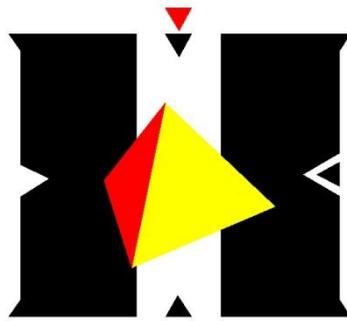


EXPLORATION LICENCE 8/2011

Cumberland Lake, Tasmania

FIRST AND SECOND ANNUAL PROGRESS REPORT

For the period between 12/07/2011 and 12/07/2013



Australian Hualong Pty Ltd

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Signed:
Date: August 2013
Distribution: Australian Hualong Pty Ltd
Mineral Resources Tasmania

Co-ordinate system used in maps and diagrams within this report is MGA55 (GDA94), unless otherwise specified.

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Abstract

The Cumberland Lake tenement is explored for tin and base metal mineralisation with the Heemskirk Granite.

The Sweeneys and Anomaly 1 Prospects have been identified for further exploration. In the past two years AHL has carried out literature studies, field examinations, data compilation and an appraisal of existing geophysical data. Access to the Sweeneys and Anomaly 1 sites will have to be upgraded to provide reasonable passage for field vehicles and drill rigs so that planned sampling, mapping and drilling programs can proceed.

Table of Contents

Contents

1. Introduction.....	1
1.1 Access	2
1.2 Land Use.....	2
2. Tenement Details.....	2
3. Geology	3
4. Mineralization and Alteration.....	4
5. Review on Previous Exploration.....	7
6. Work Completed	10
6.1 Field Inspections	10
6.2 Data Collection.....	10
6.3 Re-Processing of airborne magnetic data.....	10
6.4 Drill planning.....	13
7. Work Planning for Year 3.....	14
8. Environment.....	15
9. Expenditure Statement	15
References	16

Figures

Figure 1	EL8/2011 Cumberland Lake Location Plan.	1
Figure 2	Land use of the tenement region	2
Figure 3	Geology of EL8/2011, Cumberland Lake.....	4
Figure 4	Cross section of greisen veins.....	5
Figure 5	Sweeneys drilling summary and alteration zones	6
Figure 6	Proposed Sweeny mineralisation shape.....	6
Figure 7	Extract of 1:5000 Geological Interpretation	9
Figure 8	Reprocessed air magnetic data over the tenement area (RTP_TDR).....	11
Figure 9	Enhanced magnetic image around Sweeneys showing Sweeney West magnetic feature.	11
Figure 10	Sweeneys West magnetic feature with outcrop geology	12
Figure 11	Conceptual mineralization model in southern portion of Heemskirk Granite	12
Figure 12	Proposed resource drilling at Sweeneys Prospect	12

Tables

Table 1	Proposed drill holes at Sweeneys Prospect	13
Table 2	Planned Exploration for Year Three	14
Table 3	EL8/2010 Expenditure for the first two years of tenure	15

1. Introduction

Exploration Licence 8/2011 Cumberland Lake covers 16km² to the east of Mount Agnew and north of the road to Trial Harbour (Figure 1).

The area formed part of the Heemskirk Tin Field and hosts a number of historic tin and base metal prospects. From a review of the available reports and field inspections AHL has determined that exploration will focus on the Sweeneys and Anomaly 1 prospects. The data indicates that both prospects host tin bearing “pipes” with the potential to contain a small (to medium) high grade tin resource.

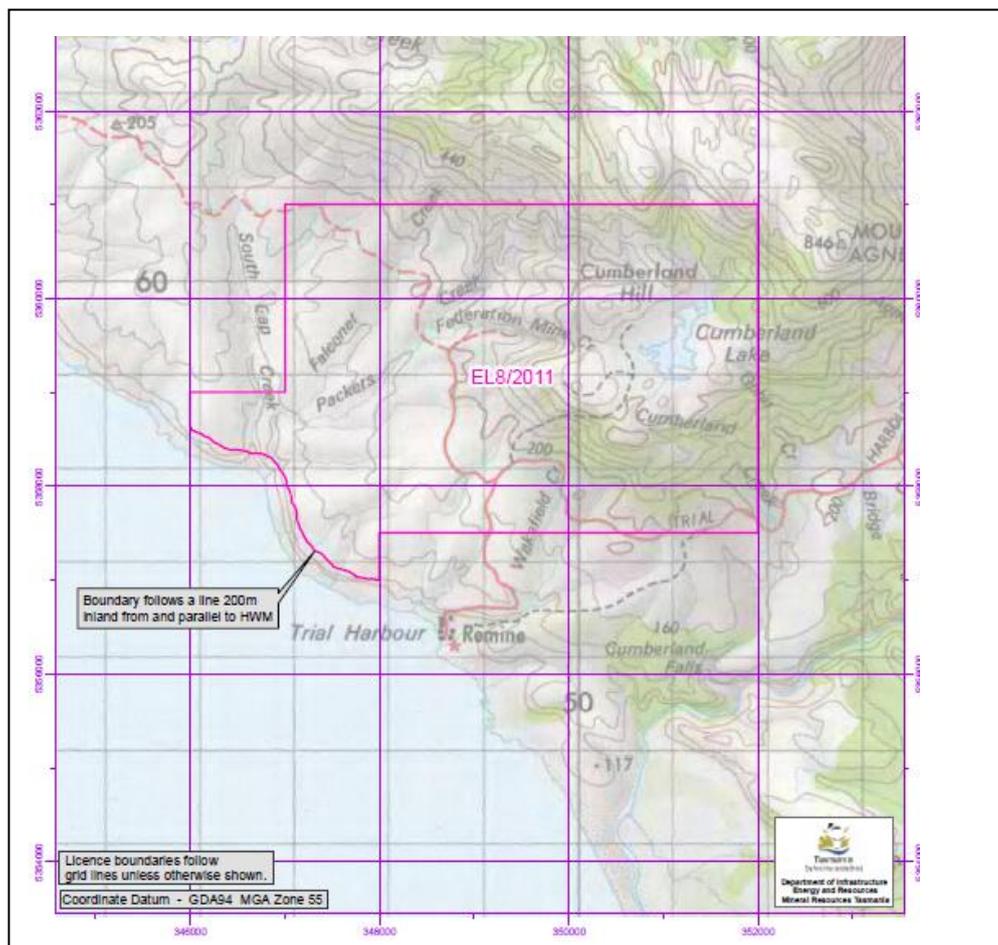


Fig 1: EL8/2011 Cumberland Lake Location Plan. (from MRT website)

In the past two years AHL has completed an analysis of past exploration with limited field work. Both sites are to be tested by drilling. A review of past geophysical surveys indicates an offset pole-dipole 3D IP survey may assist in targeting drilling. The access track to the prospects will have to be made safe for both 4WD vehicles and a drill rig before the planned exploration can proceed.

1.1 Access

The tracks from the Trial Harbour Road up to Sweeneys and Anomaly 1 have steep sections that are in poor shape. Visits to inspect the Federation Mine Area and Sweeneys Mine Area were made on foot. To conduct geophysics, mapping and drilling the track will be repaired to allow vehicle (4WD) access.

1.2 Land Use

The land about Cumberland Lake, where exploration is planned, is currently State Forest which is designated as a proposed Conservation Area, see Figure 2 below. It is therefore available for mineral exploration under the Mineral Resources Development Act 1995.

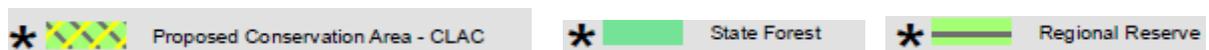
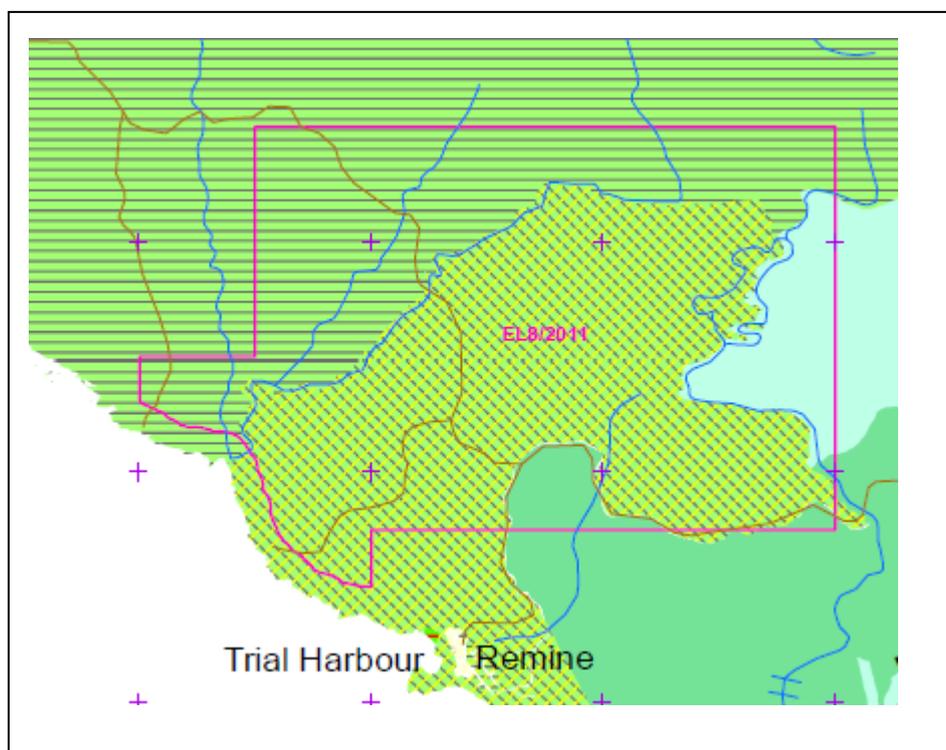


Figure 2: Land use of the tenement region

2. Tenement Details

The title was granted as EL 8/2011 on 12/07/2011 over 19 km², as a result of competitive ERA 842 application process.

3. Geology

The extract from the Strahan 1:50 000 Geological Sheet and (Baillie et al 1977 and 1985) shows that the area of interest is underlain the Devonian Heemskirk Granite. It is described in the Stratigraphic Index as a fine- to coarse-grained, moderately to strongly fractionated, monzogranite to alkali-feldspar granite with hydrothermally altered feldspar. Both I-type and S-type granites occur. The main mineralogy is quartz, K feldspar, and plagioclase plus variable amounts of biotite and tourmaline. The two granites are distinguished by the white and red colours of the K-feldspar.

There may be up to 3% hornblende in the red granite. Both types have apatite, zircon and fluorite as accessory minerals. Magnetite, sphene and allanite are only found in the red granite while monazite, cassiterite and muscovite are confined to the white granite.

The following discussion of the Heemskirk Granite is based on the paper by McClenaghan 2006 on the geochemistry of Tasmanian Devonian-Carboniferous granites.

The intrusion is composite, consisting of red and white types. The red granite occupies the upper portion of the granite and has been intruded by the white granite. The bulk of the unit is composed of the white granite. According to McClenaghan a tourmaline nodular facies is present in the white granite at the contact between white and red. This is interpreted as a fluid rich phase.

The southern part of the batholith, including the EL area, is mostly red granite. It is commonly coarse grained however fine to coarse grained types are present. Prominent quartz-tourmaline nodules and patches occur in both granite types. Nodules are more abundant in the white type while quartz-tourmaline veins are more common in the red granite.

There is a marked contrast in the TI and AI content of biotites from the red and white granites. This and the presence or absence of muscovite may indicate differing host rocks for the granite melt. The mineralogies would suggest that the red granite has a clear affinity with I-types however the white granite has a questionable affinity with S-types. The Heemskirk granites are described as moderately fractionated compared to the Renison and Interview suites.

The emplacement of a late strongly fractionated member of the white granite is the most likely source for the mineralising event.

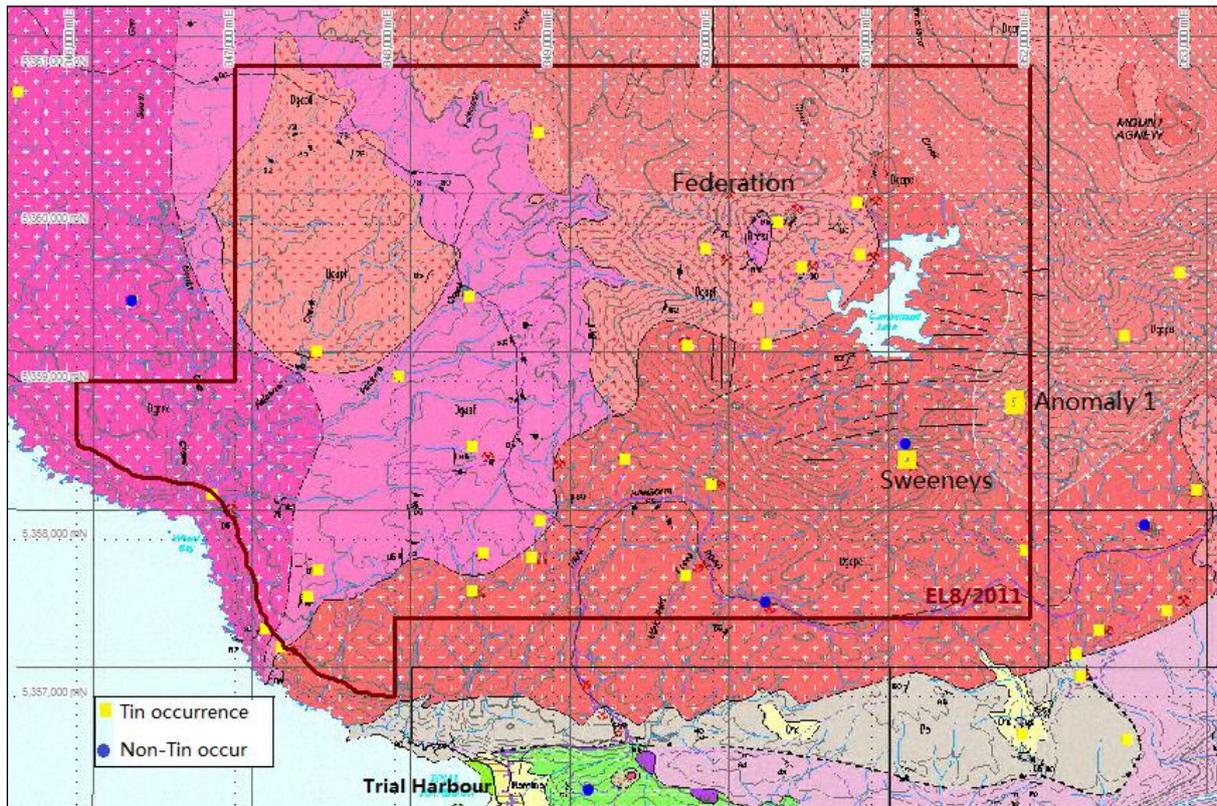


Fig. 3: Geology of EL8/2011, Cumberland Lake (1:25k MRT base geology)

4. Mineralization and Alteration

According to Wells (1978) alteration is pervasive ranging from minor deuteric alteration to complete metasomatic replacement. The two most prominent alteration features being tourmaline nodules and greisen dykes.

The nodules are concentrated in pre-existing fissures or along the red-white granite contact. Greisen veins are developed along joints and 'lineaments' and vary from 100m or less to in excess of 20m. The majority and 3-5m wide and up to 400m long.

The greisens consist of an inner core of quartz-topaz +/- tourmaline, bounded by a narrow zone of white mica, with an outer zone of argillic alteration. Later quartz or tourmaline veins may cut the greisen. The outer zones are often weathered and may not be exposed. The mineralogy of the core may vary as a function of depth. A topaz rich greisen would form at the apex of the system, with increasing tourmalinisation with depth.

Wells (1978) describes the development of breccias, both hydrothermal intrusion breccias and collapse breccias in the area, especially in the Federation workings.

Mineralisation is associated with the greisen vein complexes. Sn is ubiquitous in all phases of the veins, often accompanied by sulphides (pyrite and/or arsenopyrite). Cassiterite is present mainly in the tourmaline rich zones. Bonanza grades of up to 15% Sn occur in some samples; historically the samples averaged 1% or less.

Minerals present in the greisen include cassiterite, pyrite, bismuthinite, magnetic hematite, wolframite, ?stannite, rare molybdenite and fluorite.

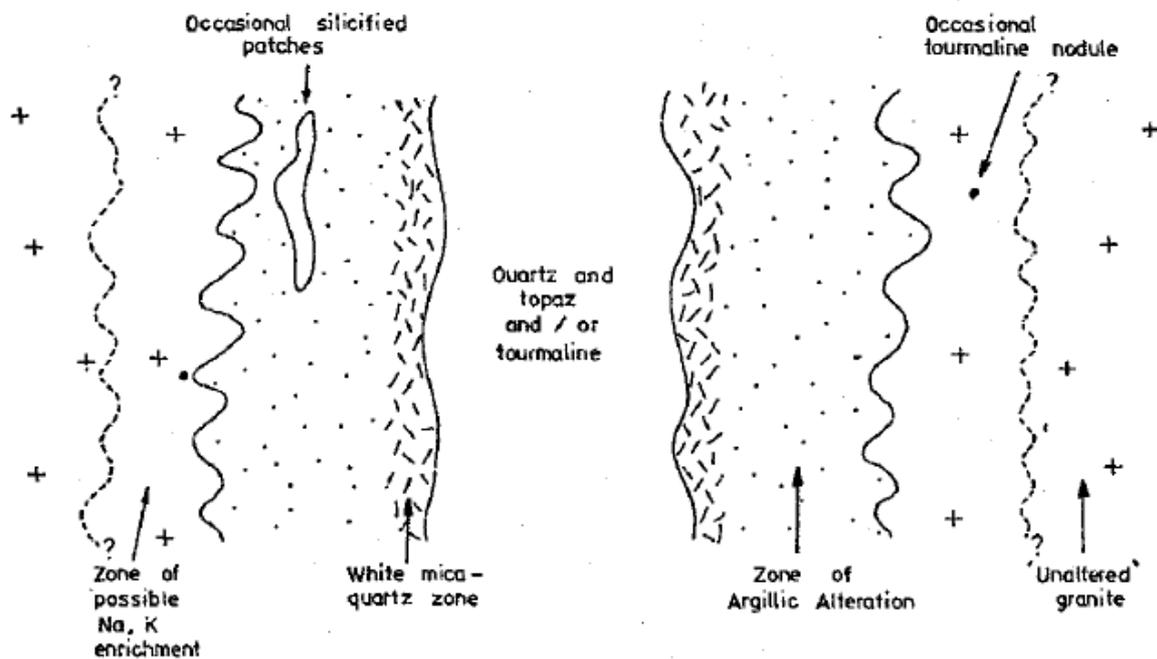


Figure 4: Cross section of greisen veins (after Wells 1978)

The Sweeneys mineralisation is described by Wells (1978). Two pods are present. The main features include:

- A large body of argillic alteration controlled by the plunge on intersecting structures.
- Mineralisation that postdates the pod above, a sub-horizontal sheet.
- Pyrite, sphalerite, fluorite, and some cassiterite are disseminated through the altered granite
- Cassiterite in the upper sections is fine grained (interpreted as a lower temperature, outer halo)
- Deeper into the pods the Sn occurs as Ag rich coarse grained stannite with some chalcopyrite and pyrrhotite.

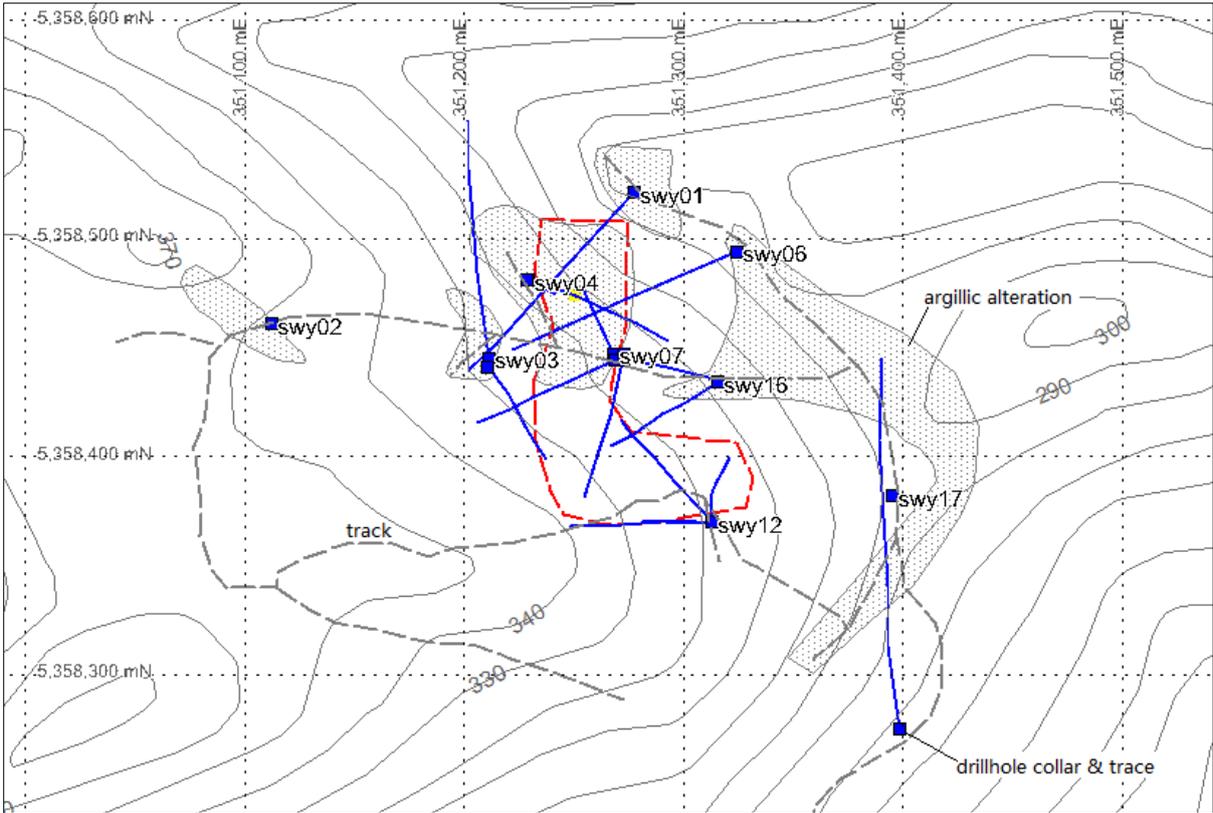


Fig. 5: Sweeneys drilling summary and alteration zones (mineralisation outline in red)

At the end of Renison drilling program in mid-1980's, the shape of Sweeney mineralisation was not certain and proposed to have a contorted pipe like shape, as illustrated in the diagram below (Wells 1979):

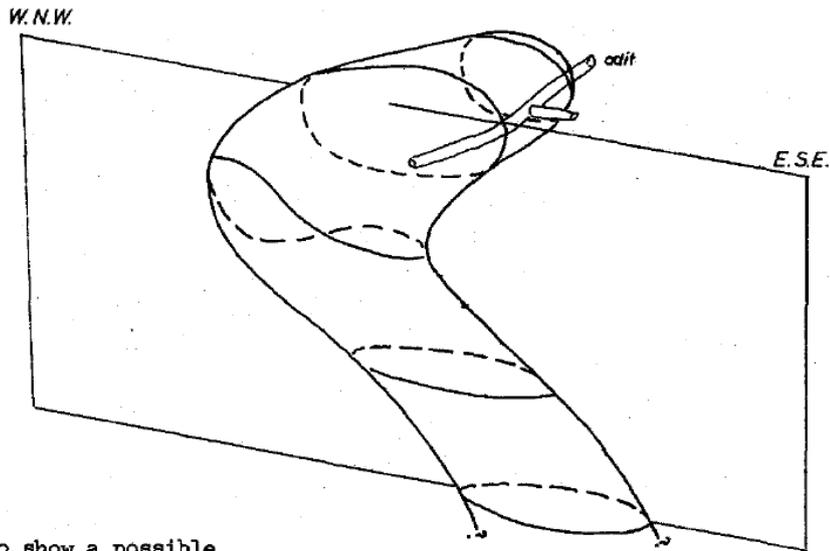


Diagram to show a possible interpretation of the shape of the Sweeney Mineralisation

Fig. 6: Proposed Sweeny mineralisation shape (Wells, 1979)

5. Review on Previous Exploration

The tin prospects at Cumberland Lake were opened up when port facilities were built at Trial Bay. The West Cumberland Tin Company began mining the Federation Mine in 1879 and ceased production in 1938. Total production was 194 tons of Sn concentrate. Several other smaller mines were worked including Sweeneys (or Birthday) Mine, Globe Mine and Montague Mine. For this report I will use Sweeneys as the mine name although Sweeny's is also used in the literature.

EL 11/76 Renison/Gold

Fields

The first recorded modern exploration was undertaken by Renison on EL 11/76. There was a company name change to Gold Fields Exploration after 1984. They explored the area about the Federation Mine, Sweeneys Mine and the Globe Mine from 1976 to 1985.

Their work is summarised in the relinquishment report (85-2323) and includes a bibliography of company reports for the title from 1973-84. The relevant section is reproduced below.

Exploration of the licence included geophysics (magnetic, self potential, electromagnetic, IP and resistivity surveys), geochemical sampling and diamond drilling.

Sweeneys Mine: A total of eighteen diamond holes have been drilled. Six intersected significant mineralisation. (Wells 1977) including:

SWY 11 23m @ 1.17% Sn (0.81% acid soluble Sn), 1.7% Zn and 121 g/t Ag.

Interpretation of the drilling shows a tabular resource with a flat form that turn to near vertical (Cartwright 1983). The drill holes and resource outline is shown below.

Anomaly 1: Ten anomalies were identified from the geophysics and geochemistry programs. Drilling took place at Anomalies 1 and 4. Both intersected mineralisation similar to Sweeneys. Six holes were drilled at Anomaly 1, see figure below.

Anomaly 4: This anomaly was tested by one drill hole.

Extract taken from Relinquishment Report for EL 11/76 by P A Roberts January 1985.

2. WORK COMPLETED 1973-1983

The details of all exploration on the relinquished area in the ten years to 1983 are described in the reports listed in the bibliography. Briefly, the sequence of exploration has comprised three major phases:

- (1) 1973-1974. Grid cutting and geological mapping on the sediments and ultramafics south of the granite contact, and evaluation of ground geophysical, geochemical and drilling data obtained there by E.Z. in the 1960's. The exploration target was

Renison-style tin mineralization. Unfortunately, results were discouraging and attention soon turned to the hornfelsed sediments south-east and east of the granite.

- (2) 1976-1981 Exploration of the Federation Plateau and Sweeneys Mine on the southern flanks of the plateau. This work involved geological mapping, gridding, ground magnetics and gradient array I.P. surveys and the completion of 37 diamond drill holes. The exploration target was initially a bulk tonnage, low grade tin deposit within the granite, however work soon focussed on the known old workings. Although some early drill intersections were encouraging, no significant tin deposits were discovered apart from Sweeneys, which is too small to be an economic proposition by itself.
- (3) 1980-1983. Following the rediscovery of polymetallic stanniferous mineralization at the old Globe Mine in 1979, it was recognized that the area between Sweeneys and the Globe on the S.E. margin of the granite was prospective for Sweeneys-style tin-zinc-silver sulfide-rich deposits. It was then thought that a series of such deposits with grades the same as or better than Sweeneys could be economically viable.

Consequently, the area between Sweeneys and the Globe was covered by gridding, soil geochemistry, I.P. and magnetics surveys. Twelve I.P. and/or geochemical anomalies were identified and of those, two were followed up by diamond drilling six holes. The two drilled anomalies were both found to reflect Sweeneys-style mineralization, however the bulked tin, zinc and silver grades were all less than at Sweeneys.

In 1983 mapping, soil sampling and gradient array IP survey was carried out over the West Agnew grid. An extract of the 1:5000 geology interpretation map, produced by Mr R Poltock covering Sweeneys is presented below. It shows the grid lines used for soil sampling and geophysics plus the intersecting lineaments that may define the plunge of the mineralisation.

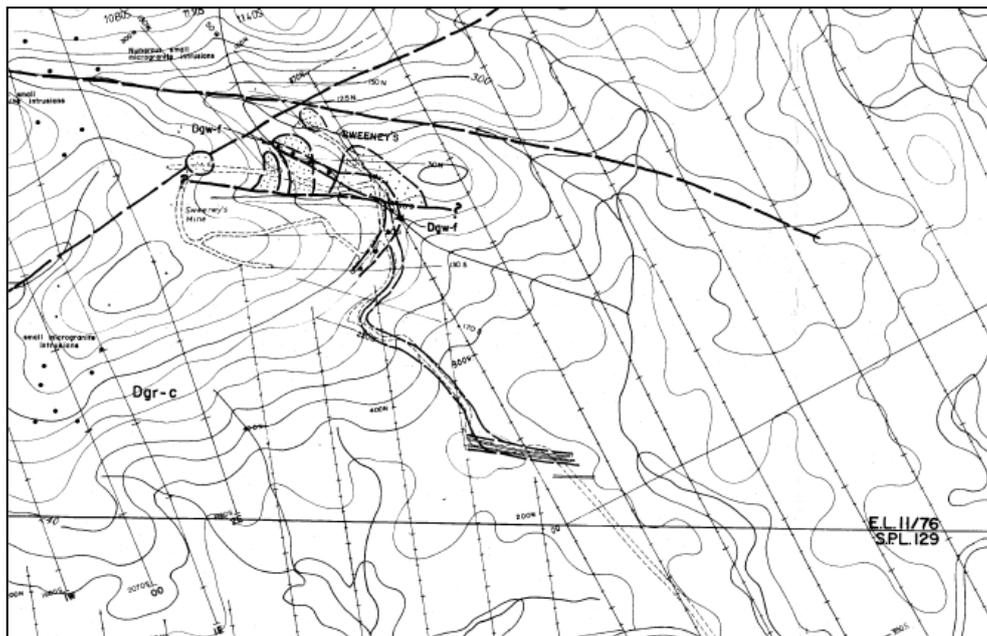


Figure 7: Extract of 1:5000 Geological Interpretation (EL 11/76 Relinquishment Report 1984)

EL 29/92 1992-94 Cavenridge P/L

A large area taken out to locate Sweeny-style deposits with a resource of 1 million tonnes of ore. The potential for dimension stone was also considered. No significant field work carried out.

EL 59/94 1994-1998 David Lane

Mapping and rock chip sampling at Sweeneys Mine and on the Agnew Grid. Some regional reconnaissance. Assessment of Ag potential of the Globe Mine including a self-potential survey, plus bulk sampling.

EL31/202 2002-2007 Luke W Marshall

Work concentrated on sampling the Sweeny Mine. Bulk samples sent for metallurgical testing.

6. Work Completed

Work completed during first two years of tenure have included a number of field inspections, detailed literature survey, data base compilation of previous exploration, reprocessing of airborne geophysical data and planning of resource drilling at Sweeneys Prospect.

6.1 Field Inspections

The area about the Federation Mine, Anomaly 1 and Sweeneys were investigated. Samples were collected as a reference set of lithologies and mineralization/alteration.

6.2 Data Collection

Previous exploration reports and related papers were collated and reviewed. The results are summarized above.

The available data on drill locations, old workings, inferred resource, tracks etc., were compiled as GIS layers. Historical drilling data was computerized for further interrogation over Sweeneys and Anomaly 1 areas.

6.3 Re-Processing of airborne magnetic data

The airborne magnetics were reprocessed using various algorithm filters, including downward RTP slices at 50m and 500m, TMI etc (refer to figure below).

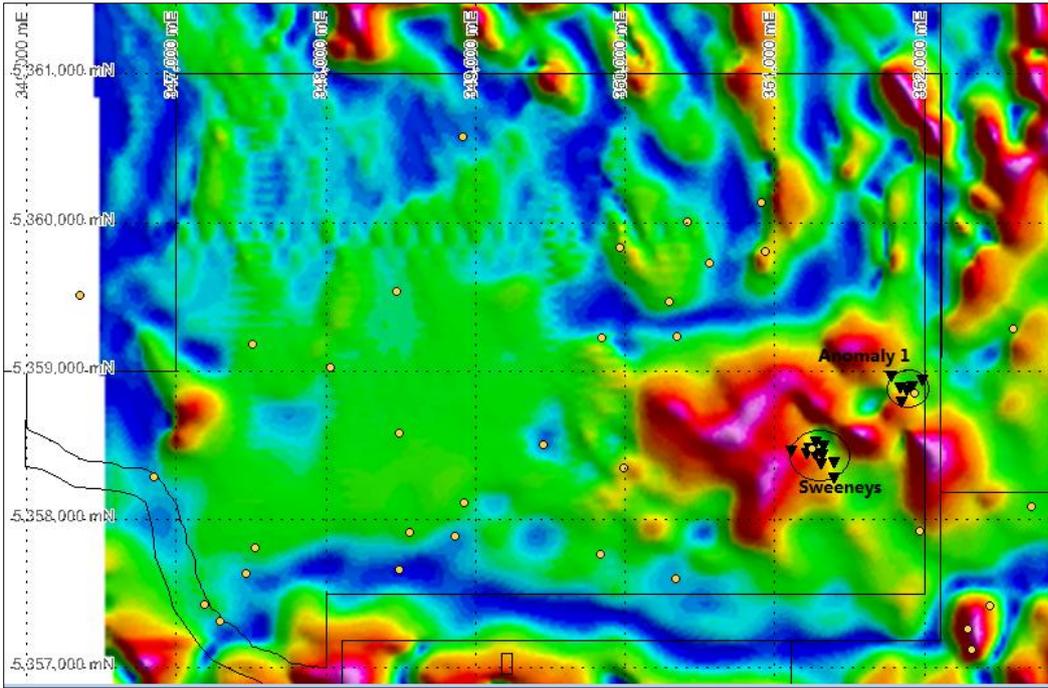


Fig 8: Reprocessed air magnetic data over the tenement area (RTP_TDR)

Enhanced airborne magnetic images around Sweeneys and Anomaly 1 show that a magnetic feature to the west Sweeneys would require further investigation (Fig below).

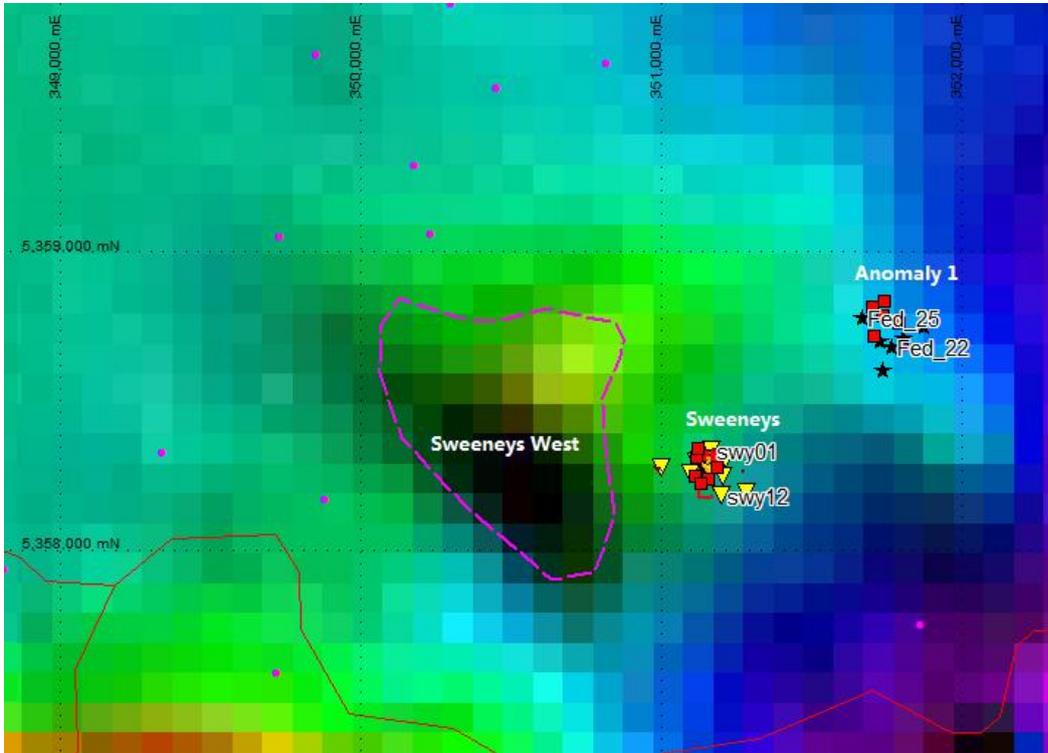


Fig 9: Enhanced magnetic image around Sweeneys showing Sweeney West magnetic feature

The centre of the feature corresponds to a topographic high and was identified to have a 'numerous small microgranite intrusions' (Wells, 1978). Wells (1978) also proposed that early stage 'red' granite is underlain by younger stanniferous 'white' granite with potential of mineralisation associated with mica/quartz greisen along the contact zone between those two granite phases.

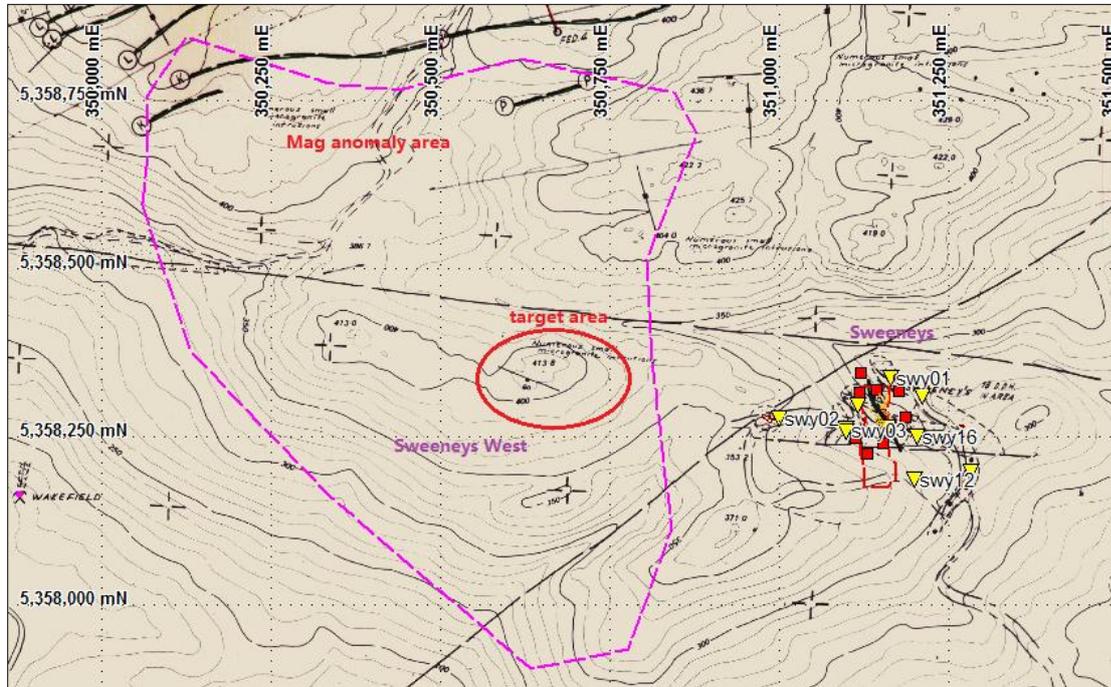


Fig 10: Sweeneys West magnetic feature with outcrop geology

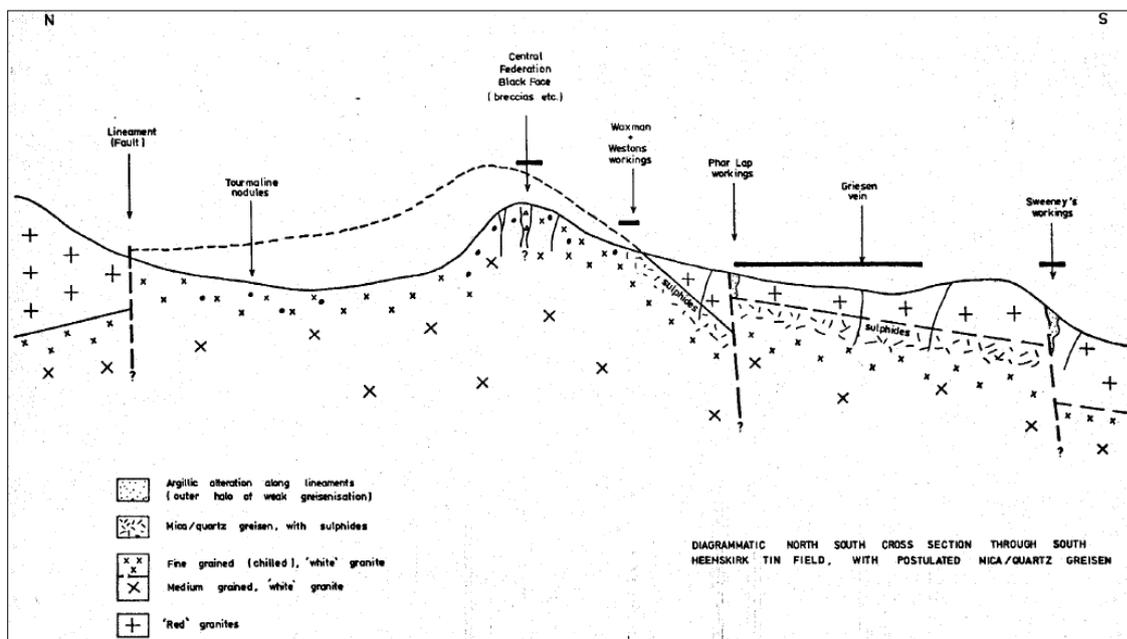


Fig. 11: Conceptual mineralization model in southern portion of Heemskirk Granite (after Wells, 1978)

6.4 Drill planning

A 16-shallow resource infill drill program has been designed to prove up the shape of Sweeneys mineralization and to estimate the size of the resource. A list of proposed holes as well as their parameters is given in the table below.

Table 1: Proposed drill holes at Sweeneys Prospect

HoleID	Dip	Azimuth	Easting	Northing	Length-m	Targets
SWY19	90	0	351245	5358500	50	Flat Lode
SWY20	90	0	351270	5358500	50	Flat Lode
SWY21	90	0	351245	5358475	50	Flat Lode
SWY22	90	0	351270	5358475	50	Flat Lode
SWY23	90	0	351245	5358450	55	Flat Lode
SWY24	90	0	351270	5358450	50	Flat Lode
SWY25	90	0	351245	5358425	100	Flat Lode
SWY26	90	0	351270	5358425	50	Flat Lode
SWY27	90	0	351245	5358400	100	Flat Lode
SWY28	90	0	351270	5358400	100	Flat Lode
SWY29	90	0	351295	5358400	150	Flat Lode
SWY30	90	0	351245	5358375	100	Flat Lode
SWY31	90	0	351270	5358375	100	Flat Lode
SWY32	90	0	351295	5358375	100	Flat Lode
SWY33	70	190	351300	5358435	200	Feeder Zone
SWY34	70	190	351350	5358435	200	Feeder Zone
Total:					1505	

Quotes are being requested from drilling companies to carry out the proposed resource drilling at Sweeneys. Field inspections were made by contractors on the access options for drilling equipment.

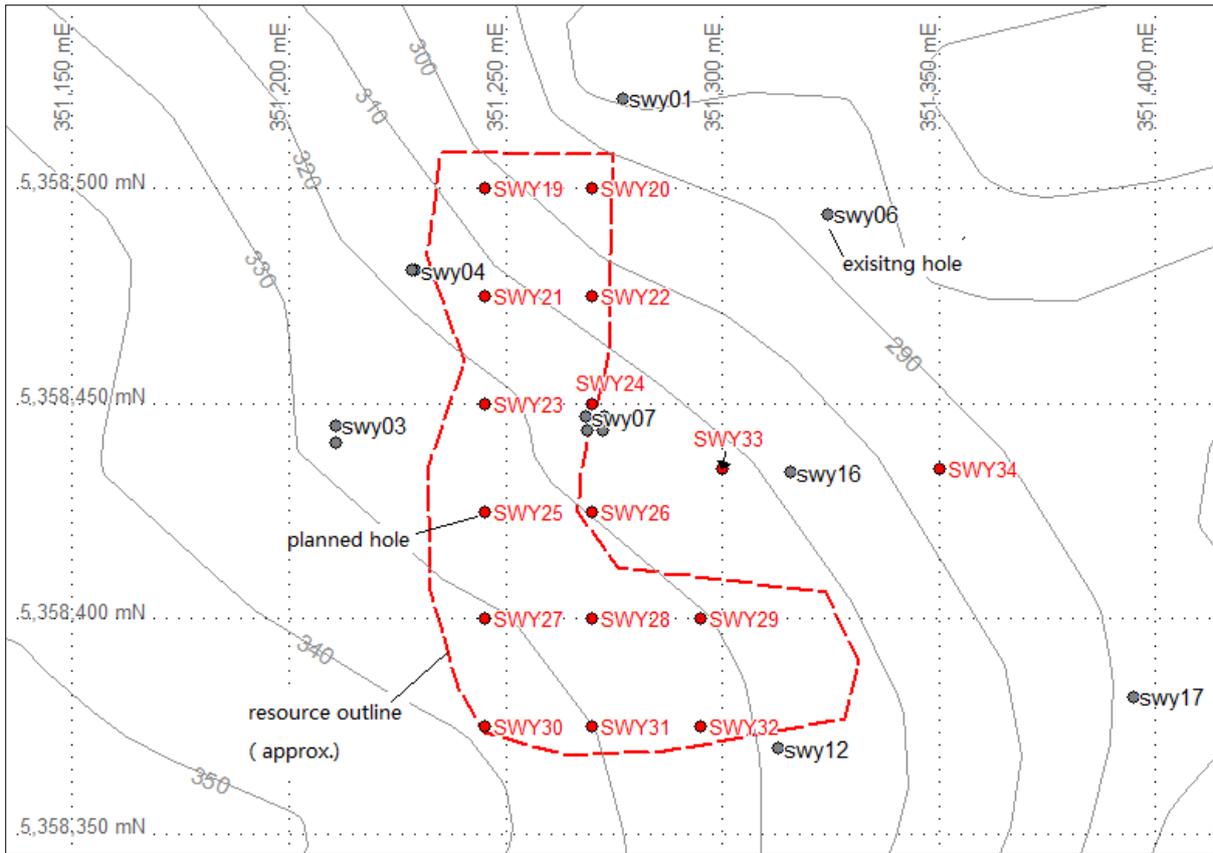


Fig. 12: Proposed resource drilling at Sweeneys Prospect

7. Work Planning for Year 3

Table 2: Planned Exploration for Year Three

Item	Details	Expenditure (\$)
Geological mapping and geochemistry	At prospects - mapping and sampling to assist in siting drill holes. About prospects - recon mapping to determine the cause(s) of magnetic anomalies and check for possible alteration effects from greisen emplacement.	\$20,,000
Site preparation, track repairs	Repairs to existing tracks, new track to Sweeneys and preparation of drill sites when approvals received.	\$30,000
Diamond drilling	Drilling of proposed shallow holes will be conducted once track access issue is resolved and and work permit is obtained from MRT.	\$250,000
Total		A\$300,000

8. Environment

Australian Hualong Pty Ltd has environmental policies in place to always ensure minimisation of the impact that exploration activities have on the environment. All vehicular travel within the tenement has been on the existing tracks.

9. Expenditure Statement

Expenditure for the period 12/7/2011 to 11/7/2013:

Expenditure	\$
Geology	\$11,456
Geochemistry	
Geophysics	\$2,000
Remote Sensing	
Gridding	
Drilling	
Land Access Costs	
Rehabilitation Costs	
Feasibility Study Cost	
Other Cost	\$1,108
Administration Cost	\$1,457
TOTAL	\$16,021

Table 3: EL8/2010 Expenditure for the first two years of tenure

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