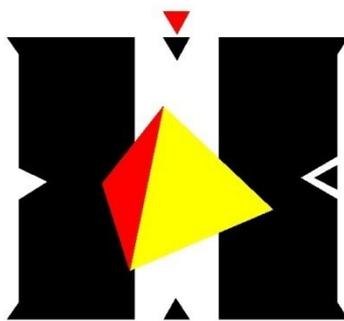


**Retention Licence 3/2009 Oceana**  
**SECOND ANNUAL PROGRESS REPORT**

**For the period**  
**01/02/2014 - 01/02/2015**



**Australian Hualong Pty Ltd**

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Signed:

A handwritten signature in black ink, appearing to read 'L. Veska', is placed over a light grey rectangular background.

Date: January 2015

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.

## Contents

Abstract.....	4
1 Introduction.....	5
1.1 Tenement Location.....	5
1.1.1 Mineral Exploration Area.....	5
1.1.2 Site Location.....	5
1.1.3 Land Tenure.....	5
2 Geology and Previous Work.....	7
2.1 Previous Mining and Exploration within RL3/2009.....	7
2.2 Local Geology.....	8
3 Current Activities 2014 – 2015.....	10
3.1 Exploration Activities.....	10
3.2 Drilling Results.....	10
4 Conclusions and Recommendations.....	15
5 Environment.....	16
6 Expenditure.....	17
7 References.....	18

## Figures

Figure 1: Land Tenure Oceana Retention Licence.....	6
Figure 2: Oceana local geology looking north-west.....	8
Figure 3: Oceana Resource A mineral zones.....	9
Figure 4: Long section, looking South-west. Intersection points of holes OC1 and OC2 shown in red. Base plan from Saxon (1994).....	11
Figure 5: Drill core from hole OC2 approx. 287m down hole.....	11
Figure 6: Long section Oceana Deposit looking local grid west.....	12
Figure 7: Collar details drill hole OC1.....	13
Figure 8: Collar details drill hole OC2.....	13
Figure 9: Down-hole survey info for hole OC1.....	14
Figure 10: Down-hole survey info for hole OC2.....	14
Figure 11: Long section proposed intersects of hole C and hole D.....	15

## Appendices

Appendix 1: Collar and Survey details holes OC1 and OC2

Appendix 2: (Digital) Cross sections holes OC1 and OC2

## Abstract

During the reporting period, 2 diamond drill holes (OC1 and OC2) were completed at Oceana for a total of 700 metres. The holes were drilled beneath the existing workings, close to the main shaft.

The interpreted extension of the Oceana mineralisation was intersected in both holes, although the width and intensity of galena-sphalerite-siderite mineralisation was disappointing in hole OC1, with an intersection from 286 – 290m of 4m @ 1.6% Pb, 0.18% Zn, 11 ppm Ag.

Hole OC2 intersected 6.6m @ 5.1% Pb, 0.25% Zn, 56ppm Ag from 334 – 340.6m including 2.1m of core loss within the interval.

Further drilling is recommended to determine the dip and plunge of a possible high grade 'ore shoot' intersected in Amoco Minerals drill hole ZT-80-4.

Exploration expenditure for the period totalled \$138,358

# 1 Introduction

Australian Hualong P/L (AHL) is a privately owned resources company incorporated in NSW and owned by Mr. Zhian Zhang.

AHL currently holds Retention Licence 3/2009 Oceana, following the acquisition in March 2013 of all of the licences held by Creat Resources Holdings Limited.

## 1.1 Tenement Location

### 1.1.1 Mineral Exploration Area

Retention Licence 3/2009 covers an area of 1 square kilometre and is located south of Zeehan, West Tasmania.

### 1.1.2 Site Location

RL3/2009 covers approximately 1 km<sup>2</sup>, and is located 3.5 km south from Zeehan, Western Tasmania ( Figure). The Henty Road provides road access to RL3/2009. The Emu Bay Railway and the Murchison Highway connect the township of Zeehan with the Port of Burnie, located approximately 140km to the north.

### 1.1.3 Land Tenure

The licence is situated within land currently designated as *Proposed Regional Reserve - CLAC*

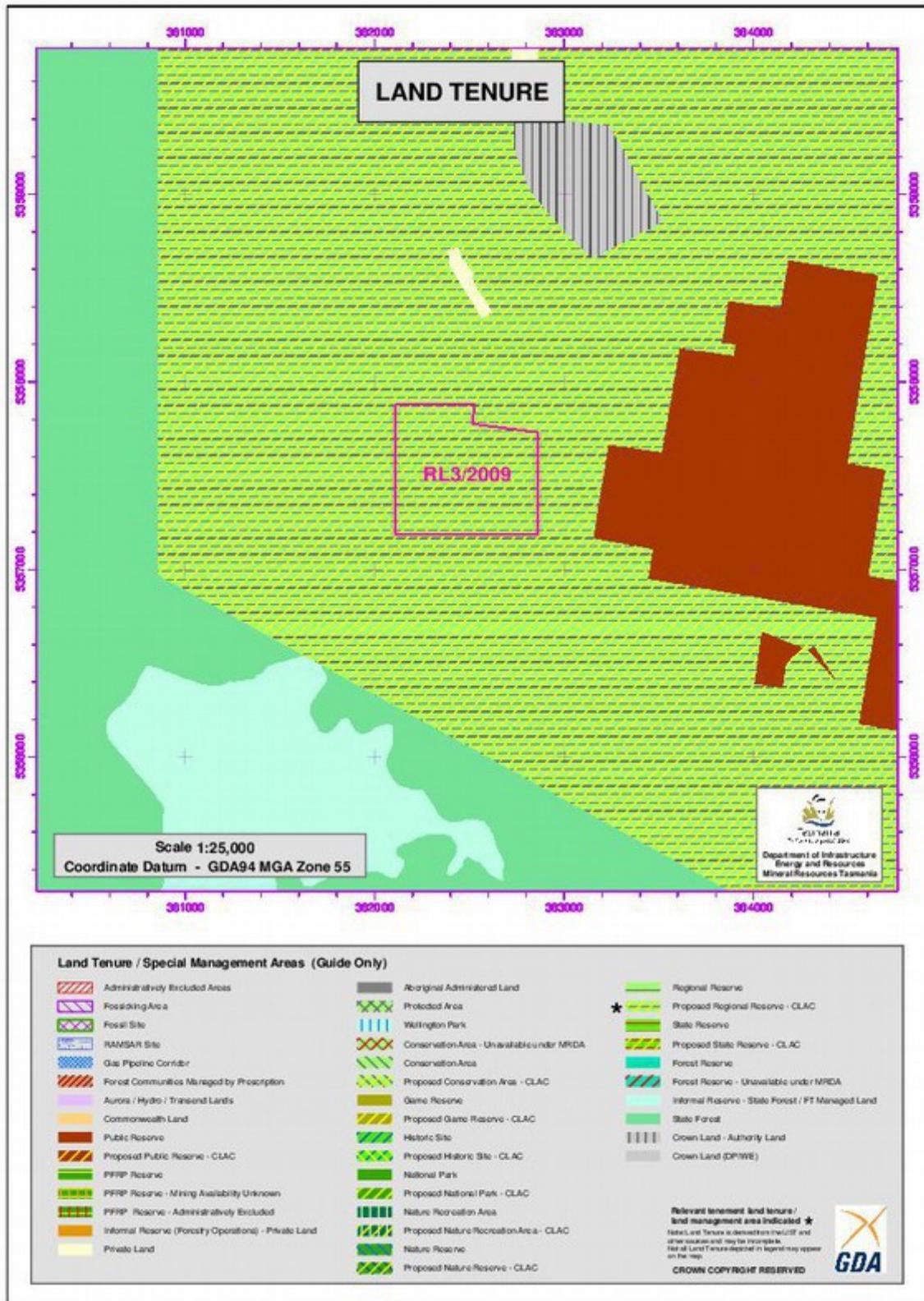


Figure 1: Land Tenure Oceana Retention Licence

## 2 Geology and Previous Work

### 2.1 Previous Mining and Exploration within RL3/2009

The Oceana Lead/Zinc project is hosted by Ordovician-aged carbonates of the Gordon Limestone (Figure 2). The deposit type is similar to the Irish-type of carbonate hosted lead/zinc deposit, particular with the Silvermines and Tynagh deposits (Taylor & Mathison, 1990).

McGilvray (2003) completed a geological and mineralisation study of the Oceana deposit for an Honours thesis based at CODES, the University of Tasmania. The historical notes detailed here are from that report. The initial discovery of lead (and silver) mineralisation at Oceana was in 1887 as part of the Zeehan Mineral Field boom of the late 1880's. From 1892 to 1899 a series of small shafts and drives were driven on the deposit and total of 1016t of ore was extracted at 39% Pb and 445g/t Ag (Blissett, 1962). Mining ceased when the shaft collapsed. Minor extraction went on from 1909 to 1925 and in the early 1950's a joint venture between BHP North and South was formed, Zeehan Mines Pty Ltd., in order to drill out and mine the resource. Drilling consisted of 39 surface diamond holes and 58 underground diamond holes. Mining began in 1954, ceasing in 1960 due to excessive water inflows, reported as 11.3 mega-litres per day (Jack 1961). A 200m shaft was sunk, with the first 30m in decomposed limestone clay, and the establishment of a further 5 levels was completed.

Production is reported in Blissett (1962), as comprising 131,821 tonnes of ore at 11.5% Pb and 132g/t Ag (no zinc reported). Mining was by flat back cut and fill stoping with fill comprising de-slimed mill tailings. Exploration was re-established in 1978 by AMOCO (Jones, 1981) and then an

AMOCO/EZ/Cyprus joint venture (Jones, 1983), followed ultimately by Pasminco in 1992-6 (Quayle, 1993). The exploration work by AMOCO included a study of the Zeehan Mines historical work (Curtis, 1981) with further diamond drilling and costeaning enabling resource estimations to be undertaken.

An AMOCO/Cyprus Gold Australia Corporation JV continued exploration in 1988 producing a geological study and a feasibility report respectively (Ingham, 1988), quoting 2.47Mt at 9.4%Pb, 4%Zn and 68ppm Ag to a depth of 350m (approximately 840mRL) with a 5%Pb+Zn cut off. These resource figures were reported to a JORC (1985) standard. Pasminco (Saxon 1994) re-estimated the resource based on previous explorers work, concluding with a figure of 2.49Mt at 7.5%Pb, 2.6% Zn and 45.4 ppm Ag. These resource figures were for internal use by Pasminco and were never reported publicly. In 1997 Mancala Pty Ltd completed a re-assessment of the data and concluded that potential for an open pit existed to the immediate north of the old mine, around Resource A (Ackerman, 1998). The estimated resource of 135,000 tonnes at 12% Pb, 2.8% Zn and 68g/t Ag, was based on an open pit operation to 50m (a shallower option was also investigated), with a 10% Pb+Zn cut off. These resource figures were never reported to JORC standards and are only included here for historical purposes.

None of the previous explorers have attempted to recreate the original Oceana mined resource. Since 2002, when Zeehan Zinc acquired the Oceana area under licence, work completed included locating hard copy versions and digitising the old Zeehan Mines drilling data, digitising of all other historically relevant drilling and trenching data. Fieldwork consisted of re-establishing the local grid, undertaking a detailed gravity survey, minor trenching and an initial aircore drilling programme of 3 holes for a total of 100m. ZZ also commissioned SMGC to do resource estimation on a potential open pit resource, this included ZZ completing bulk density measurements on nearly 200 samples of historical core. ZZ completed a further 18 aircore drill holes in April/May 2006.

In 2008, Creat Resources Holdings Limited drilled seven diamond drill holes centred around the known resource for a total of 587m. These drill holes were drilled primarily for metallurgical purposes, but achieved poor recovery generally. Assaying was not systematically undertaken, a lack of funds cited as the reason at the time. The

metallurgical drill holes have not been incorporated into the resource model as of December 2014, however this data will be combined with the Australian Hualong drilling results where possible to obtain an updated resource model.

## 2.2 Local Geology

The Oceana lead/zinc deposits occur as two parallel lodes in steeply east dipping calcisiltites, calcarenites and syn-sedimentary breccias of the Ordovician-aged Gordon Limestone (Figure 3). Mineralisation comprises stratabound, semi-massive galena and sphalerite, locally with semi-massive pyrite, associated with an intensely pervasive, hydrothermal-related, siderite alteration. There are also zones within the drill core and at surface of dark grey/black clays, which are likely to be residual weathering deposits of both the limestone and/or the sulphide bodies.



Figure 2: Oceana local geology looking north-west

The mineralised body is split into two sections by the obliquely cross cutting Oceana Mine Fault with the northern limit of mineralisation truncated by the cross cutting Oceana Fault (Figure 4). The southern end of the mineralisation is believed to taper out to the south whilst both sections are open at depth.

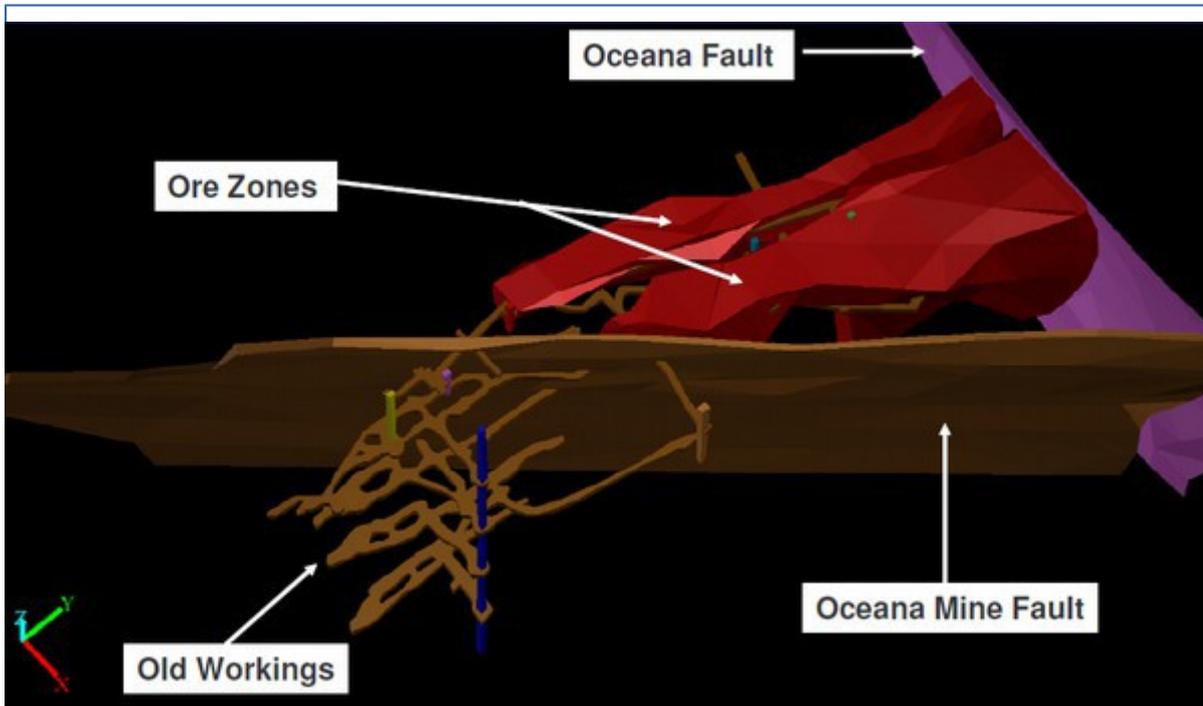


Figure 3: Oceana Resource A mineral zones

The mineralisation north of the Oceana Mine Fault was identified by ZZ as Resource A and consists of a variety of competent, sideritic limestones with galena and sphalerite adjacent to clay-rich oxidised lead- and zinc-rich material. The historical logging records oxidised products of the sulphide mineralisation as being cerussite and hemimorphite/smithsonite. Sections of the old workings by Jack (1961) allude to the possibility of small scale flat lying dextral thrust faults. A low grade envelope exists to the main high grade mineralisation, being more prominent with Resource A.

### 3 Current Activities 2014 – 2015

#### 3.1 Exploration Activities

During the reporting period, 2 diamond drill holes (OC1 and OC2) were completed at Oceana for a total of 700 metres in late December 2014.

Drill Name	X (GDA94)	Y (GDA94)	Drill Length (m)	Azimuth (Mag)	Dip	Drill End Date	X Local	Y Local	RL(m)
OC1	362579	5357604	341	217	-50	20/NOV/14	1563	3450	191
OC2	362555	5357652	358.6	217	-58	15/DEC/14	1570	3500	192

Table 1: Details for drill holes OC1 and OC2.

The aim of the drill holes was to test for the presence of lead-zinc mineralisation below the local 1000 RL (~200m below surface) at Oceana on local sections 3450 and 3500N, south of the Oceana Mine Fault. The main shaft at Oceana is located at the intersection of 3500N and baseline 1400E.

Amoco Minerals Australia drilled at Oceana in the late seventies and early eighties, some of their intercepts south of the Oceana Mine Fault are shown in Figure 4 with approximate intercepts of the recent drill holes OC1 and OC2 shown in red in long section view.

#### 3.2 Drilling Results

Wholecore Drilling (Brian Williams) was contracted to undertake the drilling program. It was originally believed that drilling conditions would be quite difficult based on previous experience at Oceana, however the program proceeded well, unfortunately the mineralised zone in hole OC2 was fractured and leached, resulting in 2m of core loss in the zone of interest. There was a significant southerly deflection experienced by drill hole OC2 at around 100m down hole.

Results for drill hole OC1 were disappointing, with only minor galena mineralisation and siderite alteration present at the projected Oceana mineralisation horizon, intersection from 286 – 290m of 4m @ 1.6% Pb, 0.18% Zn, 11 ppm Ag.

Drill hole OC2 intersected a 7-8 metre zone of altered and mineralised limestone. It intersected 6.6m @ 5.1% Pb, 0.25% Zn, 56ppm Ag from 334 – 340.6m including 2.1m of core loss within the mineralised zone.

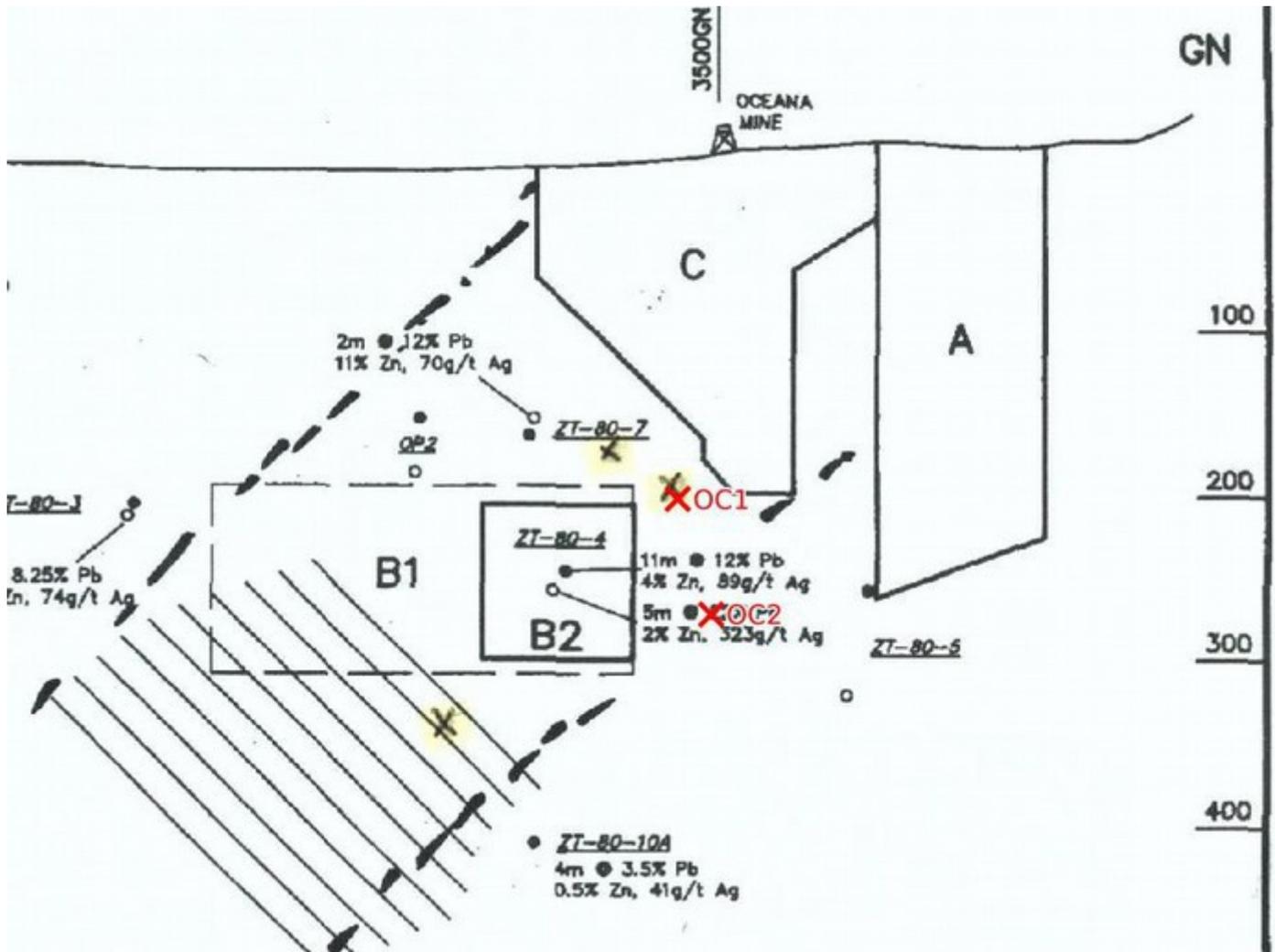


Figure 4: Long section, looking South-west. Intersection points of holes OC1 and OC2 shown in red. Base plan from Saxon (1994).



Figure 5: Drill core from hole OC2 approx. 287m down hole.

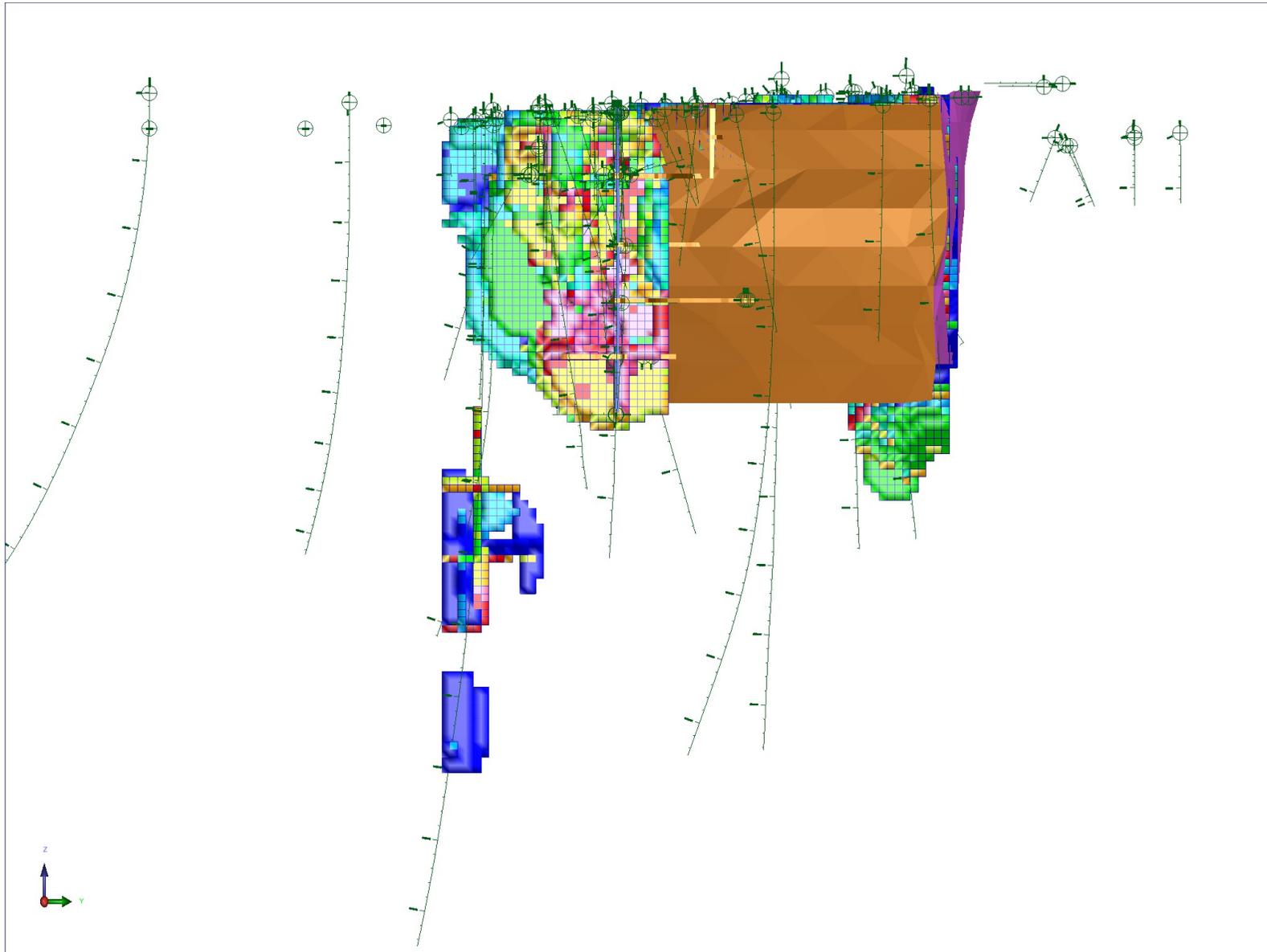


Figure 6: Long section Oceana Deposit looking local grid west

**Collar Information** Cancel Apply Changes

**Drillhole Name** OC1 **Parent Hole (for re-entries)**

**Property** RL3/2009 **Prospect** Oceana Deposit

**Datum** MGA94 Zone55  **Primary Drill Type** Diamond

**Wedge Depth (m)**  **Underground/Surface** Surface

**X** 362579 **Y** 5357604

**X Local Grid** 1563 **Y Local Grid** 3450

**Coord. Accuracy** 4m **Position Method** Handheld GPS

**RL (m)** 1191 **RL Accuracy** 4m

**Collar Azimuth (Mag)** 217  **Collar Dip** -50

**Drill Length (m)** 341

**Hole Complete Date** 20-NOV-2014 **Date Precision** Day

**QA Level** Complete and correct **Enter Date** 31/JUL/14

**Last Update Date** 25/NOV/14 **Last User** HUALONG

**Drill Comments**  
 Hole collared 05/11/2014, formerly Oceana B.  
 HW Casing placed to 21m.

70 of 256

Figure 7: Collar details drill hole OC1

**Collar Information** Cancel Apply Changes

**Drillhole Name** OC2 **Parent Hole (for re-entries)**

**Property** RL3/2009 **Prospect** Oceana Deposit

**Datum** MGA94 Zone55  **Primary Drill Type** Diamond

**Wedge Depth (m)**  **Underground/Surface** Surface

**X** 362555 **Y** 5357652

**X Local Grid** 1570 **Y Local Grid** 3500

**Coord. Accuracy**  **Position Method** Handheld GPS

**RL (m)** 1192 **RL Accuracy** 4m

**Collar Azimuth (Mag)** 217  **Collar Dip** -58

**Drill Length (m)** 358.6

**Hole Complete Date** 15-DEC-2014 **Date Precision** Day

**QA Level**  **Enter Date** 24/JUL/14

**Last Update Date** 19/MAR/15 **Last User** HUALONG

**Drill Comments**  
 Proposed hole (Oceana A) below Shaft 6 (main  
 shaft) area.

57 of 256

Figure 8: Collar details drill hole OC2

**Enter Downhole Survey Data**

Cancel Delete Apply Changes Add Survey

<input type="checkbox"/>	Depth	Azimuth	Azimuth Datum	Dip
<input type="checkbox"/>	0	270	Local	-50
<input type="checkbox"/>	30	279	Local	-48.9
<input type="checkbox"/>	70	276.1	Local	-48.4
<input type="checkbox"/>	90	278.8	Local	-48.6
<input type="checkbox"/>	120	276.1	Local	-48.7
<input type="checkbox"/>	150	278.5	Local	-48.1
<input type="checkbox"/>	180	280.2	Local	-46.8
<input type="checkbox"/>	210	277.5	Local	-46.3
<input type="checkbox"/>	240	279	Local	-44.1
<input type="checkbox"/>	270	279.5	Local	-43
<input type="checkbox"/>	300	272.2	Local	-42
<input type="checkbox"/>	330	279	Local	-41.5
<input type="checkbox"/>	340	275.8	Local	-41.4

Export to Spread Sheet

Figure 9: Down-hole survey info for hole OC1

**Enter Downhole Survey Data**

Cancel Delete Apply Changes Add Survey

<input type="checkbox"/>	Depth	Azimuth	Azimuth Datum	Dip
<input type="checkbox"/>	0	278	Local	-58
<input type="checkbox"/>	60	273.6	Local	-56.7
<input type="checkbox"/>	90	275.8	Local	-56.8
<input type="checkbox"/>	120	266.1	Local	-56.6
<input type="checkbox"/>	150	267.7	Local	-55.8
<input type="checkbox"/>	180	263.7	Local	-54.4
<input type="checkbox"/>	210	264	Local	-54.5
<input type="checkbox"/>	240	263.5	Local	-54.4
<input type="checkbox"/>	270	270.8	Local	-53.7
<input type="checkbox"/>	280	267.5	Local	-53.3
<input type="checkbox"/>	300	263.7	Local	-52
<input type="checkbox"/>	320	267.5	Local	-48.9
<input type="checkbox"/>	355	258.1	Local	-46.1

Export to Spread Sheet

Figure 10: Down-hole survey info for hole OC2

## 4 Conclusions and Recommendations

Further drill hole proposals (hole C and hole D below) have been recently submitted to MRT for approval to further investigate the nature and continuity of the Oceana mineralisation below the local 1000m RL.

Further drilling is recommended to determine the dip and plunge of a possible high grade 'ore shoot' intersected in Amoco Minerals drill hole ZT-80-4.

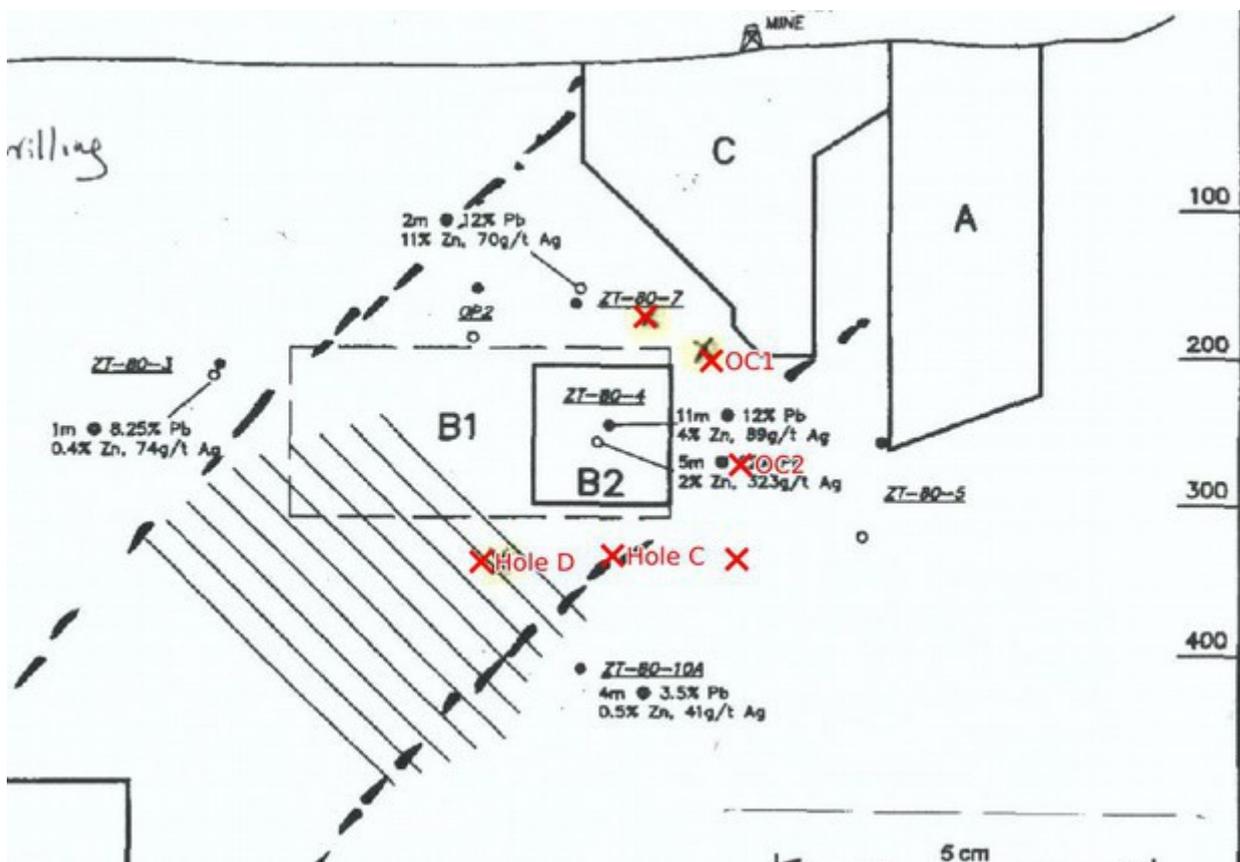


Figure 11: Long section proposed intersects of hole C and hole D

## **5 Environment**

During the period routine water sampling and analysis of the local creek at Oceana was carried out by the company.

Visual inspection of the site is made on a quarterly basis by the company to monitor any potential impact by activities, past and present.

## 6 Expenditure

RL3/2009 Expenditure for the year ending 01<sup>st</sup> February, 2015.

Expenditure	\$
Geology	\$ 28,654
Rehabilitation	\$ 2,108
Drilling	\$ 103,222
Other Cost	\$ 2,919
Administration Cost	\$ 1,455
<b>TOTAL</b>	<b>\$ 138,358</b>

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