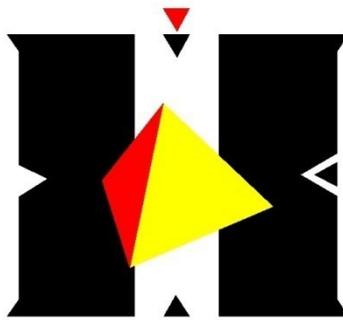


**RETENTION LICENCE 3/2009 OCEANA
THIRD ANNUAL PROGRESS REPORT**

For the period

01/02/2015 - 01/02/2016



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.

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Mineral Resources Tasmania

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

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- RL32009_201602_06_Appendix5_OC5_3575N_Zinc.pdf
- RL32009_201602_07_Appendix6_AMC_planned_holes_sections_R.pdf
- Drill Core photographs

Summary

During the reporting period, 4 diamond drill holes (OC3 to OC6) were completed at Oceana for a total of 772 metres.

Drill hole OC3 (503.5m) was the last of three deep diamond drill holes drilled beneath the workings at Oceana. Best intersection in OC3 was a galena-siderite-sphalerite zone from 465 - 476m: 11m @ 6.7% Pb, 0.28% Zn, 71ppm Ag. OC3 steepened with depth, thus intersecting mineralisation at a greater depth, and closer to Amoco drill hole ZT-80-10A than desired. Overall, the deep drilling at Oceana confirms the existence of the mineralised horizon at depth, however there is a measure of variability in the intensity and thickness of alteration and mineralisation, even in adjacent holes.

The shallow infill resource drilling program at Oceana was stopped prematurely following drill hole OC6, this program should be continued to improve the confidence level of the resource calculated by Tear (2006).

Holes OC4 - 6 intersected wide zones of low to moderately mineralised black plastic carbonaceous clays and intensely weathered argillaceous limestone with occasional sandstone/conglomerate interbeds.

Exploration expenditure for the period totalled \$ 224, 865

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 km², 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*

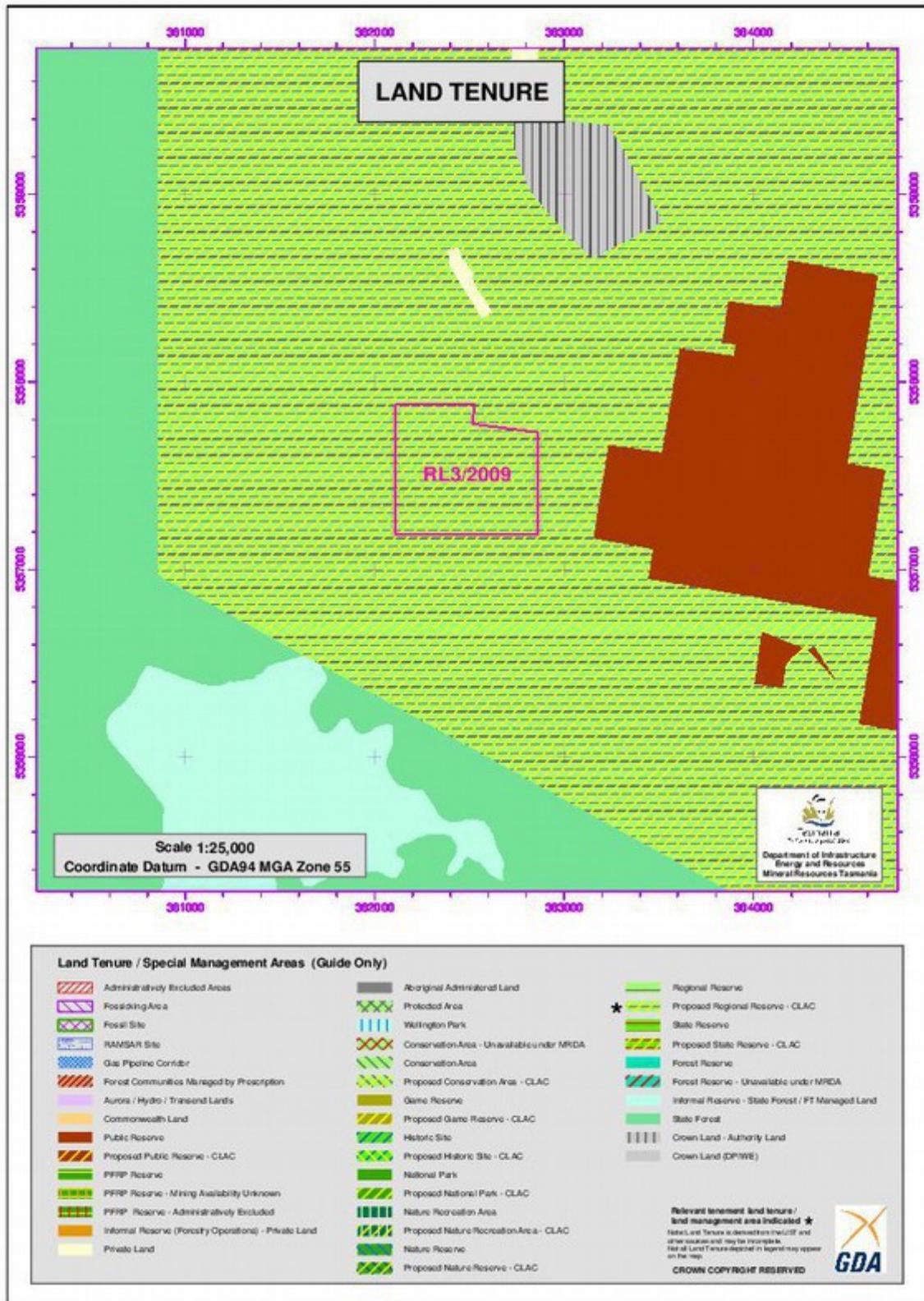


Figure 1: Land Tenure Oceana Retention Licence

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.

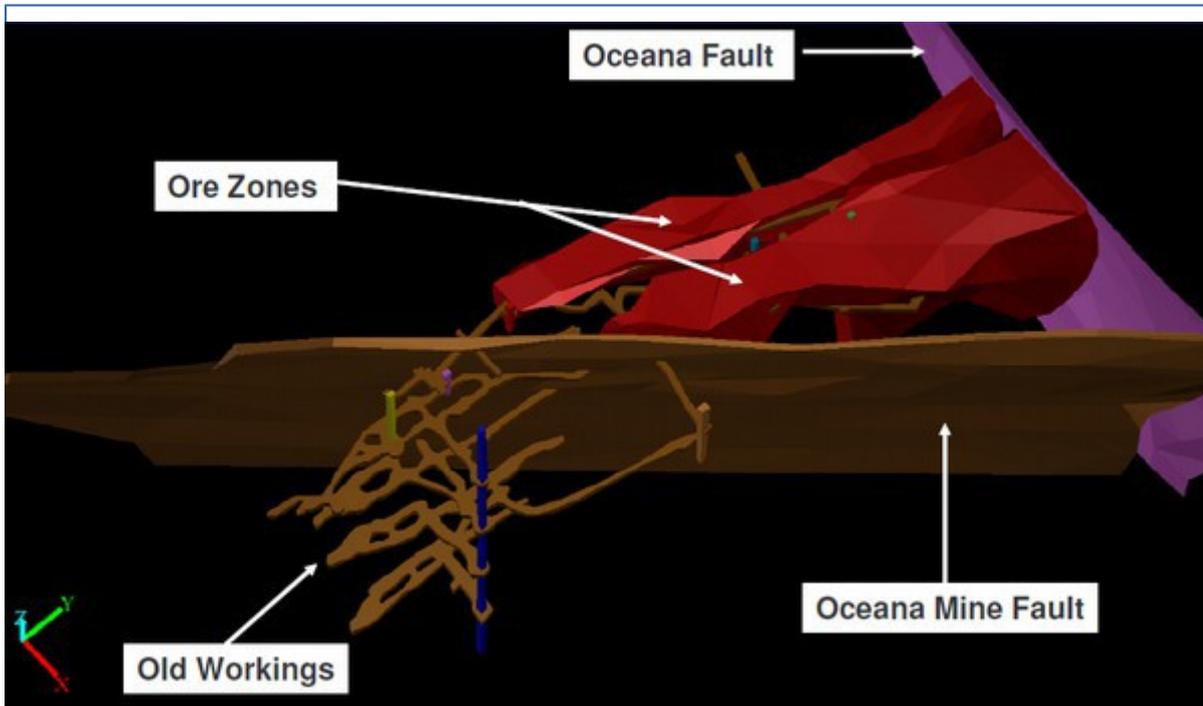


Figure 3: Oceana Resource A mineral zones

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 2015 – 2016

3.1 Drilling Activities

During the reporting period, 4 diamond drill holes (OC3 – OC6) were completed at Oceana for a total of 772 metres.

Drill Name	X (GDA94)	Y (GDA94)	Drill Length (m)	Azimuth (Mag)	Dip	Drill End Date	X Local	Y Local	RL(m)
OC3	362598	5357562	503.5	215	-70	27/MAY/15	1542	3410	181
OC4	362335	5357609	136	35	-60	11/AUG/15	1380	3625	197
OC5	362352	5357572	62	35	-55	14/AUG/15	1362	3579	194
OC6	362381	5357647	70.7	215	-60	21/AUG/15	1437	3625	193

Table 1: Details for drill holes OC3, 4, 5 and 6

The aim of hole OC3 was to test for the presence of lead-zinc-silver mineralisation below the local 1000 RL (~200m below surface) on local section 3400N, 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 5 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) continued with the Oceana drilling during 2015.

Drill holes OC4 – OC6 were designed as the beginning of an infill drilling program to improve the resource confidence level. These holes were similar to holes suggested by AMC consultants in 2008, see digital appendix 6.

The holes intersected wide zones of low to moderately mineralised black plastic carbonaceous clays and intensely weathered argillaceous limestone with occasional sandstone/conglomerate interbeds. Clay/core recovery was generally good, given the nature of the ground. It was observed that at times in the soft ground (in the expected mineralised zone) aggregations of galena were 'captured' near the bit – as discovered when the drill string was pulled. It is likely that in the softest ground, the lead content is being understated due to some of this material not being returned in the core.



Figure 4: Mineralised drill core from hole OC3 approx. 470m down hole.



Figure 5: Mineralised core from OC3 ~467m down hole

Collar Information Cancel Apply Changes

Drillhole Name OC3 **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 362598 **Y** 5357562
X Local Grid 1542 **Y Local Grid** 3410
Coord. Accuracy 4m
Position Method Handheld GPS
RL (m) 1181 **RL Accuracy** 4m
 Collar Azimuth (Mag) 215 **Collar Dip** -70
 Drill Length (m) 503.5
Hole Complete Date 27-MAY-2015 **Date Precision** Day
QA Level **Enter Date** 19/FEB/15
Last Update Date 02/JUL/15 **Last User** HUALONG

Drill Comments
 Tri-coned hole initially to 53m. Original hole finished 11/04/2015. Hole re-entry - deepened from 455.5m to 503.5m on 27/05/2015. PVC installed for down-hole EM.

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Figure 6: Collar details drill hole OC3

Collar Information Cancel Apply Changes

Drillhole Name OC4 **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 362335 **Y** 5357609
X Local Grid 1380 **Y Local Grid** 3625
Coord. Accuracy 2m
Position Method Handheld GPS
RL (m) 1197 **RL Accuracy** 4m
 Collar Azimuth (Mag) 35 **Collar Dip** -60
 Drill Length (m) 136
Hole Complete Date 11-AUG-2015 **Date Precision** Day
QA Level Incomplete **Enter Date**
Last Update Date 19/AUG/15 **Last User** HUALONG

Drill Comments
 Shallow resource drilling program commenced on Tuesday July the 28th, 2015 with this hole. Resource A, (Hole F).

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Figure 7: Collar details drill hole OC4

Collar Information Cancel Apply Changes

Drillhole Name OC5 **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 362352 **Y** 5357572

X Local Grid 1362 **Y Local Grid** 3579

Coord. Accuracy 4m **RL Accuracy** 4m

Position Method Handheld GPS **Collar Dip** -55

RL (m) 1194 **Collar Azimuth (Mag)** 35

Drill Length (m) 62 **Hole Complete Date** 14-AUG-2015 **Date Precision** Day

QA Level Incomplete **Enter Date**

Last Update Date 23/SEP/15 **Last User** HUALONG

Drill Comments
Resource A (Hole D)

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Figure 8: Collar details drill hole OC5

Collar Information Cancel Apply Changes

Drillhole Name OC6 **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 362381 **Y** 5357647

X Local Grid 1437 **Y Local Grid** 3625

Coord. Accuracy 4m **RL Accuracy** 4m

Position Method Handheld GPS **Collar Dip** -60

RL (m) 1193 **Collar Azimuth (Mag)** 215

Drill Length (m) 70.7 **Hole Complete Date** 21-AUG-2015 **Date Precision** Day

QA Level Incomplete **Enter Date**

Last Update Date 23/SEP/15 **Last User** HUALONG

Drill Comments
Resource A (Hole E)

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Figure 9: Collar details drill hole OC6

4 Conclusions and Recommendations

Further drill holes are required to understand the nature and continuity of the Oceana mineralisation below the local 1000m RL, in particular a shallower hole is recommended on the same section as OC3 (Figure 10) to determine the dip and plunge of a possible high grade 'ore shoot' intersected in Amoco Minerals drill hole ZT-80-4.

Additionally, the shallow infill resource drilling program at Oceana was stopped prematurely following drill hole OC6, this program should be continued to improve the confidence level of the resource calculated by Tear (2006).

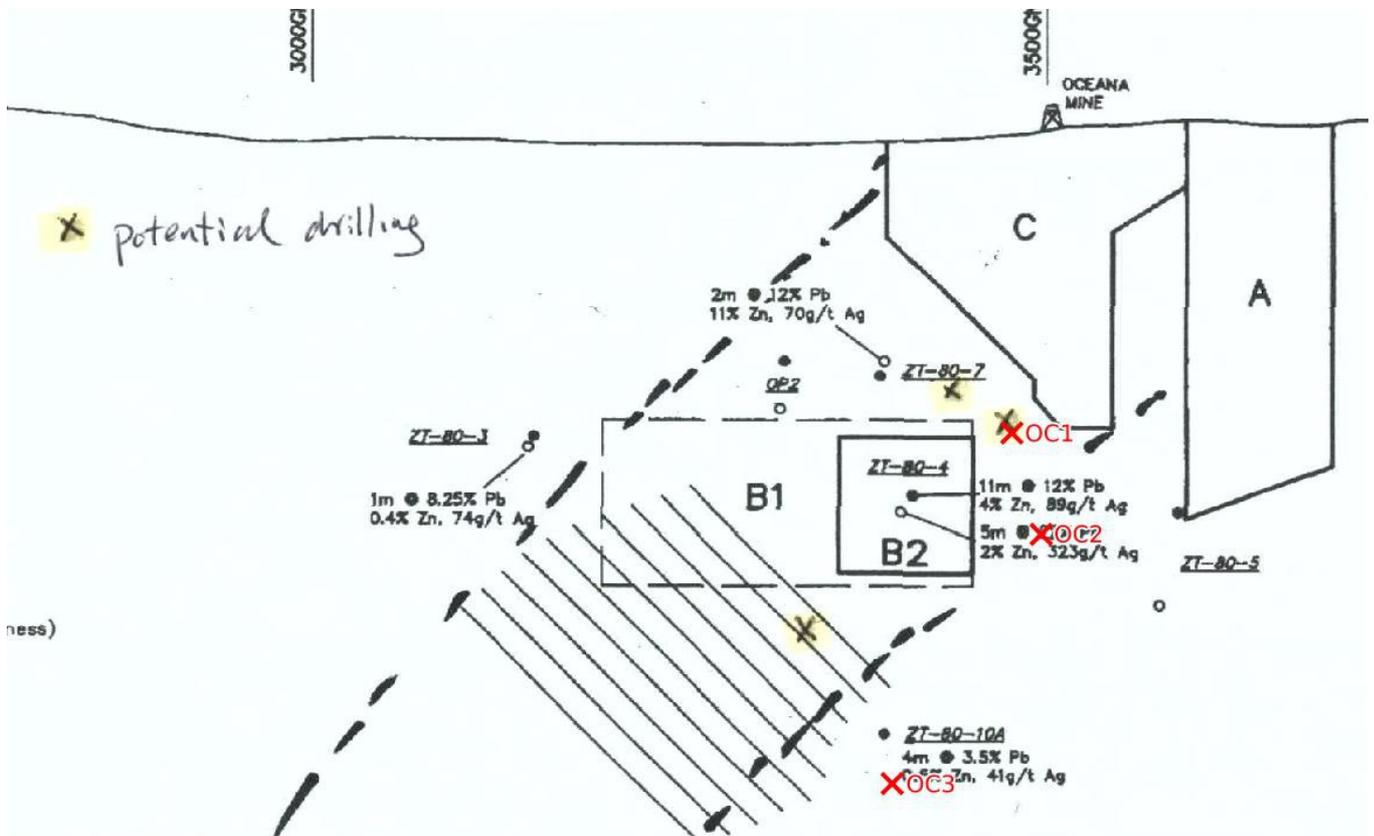


Figure 10: Long section approximate intersect of hole OC3

5 Environment

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

Drill pads and sumps were constructed in already disturbed areas and on existing pads where possible. Sumps dug for the 2008 Creat Holdings (CRHL) drilling program were filled and rehabilitated prior to the commencement of drill holes OC4 - OC6.

6 Expenditure

RL3/2009 Expenditure for the period ending 01st February, 2016.

Expenditure	\$
Geology	\$ 77,810
Rehabilitation	\$ 3,859
Land Access	\$ 831
Drilling	\$ 132,376
Other Cost	\$ 6,312
Administration Cost	\$ 3,677
TOTAL	\$ 224,865

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