruded and dilated regionally by dolerite sills with a wide range of thicknesses. Cross-folding has generated a domal structure in the southern most block of the tenement. This feature is a clone of the mineralised Golden Dyke Dome 4 km to the west. The area is well exposed on strike ridges with scree deposits and alluvial cover in the valley floors and flanks of the ridges.

Review of previous year’s geochemical and drilling data indicates that the EL 9608 has significant potential for gold mineralisation, which new owner will pursue aggressively. Other exploration activities were reconnaissance visit of the area, data compilation, tenement management and annual exploration report preparation. 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

EL 9608 is located 145km SE of Darwin, NT and 18km SE of Brocks Creek. GBS Gold Australia is searching for gold and base metals in the region and, this report covers the status of the tenement during the year ended 24 May 2009.

2.0 TENEMENT DETAILS

Northern Gold NL applied for EL 9608 (3 blocks) on 10th July 1996. EL 9608 was granted on 25 May 2004 and expires on 24 May 2010. It comprises three blocks that cover approximately 10 km². Underlying cadastre is pastoral lease, with Equest Pty Ltd (PL 1630; Mary River West Station) on the eastern side of the tenement, and Branir Pty Ltd (PL 2683) covering most of the 2 western blocks.

Originally, EL 9608 was granted to Northern Gold NL, but as Northern Gold NL were in JV with Harmony subsidiary Buffalo Mines Pty Ltd (Burnside JV) the tenement was transferred to being 50% Buffalo Creek Mines Pty Ltd, and 50% Territory Goldfields NL upon grant. During 2005, GBS made a successful takeover of Northern Gold NL, with the takeover becoming final in November 2005. In April 2006, GBS acquired Harmony’s 50% share in the Burnside JV, and now control 100% of the Burnside Project.

3.0 LOCATION AND ACCESS

EL 9608 is located 145km SE of Darwin, NT and 18km SE of Brocks Creek (Figure 1). Access from the Stuart Highway is via the Grove Hill Road for 7km, then to the Mt Bonnie access road. From Mt Bonnie, there is a track that heads south towards the Margaret Diggings.

Within the tenement access is poor, due to the hilly terrain and lack of tracks.
Figure 2: EL 9608 Tenement Location Map
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 tenements are within the Pine Creek Orogen, a folded sequence of Lower 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.

EL 9608 covers a sector of Koolpin Formation meta-sediments that have been tightly folded and faulted on NW-SE axes (Figure 2). The Koolpin Formation has been intruded and dilated regionally by dolerite sills with a wide range of thicknesses. These dolerites comprise the Zamu Dolerite event that just predates the Pine Creek Orogeny. Cross folding has generated a domal structure in the southern most block of the tenement. This feature is a clone of the mineralised Golden Dyke Dome 4km to the west. The area is well exposed on strike ridges with scree deposits and alluvial cover in the valley floors and flanks of the ridges.

Gold is well known in a variety of settings in the region of EL9608. The Koolpin Formation occurrences at Golden Dyke Dome 4km to the west are similar to those at Cosmo Howley and by some workers have been considered syn-genetic in style or at least strata-bound. Sener (2003) showed that an epigenetic origin is most likely supported with rock chemistry and metamorphic grade setting more likely to have played a dominant part. Shaw (2005 interpreted within EL9608 strike (reverse?) faults from the SPOT image cut the axial zones of the principal anticlinal folds and are potential sites for gold deposition. Where these are cut by late stage WNW trending fractures a favourable gold depositional site is to be expected.

Mapping of the project area shows that the Koolpin Formation ad Zamu Dolerite have been folded along NNW-SSE axes. The Zamu Dolerite forms the core of a double-plunging anticline, forming an elliptical outcrop with well-defined contacts. This feature is interpreted to be similar to that of the Golden Dyke done in the north which contains significant gold and base metal mineralisation. Ground-truthing has identified prominent quart-veining within the dolerite. Box-work goethite, possibly after sulfides is prominent in veins.
Figure 3: Geological setting of the project area
5.0  PREVIOUS EXPLORATION ACTIVITY

Previous exploration came from examining the historic tenure layer (NT_Historical_EL_AP dated 12/08/2005 from NTGS) in MapInfo, and also from examining scanned Mining Tenure maps from the Minerals and Energy website. A list of previous tenure was compiled, and the reports were obtained after interrogating IRMS. Further checks on work within the Licence came from examining Explorer 3, MODAT and COREDAT.

**AP1959** covered the whole of EL9608, plus a very large area south of EL9608, but also including the Mount Bonnie and Yam Creek areas. Exploration focused on prospects outside of EL23432, such as Woolwanga, 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, focusing on Cu, Pb, Zn, with lesser focus on U, Au, Ag, Co, Fe and Mn. No specific work is mentioned within EL 9608.

**EL615** – AOG minerals held a large tenement in the area in the mid-1970’s and concentrated most of their work on the Mount Bonnie and Iron Blow prospects.

**EL 3138** covered 57 blocks to the east of EL9608, and included the eastern block of EL9608. Geopeko explored EL 3138, and work done in the early 1980’s included soil sampling and rock chip sampling, but most of this work was further east over the Burrundie Dome. Geopeko then applied for mineral claims over 3 areas (further east of EL 9608) showing geochemical anomalism.

**EL 3612** consisted of 7 blocks, 2 of which are the western blocks of EL9608. The Acquitaine-Nord JV explored for base metals, and drilled 3 percussion/diamond holes into pyrrhotitic carbonaceous sediments within the Upper Koolpin Formation on the western boundary of EL9608 in 1983. Minor sphalerite and galena were present but gold results were negative.
Oceania Exploration held EL 4818 for 3 years in the mid-1980’s. EL 4818 consisted of 2 blocks, one of which is the eastern block of EL9608, and continued further south. Oceania carried out photogeological mapping and geological field reconnaissance in the first year, and recognised that the Koolpin Formation had iron-rich horizons analogous to those hosting mineralisation at Golden Dyke mine. Approximately 28 stream sediment samples were collected within EL 9608 from this work, with no anomalous values recorded within EL 9608.

EL 4897 covered the same 7 blocks as EL3612 for 3 years in the mid-1980’s. Dundas Gold were exploring for gold and base metal deposits with an emphasis on quartz vein systems and stratabound exhalite related mineralisation. Approximately 19 stream sediment samples were taken within EL9608, with maximum value of 77 ppb Au at MGA52 776610E / 8497 950N (assayed by Amdel using method PM6 – bulk cyanide). Dundas outlined 3 prospects from the anomalous results, all of which are west and outside EL 9608.

In the late 1980’s there were several MCN’s within EL 9608. MCN’ 2910 and 3161 (on the northern boundary of EL 9608) were granted to Zapopan but Dominion gained control in the early 1990’s, and planned soil sampling, vacuum and RAB drilling looking for Mt Bonnie style of mineralisation, but no further results (or whether the work was carried out) is available.

Zapopan held MCN’s 2908, 2909, 2911 – 2921, 2923 and 2924 but only carried out a review of previous exploration before deeming the tenements as being of low prospectivity and relinquishing them.

Northern Territory Gold held MCN’s 3123 – 3140 for a couple of years from 1989. Soil sampling was carried out with anomalous values (as reported by Mt Carrington Mines in EL 7913 reports). In mid-1990 the controlling company went into liquidation and the ground was relinquished.

Mt Carrington Mines held EL7913 to explore for Cosmo Howley / Golden Dyke style mineralisation, with a lesser emphasis on quartz-stockwork type gold mineralisation and stratiform base metal mineralisation. Exploration concentrated on the Cosmo Howley / Golden Dyke mineralisation model, with BLEG soil sampling and 1:2000
geological mapping along the soil lines, which followed up results from Northern Territory Gold. Maximum values of 124ppb Au and 770ppm As were reported. An Au-As association with a metadolerite host similar to Quest 29 mineralisation (near Mt Bundey) was recognised, and RC drilling was recommended. The lack of gold anomalism over the bulk of the area underlain by metasediments downgraded the potential for Golden Dyke-style mineralisation in the Koolpin Formation. No drilling was carried out.

Checking of Explorer 3 and COREDAT databases yielded no data within EL 9608. As EL9608 exploration during 2004/2005 concentrated on a remote sensing study based upon satellite SPOT imagery by Shaw (2005). He noted that the domal structure within EL9608 is a clone of the Golden Dyke Dome, and the gold anomaly outlined by previous workers occupies an analogous position to the Golden Dyke and Langleys deposits. He noted splay faults appearing to originate in the McMinns Bluff dislocation cut the tenement. These run sub parallel to the fold axes (orange lines) and may represent limb failures. These are shown as thick blue lines on the image. Lesser faults and fractures (thin blue lines) cut the tenement sub parallel to the McMinns Bluff granite contact (WNW).

Exploration within EL9608 during the second year of tenure included a review of previous exploration on the Licence. This showed EL 9608 as being highly prospective with:

a) similar host lithologies to Cosmo/Chinese Howley
b) several favourable structures crosscutting through the tenement
c) recognition of NW-trending soil anomalies from previous work that have not been followed up with further work
d) similarities to adjacent Golden Dyke mineralisation
e) possible extensions of Mt Bonnie mineralisation

These results show that a strong geochemical anomaly is within the SE corner of the licence overlying the dolerite. Drilling by Acquitaine focussed on the Koolpin Formation, and results were ‘inconclusive’. Due to management changes and rig availability, the drilling planned was not carried out.
In 2007/08, a RC drilling campaign commenced in the project area to test the presence of gold mineralisation. A total of six drill holes were planned. Some reconnaissance field visits were undertaken in addition to data entry, tenement administration and report writing.

During 2007-08 reporting year, a drilling campaign which commenced in early 2007 was completed. It involved drilling of 8 RC holes for 589 metres. During this campaign, 592 RC chip samples (1 meter composite) were selected and assayed for Au, As, Cu, Zn and Pb by NAL Laboratories Pine Creek. Au was analysed by fire assay method and rests were analysed by AAS.

Sample retrieved during drilling assayed as high as 6.18 ppm Au (Sample No 1285, DRC005) at 22 metre depth. The Zamu Dolerite is the main host rock which has been cut-across by quartz veins. Evidence of hydrothermal alteration in the formation of chlorite and sericitisation is present. Generally, Au concentrations varies from -0.01 to 6.18 ppm with an average of 0.05 ppm.

6.0 EXPLORATION YEAR ENDING 24 MAY 2009

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 online 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 year’s geochemical and drilling data indicates
that the EL 9608 has significant potential for gold mineralisation, which new owner will pursue aggressively. Other exploration activities were reconnaissance visit of the area, data compilation, tenement management and annual exploration report preparation.

This exploration activity costed $8955.00 and details are given in Appendix 1.

7.0 PROPOSED EXPLORATION PROGRAMME FOR YEAR ENDING 24 MAY 2010

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.

EL 9608 has 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 $25000.00 for the 2009-10 field season and details are given in attached appendix 1:

8.0 REFERENCES


