



Annual Report on :

EXPLORATION ACTIVITIES

and

PROPOSAL FOR FUTURE EXPLORATION

on

**EXPLORATION LICENCE 9434
HARTS RANGE, NORTHERN TERRITORY**

JULY 1999

Barfuss Corporation Pty. Ltd.

A.C.N. 016 911 866

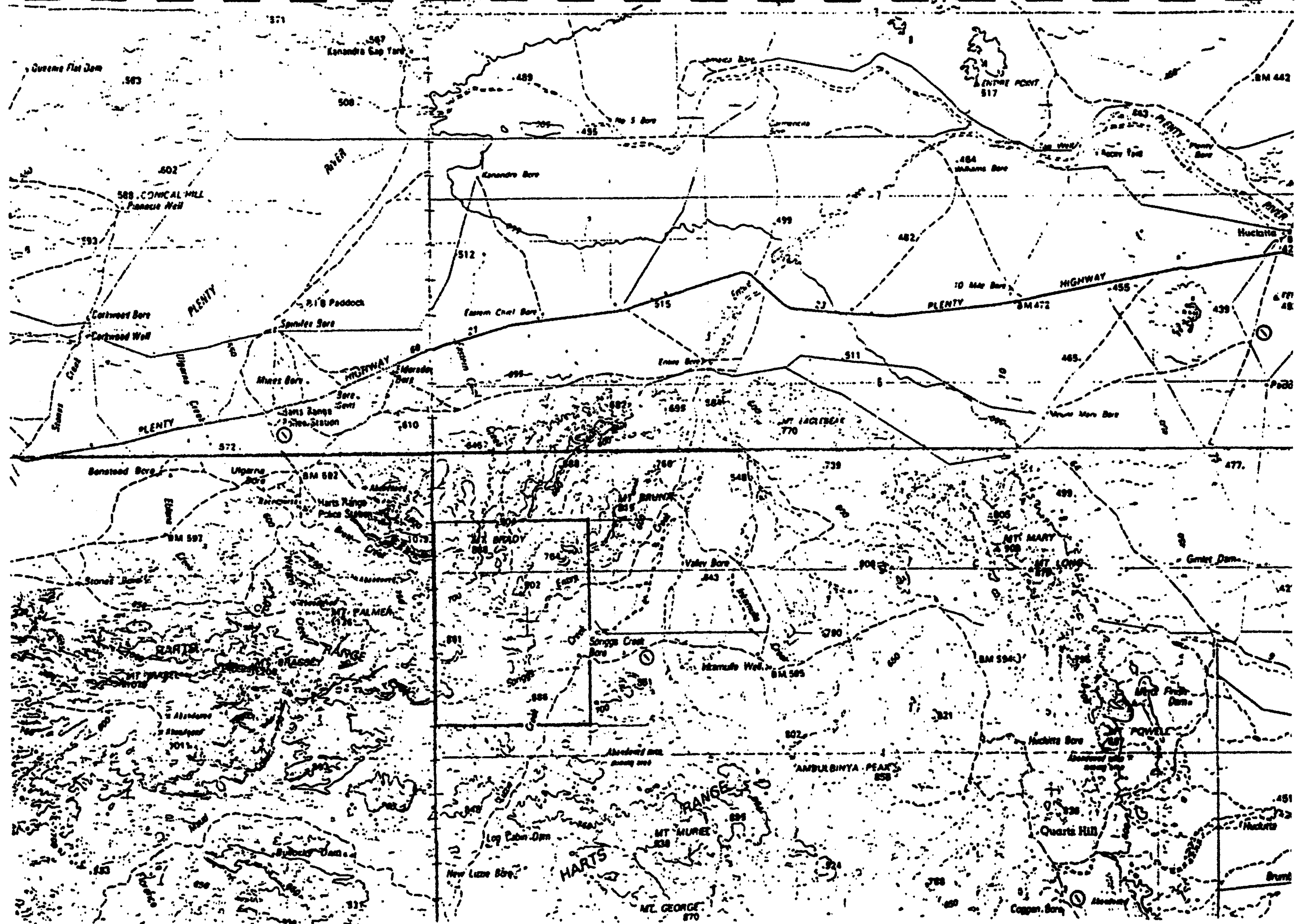
P.O. Box 352, Lilydale, Melbourne, Victoria 3140, Australia Telephone (03) 735 3980.
Registered Office: 6th Floor, 575 Bourke Street, Melbourne, Victoria 3000, Australia

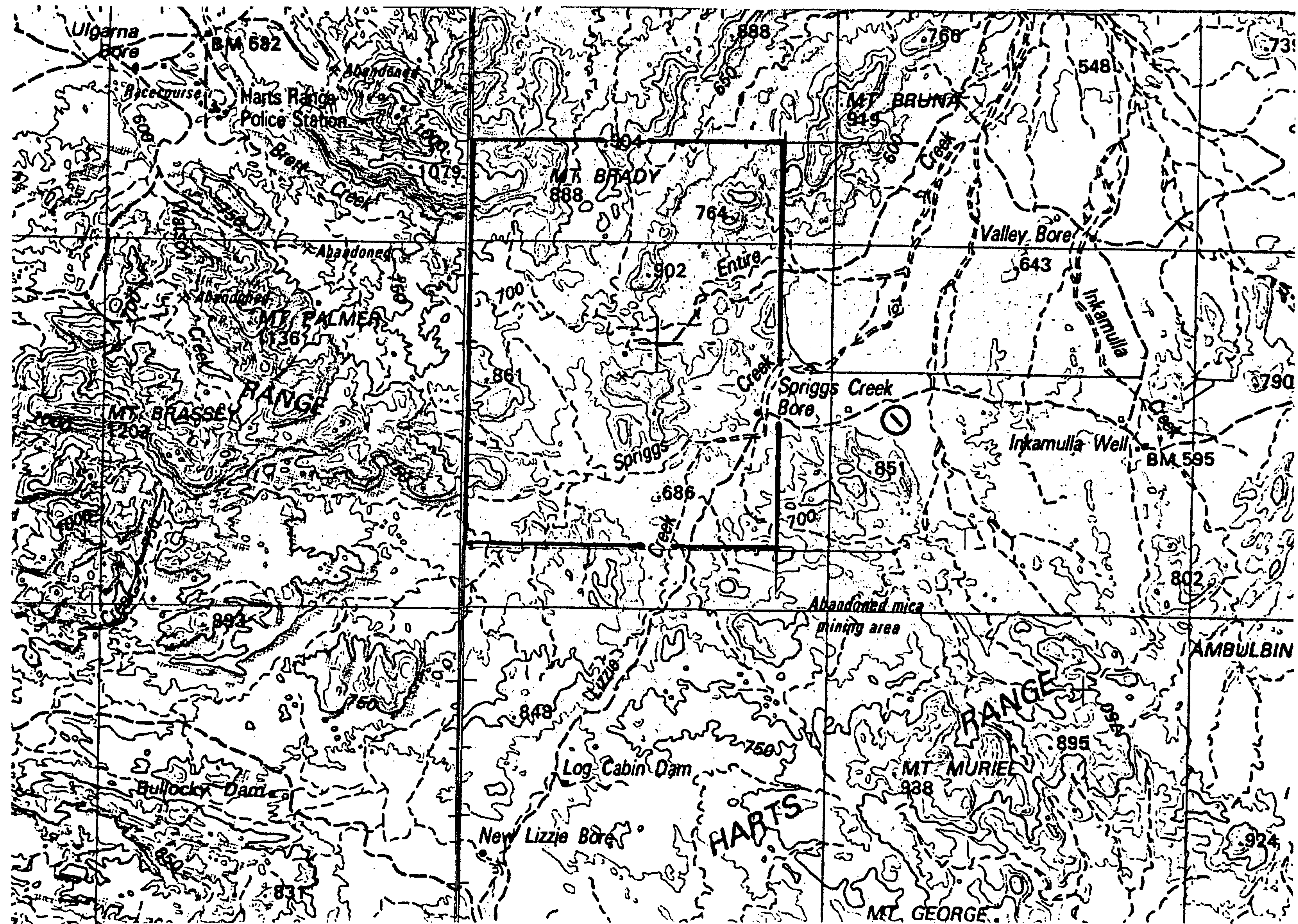
Printed on recycled paper.

CR99/382

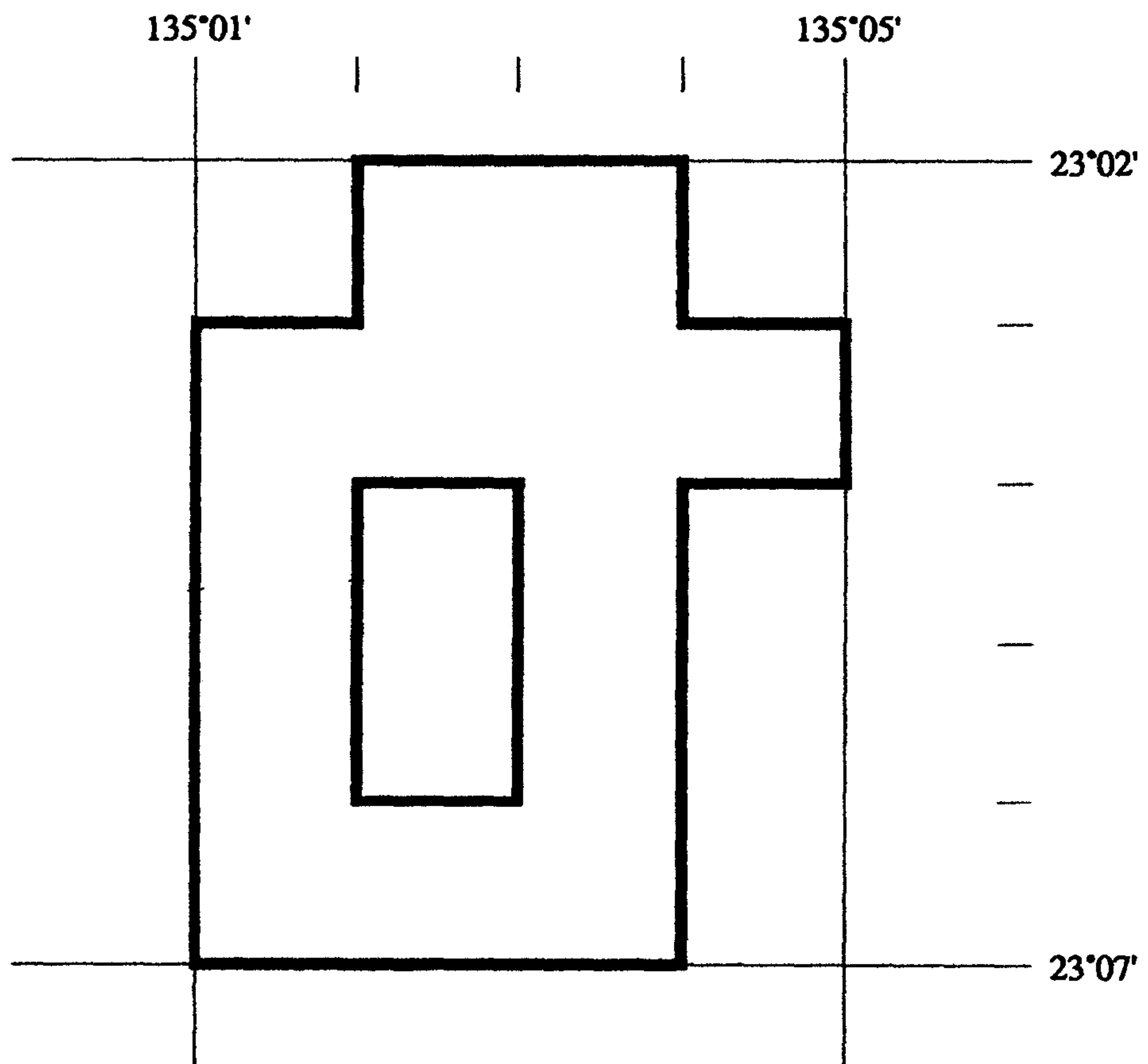
Table of Contents

- ◆ Map 1:250 000
- ◆ Exploration Licence Plan
- ◆ Expenditure Reporting - 1998/1999
- ◆ Re Wik Decision Letter
Re Native Title ref Grant Letter
- ◆ Supporting Statements
- ◆ Report on the Feasibility of Garnet Mining, Harts Range, Northern Territory .
- ◆ Report on the Feasibility of Vermiculite Mining, Entire Creek, Harts Range
- ◆ Diamond Exploration
- ◆ Exploration for Gemstones and Gem Material





SECOND SCHEDULE
(Plan of Area)



EL9434
13 BLOCKS
42 sq kms

EXPENDITURE REPORTING - 1998/1999

Major Activity	Staff Salaries	Staff Wages	Consultant Contractors Fees	Vehicles	Travel Other	Accom	Field Accom	Field Equipment	Office Equipment	Other	Sub Totals
Geology	\$2,100.00			\$320.00	\$1,200.00	\$600.00	\$1,300.00	\$1,560.00	\$140.00	\$460.00	\$7,680.00
Geochemistry											\$0.00
Geophysics	\$1,400.00			\$250.00	\$750.00						\$2,400.00
Access	\$1,750.00			\$850.00	\$250.00					\$460.00	\$3,310.00
Gridding										\$300.00	\$300.00
Drilling: Diamond											\$0.00
Drafting	\$1,700.00				\$600.00						\$2,300.00
Metallurgy	\$2,500.00			\$600.00	\$450.00	\$900.00					\$4,450.00
Engineering	\$3,800.00	\$1,850.00	\$2,480.00	\$260.00	\$300.00			\$4,820.00	\$125.00		\$13,635.00
Environmental	\$800.00			\$400.00	\$250.00		\$640.00				\$2,090.00
Other Sampling	\$2,000.00		\$16,000.00		\$2,560.00	\$560.00	\$400.00			\$4,185.00	\$25,705.00
Sub Totals	\$16,050.00	\$1,850.00	\$18,480.00	\$2,680.00	\$6,360.00	\$2,060.00	\$2,340.00	\$6,380.00	\$265.00	\$5,405.00	\$61,870.00

TOTAL	\$61,870
LOCAL OFFICE OVERHEADS	
HEAD OFFICE OVERHEADS	\$3,500
GF ID TOTAL	<u>\$65,370</u>

Department of Mines and Energy

CENTREPOINT TOWERS BUILDING, THE MALL, DARWIN N.T. 0800
G.P.O. BOX 2901, DARWIN, N.T. 0801, AUSTRALIA



PROMOTING GROWTH THROUGH RESOURCES

TITLES ADMINISTRATION BRANCH

TELEPHONE: (08) 89 997368
FACSIMILE: (08) 89 817106

Our Ref: EL 9434

Mr Uwe Barfuss
Barfuss Corporation Pty Ltd
Suite 102, 17 Heatherdale Road
RINGWOOD VIC 3134

Dear Mr Barfuss

I am pleased to advise that I, as Delegate of the Minister for Mines and Energy, have granted Exploration Licence 9434 for a period of one (1) year over an area of thirteen (13) blocks only. The remaining two (2) blocks fall within Reservation from Occupation 1357, consequently, this area is not available for Exploration Licences. In addition, the NT Government has identified fossicking as a significant tourism industry and this area has been identified as such an area.

The relevant licence document is enclosed. This licence is granted subject to the Mining Act 1980 (as amended), the Regulations thereunder and all other laws of the Northern Territory as are applicable. *In particular, your attention is drawn to the Aboriginal Sacred Sites Act. This Act may require you to consult with the Aboriginal Areas Protection Authority prior to any ground disturbance.*

I advise that enquiries have been made in an endeavour to ascertain whether any native title subsisted and still subsists over any of the land which is the subject of this grant. Because of legal uncertainty beyond the Northern Territory Government's control as to the effect on native title (if any) of the past grant of pastoral lease(s) over the land, it is not presently possible to form a definitive view on this matter.

This grant is made on the assumption that any native title has been extinguished by the past grant of pastoral lease(s). This assumption has yet to be tested in the High Court. You should therefore be aware that if this assumption proves to be legally incorrect in this case, it may be necessary for



Northern Territory Government

you to reapply for the grant of the tenure held at the time such invalidity is determined. You may have to comply with the procedures in the Native Title Act 1993 before grant of that tenure can be made.

It is the intention of the Northern Territory Government to amend the Mining Act to confer priority in the event that grants are invalidated because of the continued existence of native title, and where as a result the grantee seeks a further grant. The exact terms of this amending legislation have not yet been settled.

In addition you may be required to comply with the procedures in the Native Title Act 1993 should you seek the grant of subsequent tenure over any of the land. This is a matter for separate consideration at that time.

The licence is granted with the expectation that the annual expenditure commitments will be met. Failure to do so will result in the initiation of the cancellation process. *I also wish to advise, if there is no real progression during this year of the licence, renewal will not be supported.*

Before any field work is commenced, it is important that the conditions applying to this licence are checked and understood; some are included in the licence document, and others will be found in section 24 of the Mining Act. All persons employed on the licence area should be fully conversant with those conditions.

Your attention is drawn to the requirement for written notification and prior approval for substantial disturbance. In this regard, details of the proposed activities and plans depicting their precise locations must accompany the advice required to be submitted by section 24(e) of the Act. Environmental Guideline No. 1 on this subject is enclosed for your assistance.

Pursuant to sections 32 and 34 of the Act, there are statutory requirements for a licensee to lodge reports. Explanatory notes for the submission of these reports are attached. Should you transfer the licence, you are to ensure that the transferee is provided with a report on your activities such that the new licensee will be able to comply with those requirements. Please note item 3 in the Explanatory Notes on Reporting, whereby transparencies must be provided for any plans larger than A3 size. Transparencies are less susceptible to damage or fading and are easier to reproduce for future records.

You should also be aware that, should any portion of this licence be taken up in any form of mining tenure and subsequently transferred, all geological information in relation to these areas must also be passed on to the transferee.

Under the Mineral Royalty Act, expenditure in the Northern Territory on exploration work carried out may be claimable as eligible exploration expenditure for the issue of Exploration Expenditure Certificates. These may be sold or used to reduce royalty payable on exploration or mining titles. Guidelines with respect to these Certificates are available from the Royalty Branch (telephone 89 5444).

If you have further concerns about any of these matters, I advise you to seek your own independent legal advice.

I wish you well with your exploration.

Yours sincerely

 10/7/96
C P SMITH
Principal Registrar

enc

cc: Mr John George
Cridlands
PO Box 1302
DARWIN NT 0801

LIFT & PEEL
▲

BV4124165

- Over the last ten years I have been both solicitor and adviser to Barfuss Corporation and Uwe Barfuss and his family in relation to the various mining interests of the Company and the Barfuss family. This was initially through my old Melbourne law firm of Vorrath, Davis & Abercrombie, and subsequently as a partner of Cornwall Stodart, Solicitors, after my old law firm merged with the latter firm. Since my retirement from Cornwall Stodart some years back now, I have continued as a business partner to Uwe and to the Company and also to advise the Company and the family in relation to the formation and structuring of properly financed joint venture arrangements for the development of mining interests of the Company and the family, particularly in relation to the Harts Range EL and the other mining claims which the Company presently holds in the Harts Range area (within the EL).

- Unfortunately, as mentioned in Uwe Barfuss's letter to you of 31 August 1998, at the end of October 1997, I suffered a massive stroke which left me in hospital for the best part of six months. Although fortunately I recovered sufficiently to be able to return home from hospital earlier this year, the stroke and the required post-stroke rehabilitation programme, has incapacitated me to the extent where, until very recently, a return to active and constructive consulting work and to the provision of further financial assistance in support of the Company's activities on the EL, has been very difficult.
- Immediately prior to my stroke, Uwe and I were working extensively on possible joint venture arrangements for ongoing exploration, assessment and development work within the area of the Harts Range EL. My illness, for obvious reasons, prevented me from finalising that work at the time, and it is only very recently that I have been able to attempt, on behalf of the Company, to resume where I had to leave off last year.
- It is my understanding that all fees in respect of the EL, which was to run for a total of three years from July 1996 to July 1999, have been paid and that the Annual Report for the year ended July 1997 was duly prepared by the Company and submitted to the Department of Mines and Energy.
- The further exploration and evaluation work on the EL which had been planned for the 1997-8 year was only able to be carried out by the Company to a limited extent for the reasons outlined above. Nonetheless, the Company did carry out activities in relation to the EL over the past year as follows:
 1. A geological study to plan future field-work on the EL was undertaken, including examination of the geophysical data provided by the airborne study referred to in the 1997 Report, to identify and categorise geological anomalies to be the subject of future close examination.
 2. Metallurgical testing was conducted to determine the quality of Vermiculite production by using Kason pilot plant shaking screens. The marketing potential of the Harts Range mineral products was also further explored.
 3. Garnet bulk samples were further tested in pilot plant situations to assess the ability to produce higher value grades and sizing. Systematic sampling was also conducted, in order to facilitate the identification of higher grade deposits of garnets.
 4. Site access was explored for a better and shorter route for planned future mining operations.
 5. Plans are in hand to drill for water on the site.
 6. Diamond anomalies were further examined, and a future sampling program defined.
 7. One possible joint venture proposal was closely examined, with extensive negotiations conducted between the Company and Matrix Corporation of New Zealand. Field visits and examinations of the project were made, but Matrix has since decided not to proceed in view of WIK uncertainties.
 8. Total exploration expenditure in relation to the EL for the year 1997-8 was \$31,500.
- It is also noted that since the Company acquired the EL and its Harts Range Mining Claims in 1992, expenditure in excess of \$300,000.00 dollars has been made by the

Company on its Harts Range interests (both the EL and in respect of the Mineral Claims).

- It is the Company's request that this letter affectively be treated as its Lodgement of the July 1998 Report on its Harts Range EL. It is the Company's and my expectation that, should this request be granted by your Department, and the EL thus be renewed until its originally set expiry date of July 1999, this will allow the Company and its advisers sufficient time in workable seasonal conditions (particularly after the end of next February) to finance and complete its original planned activity and expenditure programme for the whole of the EL term; particularly in respect of identifying the areas of maximum mineral (vermiculite, garnet sands and diamond) interest and enabling it to then peg and lodge applications for further Mineral Claims, which will be, in the opinion of the Company, of commercial viability.

Both the Company and I look forward to your favourable consideration of the above request , and to an early response from you in this matter.

Yours faithfully,

ALAN VORRATH

Cc.: Mr. John George; Cridlands, Solicitors, Darwin. (BY FAX; 0889817020)

Department of Mines and Energy

CENTREPOINT TOWERS BUILDING, THE MALL, DARWIN N.T. 0800
G.P.O. BOX 2901, DARWIN, N.T. 0801, AUSTRALIA



PROMOTING GROWTH THROUGH RESOURCES

TITLES DIVISION

Facsimile: (08) 8981 7106
Telephone: (08) 89 995245

Our Ref: EL 9434

Mr Uwe Barfuss
Barfuss Corporation Pty Ltd
PO Box 352
LILYDALE MELBOURNE 3140

Dear Mr Barfuss

I am pleased to advise that I, as Delegate of the Minister for Resource Development, have granted the renewal of Exploration Licence 9434 for a term expiring on 9 July 1999. The renewal document is enclosed. This licence is renewed subject to the Mining Act, the Regulations thereunder, and all other Laws of the Northern Territory as are applicable.

Before any field work is commenced, it is important that the conditions attached to this renewal are read and understood. These are included in the renewal document, and in section 24 of the Mining Act. All persons employed on the licence area should be fully conversant with these conditions.

I remind you of the requirement for written notification and prior approval to undertake any substantial disturbance activity on the licence area. In this regard, details of the proposed activities and plans depicting their precise locations must be submitted when approval under virtue of section 24(e) of the Mining Act is to be sought. Environmental Guideline No. 1 on this subject is enclosed for your assistance.

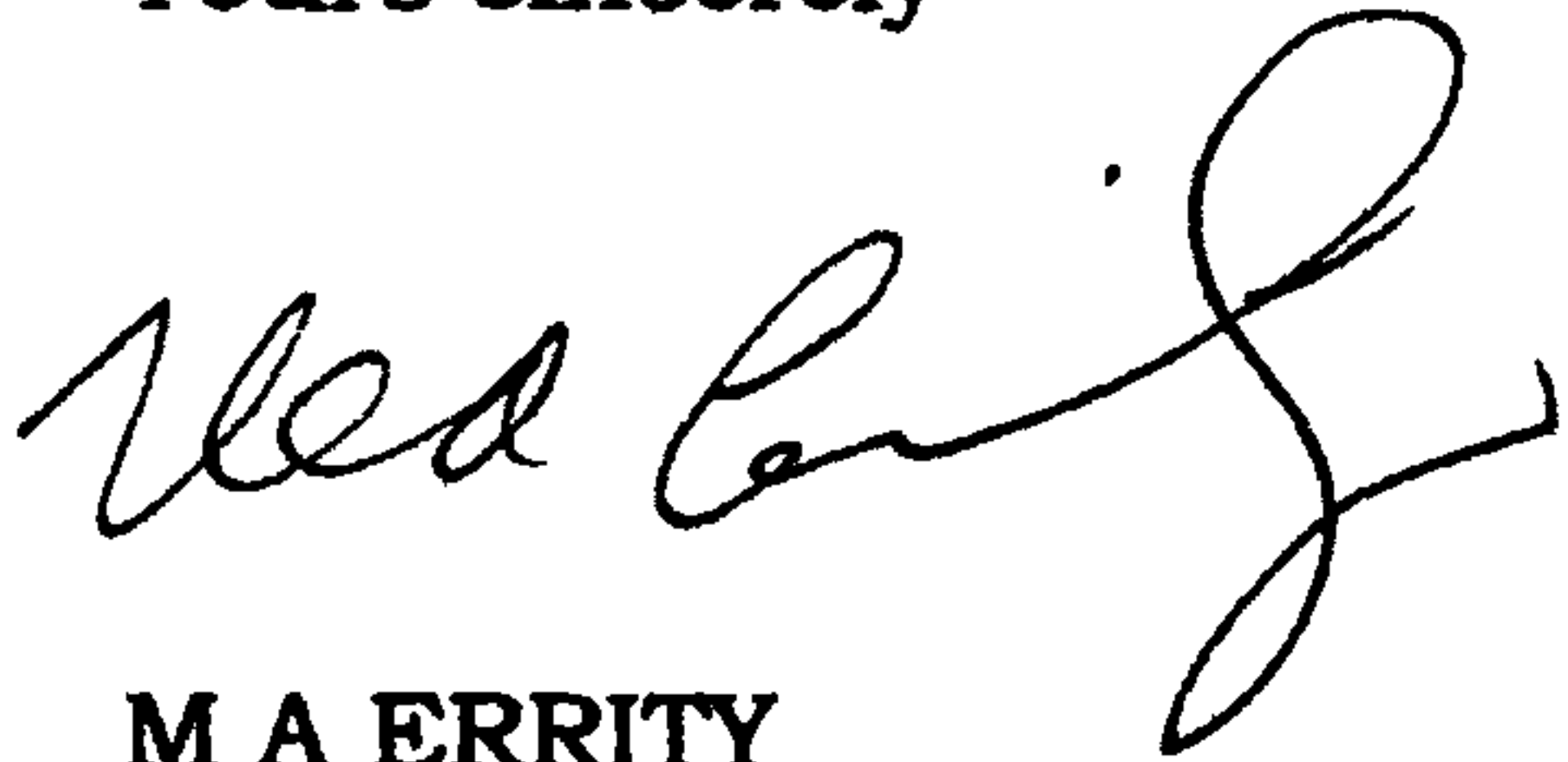
I also remind you that pursuant to sections 32 and 34 of the Act, you have statutory obligations to lodge reports. Should you transfer the licence, you are to ensure that the transferee is provided with a report on your activities such that the new licensee will be able to comply with these provisions. Please note item 3 in the enclosed Explanatory Notes on Reporting, whereby transparencies must be provided for any plans larger than A3 size. Transparencies are less susceptible to damage or fading and are easier to reproduce for future records.



You should also be aware that, should any portion of this licence be taken up in any form of mining tenure and subsequently transferred, all geological information in relation to these areas must also be passed on to the transferee.

I wish you well with your further exploration.

Yours sincerely

A handwritten signature in black ink, appearing to read 'M A Errity', with a stylized, flowing script.

M A ERRITY
Principal Registrar
// January 1999

Cc Mr Alan Vorrath
Consulting Lawyer
45 Scott Street
ELWOOD VIC 3184

WIK

Exploration work has been hampered by the effect of the WIK decision and the uncertainty of title position. Reference is made to the letter attached to the Licence, written by the Principal Registrar Mr. C.P. Smith and dated 10th July 1996, which made reference to the grant of the Licence having been made on the assumption that native title had been extinguished by the past grant of pastoral leases - (see copy of letter attached). The uncertainty caused by the Wik decision has impeded the speed of the exploration and it is hoped that this matter will be clarified shortly and taken into account by the Department.

The unresolved Wik situation has also been a serious deterrent to exploration expenditure for year 2 of the exploration licence. Particularly in view of the recent rejection by federal parliament of the Wik legislation proposed by the NT government. Exploration expenditure relates directly to when a mining operation could bring a return of some of the exploration expenditure, this can now no longer be defined.

Supporting Statements

The original renewal application for the Exploration Licence was for an area covering 15 blocks, but for reasons still unknown to the applicant, despite having made inquiries in relation thereto of the Department, the licence was granted for an area covering only 13 blocks. The 2 blocks, which were excised by the Department, were of real significance to the total area applied for by the Applicant and upon which a good deal of exploration work had been carried out in the past.

In view of our previous exploration activities in the excised area we request permission to diamond core drill in that area, as we would like to complete our previous work and determine if there are any resources of commercial interest.

The exploration licence was not renewed until 11th January, 1999 and then expired as early as the 9th July, 1999, giving the Applicant very little time to plan and execute the exploration work in that time. The uncertainty of renewal had stalled the entirety of last years program.

In the last two years there have been many difficulties for the company and its partners, but firm decisions have been made to further define the commercial resources before claims and leases can be applied for.

Substantial funding is now in place to carry out all the planned exploration in the next two years, including the purchase of a diamond core drilling rig.

**Report on the Feasibility of
Garnet Mining,
Harts Range,
Northern Territory.**

Garnets

Almandine garnets are extensively distributed in the Entire Valley and its tributaries. The percentage varies from 10% to 50% coarse grained garnets. Our particular interest is in 4 to 12 Tyler mesh sizes.

Prospecting and visual examination has revealed that the distribution of garnet sands occurs in commercial deposits and further work is planned to prove and define the high grade deposits.

In particular we need to define the ancient alluvium beds that exist.

An intensive review has been conducted by our company and its consultants, including field visits, to review all data obtained in that area to date.

A helicopter aerial survey was conducted, studying the alluvial streams and the associated geology.

The possibility of deep and large sand deposits were examined and all airborne survey results were reviewed with the purpose of identifying anomalies of ancient alluvium beds and any aeolian beds that may be of importance.

Pilot plant improvements have been made and further trial runs of garnet sands have been conducted to ascertain if a very clean concentrate can be readily obtained.

USA garnet mining and processing experts have been consulted to improve our quality of garnet and particle size recovery. This work is currently continuing in the USA with a view of determining a final flow sheet for a commercial recovery plant.

Future work

It is our intention to carry out further exploration, sampling and mapping along the Entire Valley, its tributaries and Lizzie Creek. We also are looking at drilling in the areas of possible deep alluvium and other areas. Trenching is intended to be carried out to a depth of 4 meters.

This will define the resources and establish the commercial value. Which will then result in applying for claims and leases over the area of interest before the expiry of the next renewal.

**Report on the Feasibility of
Vermiculite Mining,
Entire Creek, Harts Range,
Northern Territory.**

Vermiculite

The geological, geophysical and any other data to hand was re-examined and studied with a view of selecting and re-assessing the targets and priorities. A field inspection was also conducted to review the data on hand, including a helicopter aerial inspection of the anomalies to determine details of future work and plans.

Market research has been further explored and it appears that there would be a strong demand for this vermiculite in Asia and also in Australia, as vermiculite is still being imported.

Processing and pilot plant investigations have been instigated and we are awaiting detailed information on a wet process which is currently being used by Palabora Vermiculite Producers, who produce the best and cleanest product available.

Future Work

We intend to carry out further exploration, sampling, mapping and close examination of the ultramafic rocks in the exploration licence area.

This work may then be followed up with diamond core drilling.

We expect to define the resources and establish the commercial value.

Diamond Exploration

Diamonds

The geological, geophysical and any other data at hand was re-examined and studied with the aim of selecting and re-assessing the targets and priorities.

A field inspection was also conducted to review the data on hand, including a helicopter aerial inspection of the 6 anomalies to determine details of future work and plans.

Future Work

Diamond core drilling has been planned for the next exploration licence year.

Further geophysical examinations are also being considered, to identify the postulated alluvial (or aeolian) deposits that may be prospective for minerals derived from adjacent rocks by erosion.

Exploration
for
Gemstones and Gem Material

Gemstones and Gem Material (other than diamonds)

All previous exploration data including geological, geophysical and gemmological information has been re-examined and studied with a view of selecting targets and priorities.

Field inspections were carried out to review the data on hand and helicopter aerial inspection of the exploration licence area were conducted.

The geology is so complex that there should be gem materials of importance in the exploration licence area, but all previous searches have not been very encouraging.

As in the past no gems or gem material of significance have been found in the exploration area, it was decided to engage a consulting professional gem expert from Africa to carry out a complete field survey of the entire exploration area, at a significant cost to the company.

He conducted a systematic search of the exploration area, studied the complex geology carefully, sieved and studied the alluvium, and carried out a thorough visual search of the area, without finding any gems or gem material of commercial interest.