

BARFUSS CORPORATION PTY LTD

HARTS RANGE PROJECT
NORTHERN TERRITORY OF AUSTRALIA

ANNUAL REPORT FOR
EXPLORATION LICENCE
EL 25063

FOR THE PERIOD ENDING 19th NOVEMBER 2008.

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Flagstaff GeoConsultants Pty Ltd

Report No. EL25063-AnnRept-2008.doc

Date: 19 December, 2008

Licensee: Barfuss Corporation Pty Ltd

A.C.N. 006 917 666

1:250,000 MAP SHEET: Illogwa Creek SF 53-15

1:100,000 MAP SHEET: Quartz 5951

KEYWORDS: Harts Range, Arunta Block, Harts Range Group,
Riddock Amphibolite,
copper, uranium, thorium, rare earth elements, niobium,
tantalum, yttrium, samarskite

LICENCE DETAILS:

Licence Number: EL 25063
Project Name: Harts Range
Licensee: Barfuss Corporation Pty Ltd
Licensee ACN: 006 917 666

Licence details:

Area: 40.77 square kilometres*
within 15 square graticular units
(1 minute x 1 minute longitude/latitude)

* actual area, excluding Mineral Claims and EL25764 (formerly RO1357), is 35.69 square kilometres.

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DIGITAL REPORT FILES

EL25063_2008_A_01_ReportBodyText.pdf
EL25063_2008_A_02_FileList.txt

1. SUMMARY

Barfuss Corporation's Harts Range Project is comprised of EL 24552, ELs 25063 and 25430, EL application 25764, and a number of Mineral Claims within the area of ELs 25063 and 25764. The total area under title or application is approximately 720 square kilometres, of which EL 24552 comprises the bulk, at 642 square kilometres. EL25063 is the second largest, at about 41 square kilometres.

The Harts Range Project lies in the southeast of the Northern Territory, roughly 100 to 140 kilometres northeast of Alice Springs (170 to 260 km by road, via the Plenty Highway). Access to EL 25063 is from the north via station tracks running south from the Plenty Highway, past the Entire Bore. Topography is frequently rugged. Vehicle access is largely restricted to established tracks.

The project as a whole covers much of the central Harts Range, which is dominated by gneisses and amphibolites of the Riddock Amphibolite, part of the Harts Range Group (formerly considered Early Proterozoic, now Late Proterozoic to Cambrian), in Division 2 of the eastern Arunta Block. The project also covers adjacent rocks, predominantly schist, gneiss and some calcsilicates which also belong to the Harts Range Group. To its east, EL 25063 also overlies the older Bruna and Entia Gneisses on the western flank of the "Entia Dome" (Arunta Division 1).

The Harts Range was a major area of pegmatite-related mica mining in the early 20th century. Other mining in the project area has generally been very small scale, targeting semi-precious gem minerals. Base metal mineralisation has been identified at a number of locations in the region, including the Jervois copper mines, 'Copper Queen' and related copper prospects, Oonagalabi copper-lead-zinc deposit, and the Molyhil (tungsten-molybdenum) mine. The area is also prospective for uranium, rare earth elements (REE), vermiculite and garnet sand. Power Nuclear Corporation of Japan (PNC) explored the area for uranium in the 1990s.

The Harts Range ruby deposit was found in the late 1970s and mined from then into the early 1980s by Hillrise Properties and Mistral Mines. Barfuss Corporation has mineral claim coverage of the ruby mine, which is surrounded by EL 25764, and has its site office and camp located there.

Barfuss Corporation has conducted a substantial amount of non-invasive work on EL 25063, pending the results of discussions with the Central Lands Council regarding the establishment of an ILUA covering all of the company's Harts Range Project leases. Several areas have been subject to reconnaissance investigations, including mapping, rock-chip sampling and ground spectrometer surveys. The area of EL25063 was investigated previously by Barfuss Corporation and several specific prospects are now covered by some of the company's Mineral Claims. Much of the work on the licence has been adjacent to these prospects and this work has identified some anomalies needing further investigation. "Bobs Prospect" is of particular interest. It was originally identified by PNC in the 1990s but received minimal investigation, as it lay outside PNC's licences. High-grade radioactive mineralisation has been identified here and is 1.6 kilometres along strike from similar mineralisation found in the adjoining Barfuss Corporation Exploration Licence. Rock-chip assays include some highly anomalous results. This work is documented in detail in previous Annual Reports.

Very little work was conducted in the current reporting period. Since late in the prior period (circa September 2007), the company has been in a protracted legal dispute with its principal financial backer, who is based the USA. All funds intended for the current year's expenditure were legally "frozen" at the start of this dispute, which effectively halted all proposed field operations and other exploration-targeted work until the dispute was resolved. Legal and contractual details have prevented Barfuss Corporation spending its own funds on the project or seeking other funding or partners.

This matter is to be discussed elsewhere between Barfuss Corporation and the Northern Territory Government Department's Titles Division, and is not the subject of this report. At the time of this report's preparation, the other party in this dispute appears to have resiled from the prospect of taking the matter to court and is seeking a commercial settlement. It is hoped that the matter will be resolved within the next few months, permitting a resumption of active exploration of the Project.

Despite the legal dispute discussed above, the company has continued with a certain amount of field and other exploration activity. Expenditure attributable to EL 25063 includes costs involved in several site visits during the period, plus project maintenance, plus a proportion of \$170,000 paid for the spectrometer and 'stinger' ordered previously for the proposed "in-house" helicopter-borne geophysical surveying of the whole project area.

Proposed work for the coming reporting period is as it was for the current one. The company plans to fly a detailed geophysical survey (magnetic and radiometric) over much or all of the project area. This will help identify areas warranting more detailed investigation, and will aid in the geological interpretation of areas already of interest. A low-level, helicopter borne, 50-metre-line-spaced magnetic and radiometric survey is planned. To save time and reduce costs – thereby allowing for surveying of a larger area – Barfuss Corporation is purchasing its own geophysical equipment for the surveying.

In addition to the proposed survey, certain prospect areas warrant more immediate field investigation. Among these are

- In the east of the licence:- The area between the Cusp prospect (EL24552) and Bobs prospect (EL25063). These two prospects contain high-grade uranium-niobium-tantalum-yttrium-REE (rare earth element) mineralisation hosted by similar pegmatite bodies, along strike from one another. The intervening 1.6 kilometre strike length has not yet been investigated.
- In the southeast of the licence:- A very thick tourmaline-bearing pegmatite returned anomalous assay in very minor reconnaissance sampling in the previous period. Assays were elevated in a similar suite of elements to the Cusp and Bobs mineralisation.
- In the southwest of the licence:- Historic open-file reports document trace uranium mineralisation associated with pegmatite at the old Spriggs Camp mica mine. This site has not yet been investigated by Barfuss Corporation.
- In the west of the licence:- Traces of copper and tungsten anomalism were identified by previous sampling, associated with a calcsilicate unit.
- In the north of the licence:- The "Pearly Gates" prospect (identified by PNC in the 1990s) lies about 1.5 kilometres north of EL 25063, in Barfuss EL 24552. It hosts similar mineralisation to Cusp and Bobs prospects, and the pegmatite it is associated with runs southwest-northeast. The area along strike from this, in EL 25063, may be prospective.

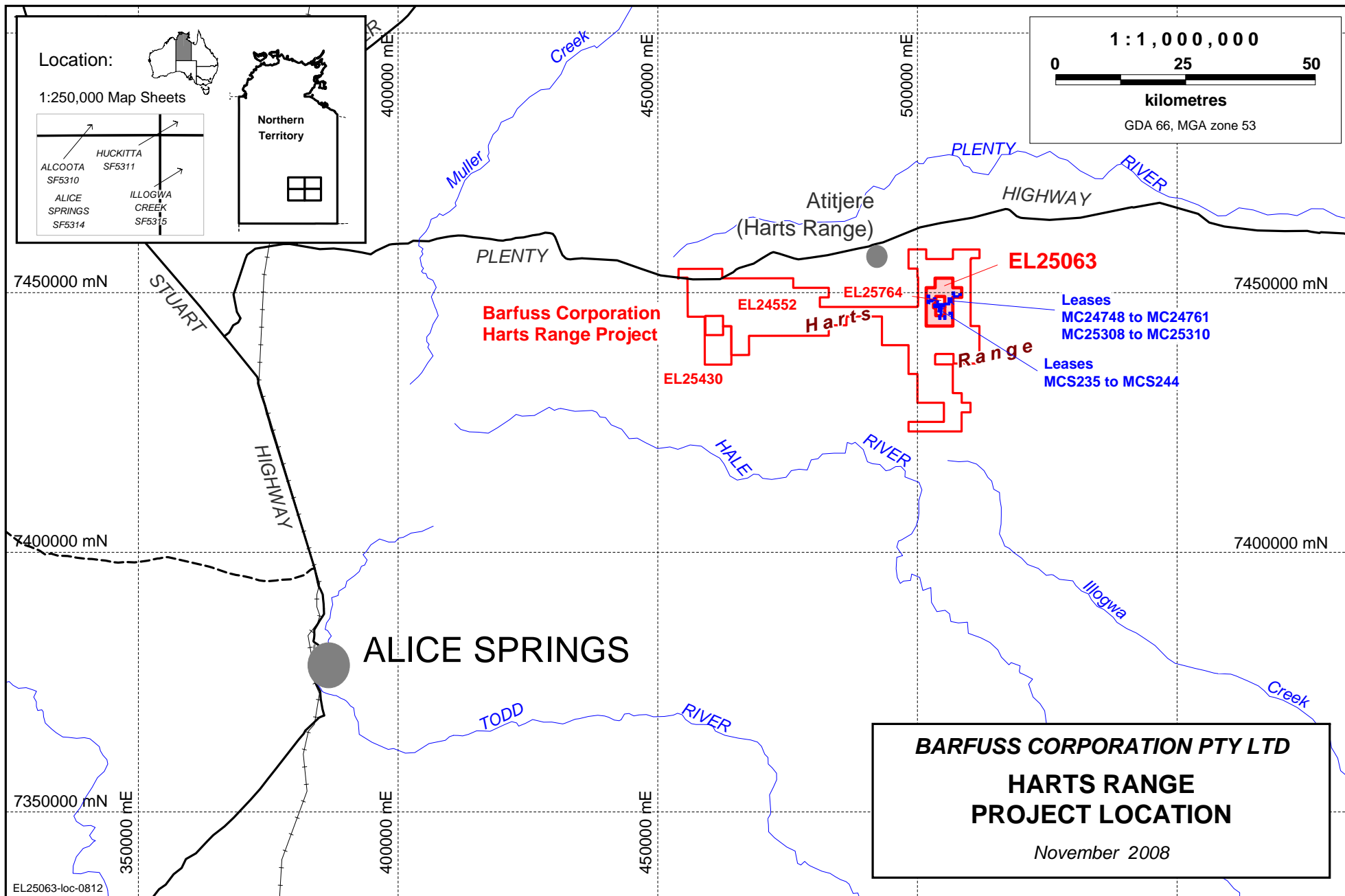
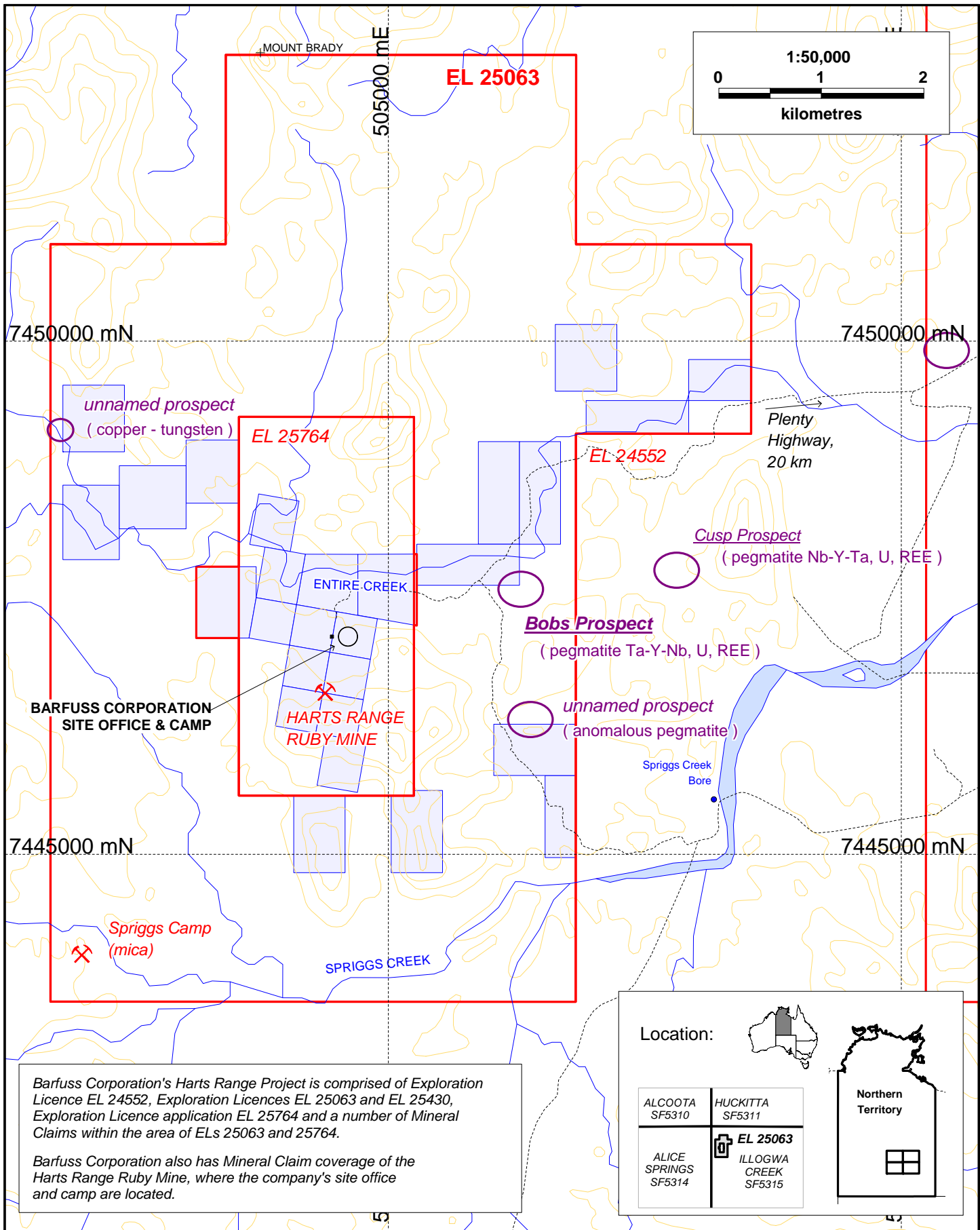


Figure 1



Barfuss Corporation's Harts Range Project is comprised of Exploration Licence EL 24552, Exploration Licences EL 25063 and EL 25430, Exploration Licence application EL 25764 and a number of Mineral Claims within the area of ELs 25063 and 25764.

Barfuss Corporation also has Mineral Claim coverage of the Harts Range Ruby Mine, where the company's site office and camp are located.

Location:

ALCOOTA SF5310	HUCKITTA SF5311
ALICE SPRINGS SF5314	EL 25063 ILLOGWA CREEK SF5315

Northern Territory

Barfuss Corporation Mineral Claims

BARFUSS CORPORATION PTY LTD
Harts Range Project - EL 25063 - Northern Territory
Prospect Locations
Year Ending 19 November 2008

	Workspace: EL25063-project-0812.wor	Date: December 2008
	Plot file: EL25063-project-0812.pdf	Scale: 1:50,000
	Author: ARC	Projection: GDA94, MGA Zone 53
	Drawn: ARC	Plotter: Adobe Acrobat Distiller 8.0
Flagstaff GeoConsultants		Figure 2

Topographic Data from the 1:250,000 Geological Map Sheet digital datasets for Alice Springs, Alcoota, Huckitta, Illogwa Creek.
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2. INTRODUCTION

Barfuss Corporation's Harts Range Project is comprised of

- EL 24552 (642.1 square kilometres)
- EL 25063 (40.77 square kilometres)
- EL 25430 (32.37 square kilometres)
- EL (application) 25764 (6 square kilometres)
- Mineral Claims MC 24748-24761 & 25308-25310 (621 hectares)

The exploration licences are contiguous and the MCs are within the area of ELs 25063 and 25764 (Figure 2). The company also has granted Mineral Claim coverage of the Harts Range Ruby Mine (MCS235-244, 172 hectares) which is also surrounded by EL 25764.

The Harts Range Project lies in the southeast of the Northern Territory, roughly 100 to 140 kilometres northeast of Alice Springs (170 to 260 km by road, via the Plenty Highway) (Figure 1). Topography and terrain in the Harts Range is frequently rugged, with relief up to 300 to 400 metres in some areas. Access is predominantly from the north via station tracks running south from the Plenty Highway. The rugged terrain generally restricts vehicle access to established tracks.

The lease area is underlain by gneisses and amphibolites of the Riddock Amphibolite, plus adjacent schist, gneiss and some calcsilicate, which are all, part of the Harts Range Group (formerly considered Early Proterozoic, now Late Proterozoic to Cambrian), in Division 2 of the eastern Arunta Block. To its east, EL 25063 also overlies the older Bruna and Entia Gneisses on the western flank of the "Entia Dome" (Arunta Division 1).

The Harts Range has probably received less modern minerals exploration than many parts of Australia. It is best known for unusual mineral occurrences, including semi-precious gemstones, commonly in or related to pegmatite dykes which are common in much of the area. The region is popular with fossickers. It was a major area of pegmatite-related mica mining in the early 20th century, with crystals of mica and other minerals up to metres in diameter. Other mining has generally been very small scale, targeting semi-precious gem minerals. Small-scale base metals mineralisation occurs in several areas, however, and some larger deposits have been identified. Base metal mineralisation in the region includes the Jervois copper deposits, to the northeast, the Molyhil Mine (scheelite-molybdenite (tungsten)) and the Oonagalabi copper-lead-zinc deposit.

Most recently, copper-gold mineralisation was investigated by Tanami Gold NL at its Copper Queen group of prospects in 2001-2005, and Power Nuclear Corporation of Japan (PNC) explored the area for uranium in the 1990s (company reports are listed in the References at the end of this report). The Copper Queen prospects are now mostly within Barfuss Corporation's Harts Range Project, in the southwest corner of EL 24552.

The Harts Range ruby deposit was found in the late 1970s and mined from then into the early 1980s by Hillrise Properties and Mistral Mines. Barfuss Corporation has mineral claim coverage of the ruby mine, which is surrounded by EL 25764, and has its site office and camp located there.

In addition to gemstones and base and precious metals, the Harts Range is also prospective for a variety of industrial minerals. The Mud Tank vermiculite mine is 30 km west of EL 24552, and Chambigne Garnet has identified a substantial garnet sand resource in the lower Spriggs and Entire Creeks east of EL 24552. Other potential garnet sand and vermiculite deposits are known in the area. Barfuss Corporation has a vermiculite-rich deposit within its Ruby Mine mineral claims, within the Riddock Amphibolite unit, and considers that there is potential for more such mineralisation within the project area.

3. WORK CONDUCTED DURING THE REPORT PERIOD

As noted in the Summary section of this report:

Very little work was conducted in the current reporting period. Since late in the prior period (circa September 2007), the company has been in a protracted legal dispute with its principal financial backer, who is based the USA. All funds intended for the current year's expenditure were legally "frozen" at the start of this dispute, which effectively halted all proposed field operations and other exploration-targeted work until the dispute was resolved. Legal and contractual details have prevented Barfuss Corporation spending its own funds on the project or seeking other funding or partners.

This matter is to be discussed elsewhere between Barfuss Corporation and the Northern Territory Government Department's Titles Division, and is not the subject of this report. At the time of this report's preparation, the other party in this dispute appears to have resiled from the prospect of taking the matter to court and is seeking a commercial settlement. It is hoped that the matter will be resolved within the next few months, permitting a resumption of active exploration of the Project.

Despite the legal dispute discussed above, the company has continued with a certain amount of field and other exploration activity. Expenditure attributable to EL 25063 includes fairly costs involved in several site visits during the period, plus project maintenance, plus a proportion of \$170,000 paid for the spectrometer and 'stinger' ordered previously for the proposed "in-house" helicopter-borne geophysical surveying of the whole project area.

The principal of Barfuss Corporation Pty Ltd, Mr Uwe Barfuss, has been obliged to neglect his other business interests owing to the demands of this legal dispute, and has incurred very substantial legal costs in seeking to resolve the matter and resume active exploration of the licence by its holder, Barfuss Corporation. These expenses are not attributable, however, to the tenement's statutory expenditure requirements.

Several visits have been made to the project, but active field work has been largely restricted to traditional prospecting. The company has paid \$170,000 during the period, however, for some of the geophysical equipment required for the proposed detailed helicopter-borne geophysical surveying of the whole project area. The bulk of this expense is attributable to EL 24552, but a reasonable proportion may also be attributable to EL 25063, as the second largest of the exploration licences.

4. EXPENDITURE.

Active exploration of EL 25063 was severely restricted during the reporting period owing to legal matters discussed in previous sections of this report.

Costs associated with on-going maintenance of the project and field activities are not insubstantial, however, and additional expenditure may be attributed as part of the sum paid for geophysical equipment purchased for proposed helicopter-borne surveying. The company plans to survey all or most of its Harts Range Project. During the current period, the company paid \$170,000 for a spectrometer and "stinger" for this work. At least \$10,000 to \$20,000 of this might be attributable to EL 25063.

Other expenses include access costs (fuel, vehicle expenses, camp maintenance), plant and equipment purchases and maintenance, contract labour and limited office work (literature research, report preparation, general office overheads). These total \$40,380 for the period, as detailed below.

Principal expenses:-

Office & Administration	- research, literature search	\$	3,200
	- database, inc. GIS, compilation & maintenance		2,450
	- report preparation		6,460
	- general office overheads		2,950
			<u>15,060</u>
Field Work	- exploratory prospecting		<u>2,640</u>
			<u>2,640</u>
General - Access	- travel		6,490
	- accommodation		2,800
	- vehicle expenses		2,900
	- fuel		1,290
	- marketing & feasibility investigations		7,700
	- mining titles consultations		1,500
			<u>22,680</u>
		Total:	<u>40,380</u>

5. WORK PROGRAM FOR THE NEXT TWELVE MONTHS.

The principal work planned for the next reporting period is a detailed helicopter-borne radiometric and magnetic survey. At commercial geophysical contract company rates, Barfuss has been quoted in the order of \$1,000,000 for the planned survey (for the whole of the Harts Range Project). For such a large, expensive, survey, Barfuss considers the purchase of its own equipment to be an economical alternative. Geophysical surveying equipment costing \$250,000 has been ordered from *Radiation Solutions Inc.*, an Ontario, Canada -based company. *Geoz Pty Ltd*, in Western Australia, will install and commission the equipment and *Alice Springs Helicopters* has quoted approximately \$200,000 to fly the survey. Processing and interpretation of the survey results will be additional costs, in the order of tens of thousands of dollars, and follow-up in the field will be more again. It is planned to commence this surveying when legal and financial considerations – as discussed in previous sections of this report - permit.

In addition to the proposed survey, certain prospect areas warrant more immediate field investigation (Figure 2). Among these are

- In the east of the licence:- The area between the Cusp prospect (EL24552) and Bobs prospect (EL25063). These two prospects contain high-grade uranium-niobium-tantalum-yttrium-REE (rare earth element) mineralisation hosted by similar pegmatite bodies, along strike from one another. The intervening 1.6 kilometre strike length has not yet been investigated.
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Work may include drilling – using the drill rig purchased by Barfuss Corporation in 2006 – and possible costeaning.

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Principal expenses (approximate):-

Geophysical	- detailed helicopter-borne survey (magnetic and radiometric)	50,000
Office & Administration	- research, literature search - database, inc. GIS, compilation & maintenance - report preparation - general office overheads	13,000
Field Work	- geological mapping - reconn. & prospect scale - drilling - costeaning - ground geophysical surveying - sample analysis - drill core & rock-chip	25,000
General - Access	- travel - airfares - accommodation - vehicle expenses - fuel	12,000

Total (approx.): \$ 100,000

Ross Caughey
(Flagstaff GeoConsultants Pty Ltd)
19 December, 2008

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Annual report for the period ending 19th November, 2008.

REFERENCES

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- 20/09/2006: Annual Report for Exploration Licence EL 24552 for the period ending 25th August 2006.
- 12/11/2007: Annual Report for Exploration Licence EL 24552 for the period ending 25th August 2007.
- 21/09/2008: Annual Report for Exploration Licence EL 24552 for the period ending 25th August 2008.
- 29/01/2008: Annual Report for Exploration Licence EL 25063 for the period ending 19th November 2007.
- 21/04/2008: Annual Report for Exploration Licence EL 25430 for the period ending 13th March 2008.

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* Open file company reports sourced from the Northern Territory Mineral Industry Reports Management System (IRMS) (<http://apps.minerals.nt.gov.au/irmsmin/>).