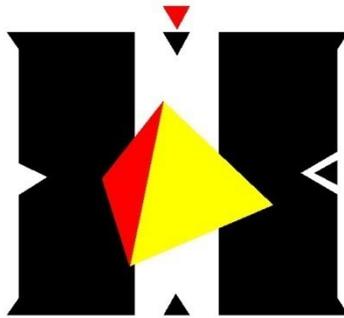


**Retention Licence 4/2009 Comstock**  
**Fifth Annual Progress Report**  
**For the period**  
**01/02/2017 - 31/01/2018**



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

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## **Abstract**

During the reporting period, 6 diamond drill holes totalling 1042m were completed at The Boss prospect, Comstock RL, with drilling under way on further holes at the time of writing. These holes were aimed at better defining the known JORC Pb/Zn/Ag resource at The Boss.

Three of the six drill holes completed were re-entries of vertical reverse circulation holes dating from 2007, adding a diamond tail.

Samples of the Allison's Pit clay, planned to be used as a waste rock cover system on Swansea dump and other areas were sent for geochemical analysis. The clay was considered by Knight Piésold consultants to be unsuitable for use in a waste rock cover system during the reporting period.

This was primarily due to the potential for leaching of metals and metalloids (such as lead, cadmium and manganese) into run-off waters. It was recommended by Knight Piésold that alternative sources of clay, away from mineralised zones, be assessed for geochemical and geotechnical suitability instead.

Licence expenditure at Comstock amounted to \$711,198 with drilling costs and rehabilitation-related duties comprising the bulk of the funds.

# **1 Introduction**

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

RL4/2009 was originally granted to Creat Resources Holdings Limited on February 1, 2010 for a period of 2 years, and applies to all Category 1 minerals. Australian Hualong P/L acquired RL4/2009 from Creat Resources Holdings Limited on 26<sup>th</sup> March 2013.

## **1.1 Tenement Location**

### **1.1.1 Mineral Exploration Area**

Retention Licence 4/2009 covers an area of 3 square kilometres and is located to the west of Zeehan, Western Tasmania.

### **1.1.2 Site Location**

The Trial Harbour Road provides road access to RL4/2009. The Emu Bay Railway and the Murchison Highway connect the township of Zeehan with the Port of Burnie, located approximately 140km to the north.

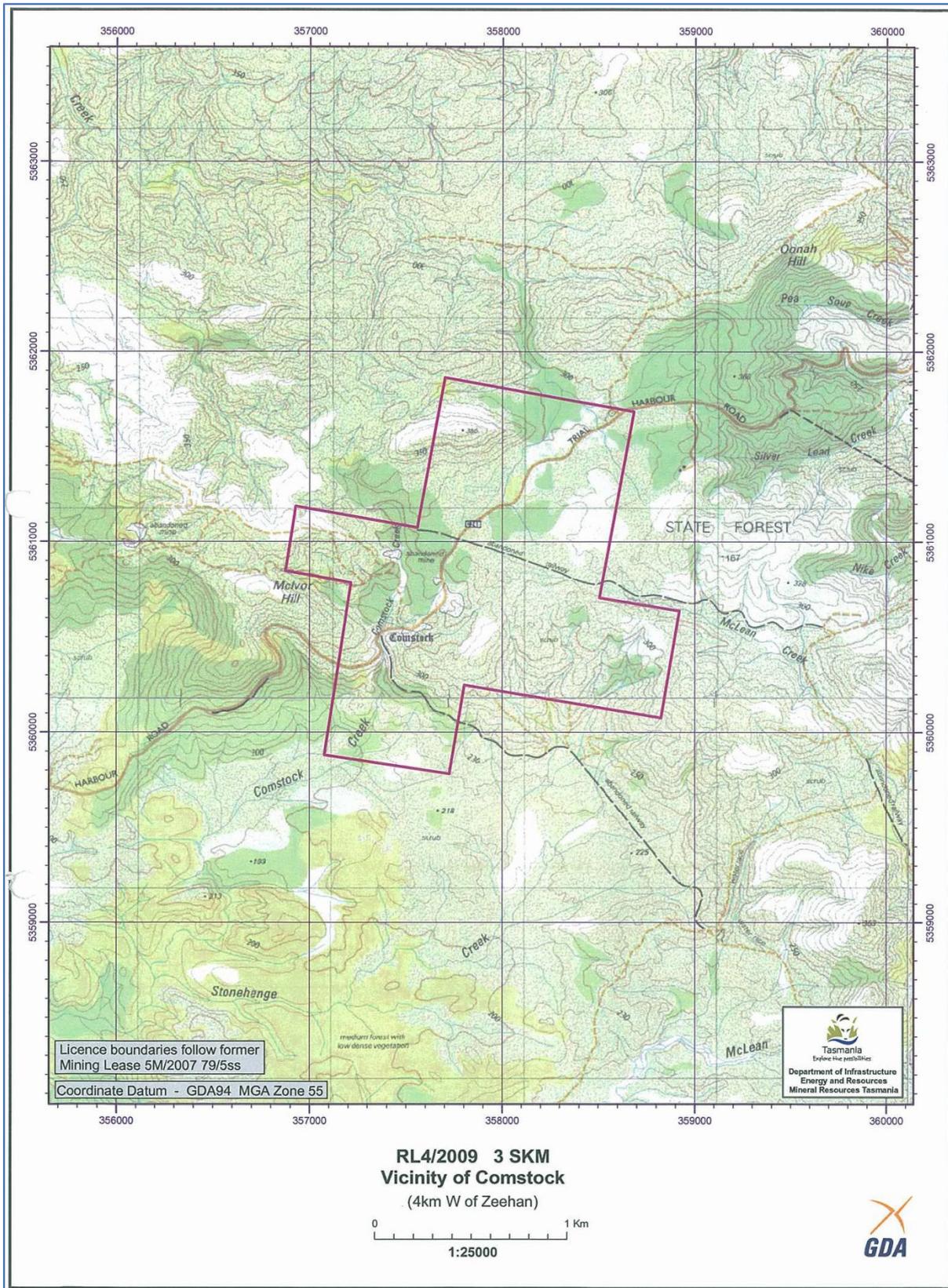


Figure 1: Location of the Comstock Retention Licence

### 1.1.3 Land Tenure

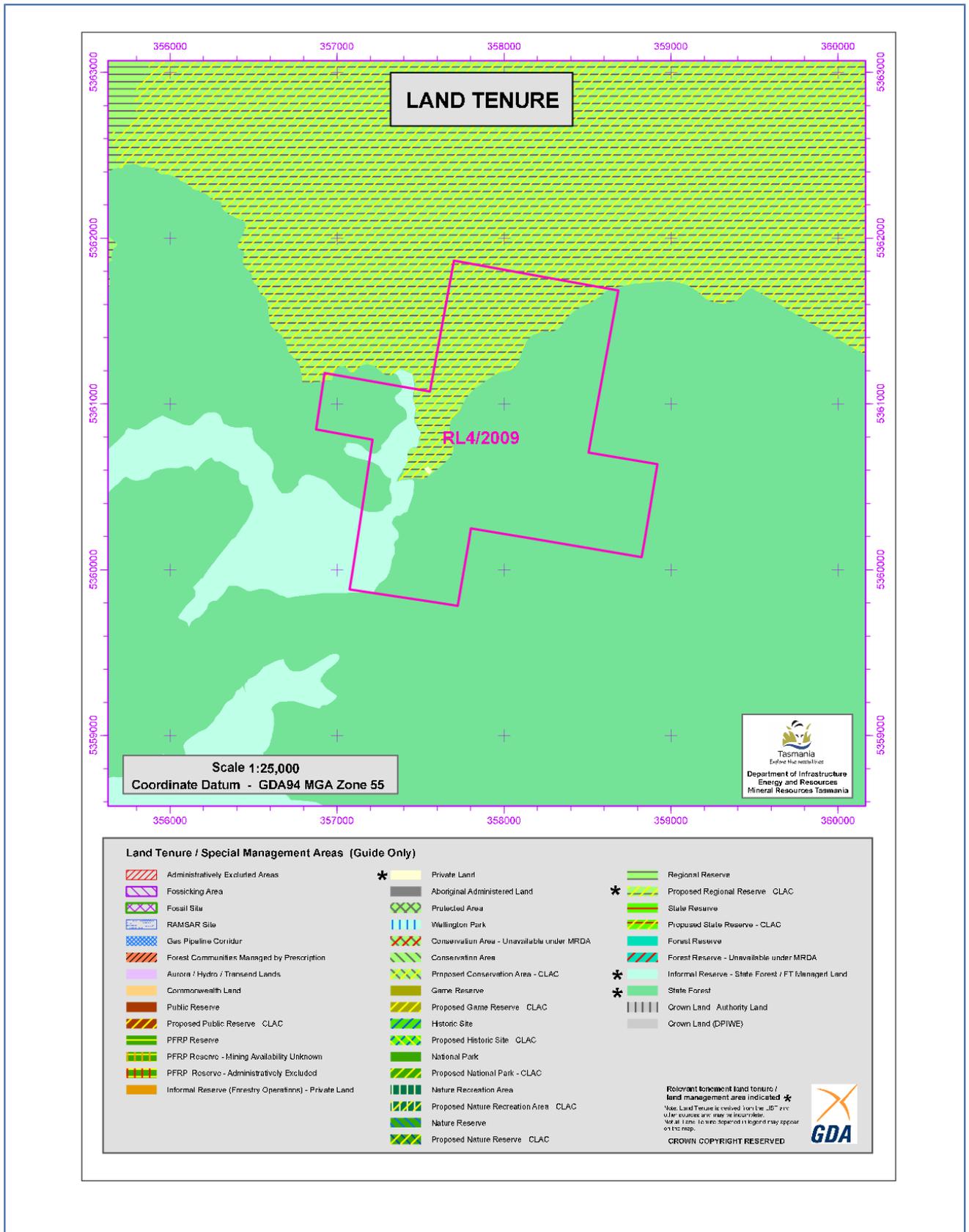


Figure 2: Land tenure at Comstock RL

## 2 Geology and Previous Work

### 2.1 Previous Mining and Exploration within RL4/2009 Comstock

The Comstock area has had a long and chequered history of mining and related activity that dates back to the 1880's. Old workings aimed at extracting lead/silver-rich fissure fill veins litter the Comstock area and comprise small scale shafts and levels completed by previous miners, some of which date back to the 19th Century. Various records e.g. Blake (1936), Twelvetrees (1900), Blisset (1962) and Summons (1981) have accounts of the old workings and some of these reports have supplied maps, although these have in some cases been referred to as sketch maps. Recent attempts have been made to create 3D shapes of these old workings from scanned hard-copy images of the old maps but with mixed results. Digitisation of old workings' outlines was undertaken by RGC and Western Metals but these too have some geo-registering issues affecting accuracy.

In the case of the Allison's Lode there are some old workings in the central parts which appear to have been stoped to the 49' level (15m below the original surface). The ore thickness of the inferred stoped material between the No. 2 Shaft and the No 3A shaft ranges from 0.5m and 4.3m (Summons 1981). Recent aircore drilling by ZYL appears to have located the old stope, recorded in the logs as a cavity and as a result a small 3D solid was created but out of synchronisation with Blake's (1936) map of the workings. The volume of this shape is put at 1364m<sup>3</sup>, equivalent to 4500t. This shape was used as part of a constraint in the block model reporting of resources by SMGC (Tear 2005c).

Nearby mining at South Comstock and Sylvester in the late 1980's resulted in small open pits being developed and a reported quantity of 70,000t of material was extracted with 7000t of ore trucked to Rosebery for processing at an estimated grade of 14.8% Zn and 3.6% Pb (Hancock & Stephenson 2000).

In 1996 trial costeaning and sampling produced a bulk sample from Allison's. This was reported as 500t at 19% Zn (zinc) and 2.3% Pb (lead) that was trucked to the nearby Rosebery Zinc mine. A second shipment contained 740t at 11.8% Zn and 2.5% Pb (Hancock & Stephenson 2000). In 2000/2001 Oceania Tasmania (now ZYL) began trial mining of the Allison's Lode and produced a high grade stockpile containing 3300t @ 14.5%Pb, 21.5% Zn and 540g/t Ag (Cottle, 2005). The floor of the pit was 20m below the original surface after the trial mining. Exploration work in 2002-5 on the Comstock mine leases targeted the Allison's Lode and consisted of geological mapping, channel sampling and aircore drilling. SMGC completed a new geological interpretation, the definition of a 3D geological model and a new block model (Tear 2005b, c and d).

### 2.2 Prospect Geology

The geology of the Comstock Project comprises weakly metamorphosed Proterozoic-aged sediments of the Oonah Formation juxtaposed with a mixed sequence of volcanoclastics and arenaceous rocks of the Cambrian Crimson Creek Formation. The steeply north dipping WNW-ENE striking Balstrup Fault divides the two sedimentary packages. In the southern half of the mine leases the Oonah sequence consisting of flat-lying, thick dolomitised limestones co-existing with reasonably thick (20-30m) black phyllitic shales and fine grained sandstones. At Comstock the Upper Dolomite Unit (Pos1) of the Oonah hosts the Allison's, Watson's and Main Lodes as well as the Boss Upper Sulphide and Oxide mineralisation. A distinctive black argillaceous phyllite unit underlies this dolomite, known as the Phyllite Marker Unit (Posb1). Beneath the Posb1 is the Lower Dolomite Unit (Posd1), heavily brecciated and up to 150m thick, which hosts the Boss Lower mineralisation. A second phyllite unit with distinctive quartz boudinage veining occurs below Posd1, which is underlain by a second dolomite unit Posd2. This dolomite overlies a mixed sequence of clastic and carbonate rocks with an increasing

overprint of thermal metamorphism e.g. diopsidic skarns. There are ultramafic rocks within this lower package, some of which have the characteristic blackwall alteration associated with the Avebury Nickel deposit. The Oonah is truncated by the moderately north dipping Tenth Legion Fault. Below the fault lies a sequence of chloritic volcanics and gabbros that are part of the Cambrian Mclvor Complex. North of the Balstrup Fault lie the volcanoclastics and greywackes of the younger Crimson Creek Formation which have been down faulted to the north. These rocks produce a distinctive orange colour on weathering due to the oxidation of chlorite. The Upper Dolomite Unit (Poss1) is often characterised near surface by talc alteration (Wong, 2000), which may be the result of weathering of primary magnesite. The magnesium assay values would appear to indicate that the main magnesium mineral in the sub-surface

Poss1 is magnesite rather than talc. Iron carbonate, interpreted by H&S to be siderite, is distinctly associated with the stratabound base metal mineralisation at the top of the Lower Dolomite Unit (Posd1).

Deep weathering over the Boss area, locally >50m, has generated hematitic gossans, which are believed to have developed after weathering of massive sulphide bodies within the dolomites.

It has been possible to trace the Posb1 unit using drillhole information, including multi-element assays, from 357100mE to 358000mE. From there it is inferred to go further east to the edge of the mine leases based on the airborne EM geophysical work completed by ZZL in 1999. The shape of the Posb1 indicates that it forms a relatively flat-lying unit with undulation associated with open folding. A distinct anticline occurs in the central part, with the hinge line coincident with the Allison's Lode. The unit tends to dip north into the Balstrup Fault and gradually dips away to the west and east. At 357900mE there is a sudden drop in the unit which coincides with the inferred traces of surface faults from the 2002 mapping. This suggests a down-throw to the east although there are suggestions that the unit may rise up going further east, where there are substantial exposures of gossan.

The Tenth Legion Fault is exposed in the south of the mine leases and is believed to be a thrust fault that dips about 25° to the north. It is characterised by black matrix breccias with a seemingly strong shear fabric and rolled clasts (boudinage?), sometimes the rocks have been referred to as mylonites. Alternative authors, however, have suggested that these rocks are sedimentary breccias associated with depositional subsidence. ZZL had planned to undertake thin section analysis in order to shed light on the issue.

Underlying the Tenth Legion Fault is a series of strongly chloritised mafic volcanoclastics, andesites and mafic intrusives (gabbros) of presumably the Mclvor Mafic Complex. The Balstrup Fault is the dominant structural feature within CRHL's Retention Licence. It is a normal fault, striking WNW-ENE with a 70° dip to the north. In Diamond drill core it is recognised as a brittle structure with clay gouges and fracturing of the rock. In some instances there are black matrix breccias similar to the Tenth Legion Fault. There is no significant mineralisation associated with the fault. There is some evidence for the fault to post-date the main lead/zinc mineralisation of the Comstock area. There is also evidence for the fault to have small offsets associated with later NE striking structures. At the Boss there is some drillhole evidence for a parallel structure within the hanging wall of the main fault; this may be a separate fault or may be a bifurcation structure off the main fault. Bendall's Fault is a parallel structure to the Balstrup Fault. It was uncovered during the 2000 mining where it had mineralisation associated with it. However the fault itself was a series of narrow bifurcating planar structures and the mineralisation appeared to sit in the hanging wall to the fault. At the time it was felt that this mineralisation continued on into the Boss along the line of the fault. In the light of subsequent work this may not be the case and that the mineralisation caught up in the fault was from its truncation of the Allison's Lode.

The structure of the area is complicated by having flat lying beds being gently folded and disjointed by steeply dipping normal, wrench and possibly RC faulting. There are indications of other fault structures with NW; NNW

and NE orientations (see Tear 2005a and 2000a). Most of the faulting is as brittle faults, i.e. clay gouges, fracturing and brecciation, and there is limited evidence of ductile shearing, usually confined to the phyllite units. The presence and effect of shallow dipping structures, perhaps parallel to or splay off the Tenth Legion Fault, is not known and can only be inferred to exist at this point. In addition flexural slip on major bedding planes, generally within the phyllite units is an unknown quantity. There is considerable deformation associated with the phyllite units.

The margin of the Heemskirk Granite lies approximately 3km west of the RL. It is known to have thermal aureole of about 1km. The Allison's Lode appears to be an axial planar sub-vertical 'fissure-fill' structure located in the anticlinal hinge of an upright, N to NNW striking open fold. Immediate host lithologies comprise silicified, talc-rich (supposedly) dolomites of the Poss1 unit, underlain by locally silicified carbonaceous phyllites, Posb1. Sporadic lineations infer a possible shallow plunge direction to the north for the lode, which matches the bed dip direction. The vein system appears to have a silicification envelope up to several metres away from the sulphide bodies, particularly evident in the carbonaceous phyllites. The exposed lode comprises an N to NNW striking sulphide vein system/structure up to 200m long by a maximum width of 20m. The first 5m of overburden is regarded as totally weathered, barren, sandy material that was mistakenly mapped in the past as sandstone. At the southern margin of the vein system there appears a broadening out of the structure although this may be attributable to dilation and dextral movement associated with the Bendall's Fault (Tear 2001). This fault system is a WNW structure that truncates the Allison's Lode structure and is parallel to the Balstrup Fault. At the Boss there are substantial exposures of hematitic gossan over relatively large areas. In the light of the flat-lying nature of the stratigraphy these are believed to stratabound gossans oxidised from massive sulphide bodies within the carbonate units.

## 2.3 Mineralisation

The Comstock Mineral field consists of a series of lead/zinc vein-like structures mainly hosted by the Oonah Formation, which were the subject of substantial mining efforts in the late 19th Century. Mineralisation at the Comstock comprises massive to semi-massive sulphide and sulphide vein mineralisation hosted by the dolomite units. The main deposits within the ZZL mine leases are

1. Allison's Lode
2. Watson's Lode
3. Main Lode
4. South Comstock Pit
5. Boss Lode
6. Balstrup Fault Mineralisation (aka the Sylvester Lode)

Deposits 1 to 3 are parallel mineralised structures with up to 500m of historical strike length e.g. the Main Lode. The South Comstock Pit was originally mined in 1989, but new mineralisation was discovered immediately west of it in 2005 as part of some routine excavation work. This was originally referred to as the West Lode with a Measured and Inferred Resource being allocated to it by Cottle (2005). The Balstrup Fault Mineralisation was also known as the Sylvester deposit (from RGC work). This was unfortunate naming, as there is a small mine in the northern mine lease which is also known as the Sylvester Mine. This latter deposit has been subject to some surface trenching in the past (no maps were available), which has uncovered significant zinc mineralisation as exhibited by the occurrence of mineralised boulders scattered about on the ground. ZZL planned to drill this deposit in 2006, hole collars were spotted but the drilling never eventuated. As a result of this name confusion the Sylvester Deposit was renamed by ZZL as the Balstrup Fault Mineralisation (BFM). It was thought to comprise a steeply dipping massive sulphide lode as part of the Balstrup Fault. However on closer inspection including

examination of drill core, the mineralisation attributed to the BFM is actually hosted by carbonates in the fault's hanging wall and not necessarily in contact with the fault. This proposed deposit formed the bulk of the Comstock 2006 resource inventory and was based on 5 Diamond drill holes 400m apart. Cottle (2005) as a Competent Person signed off on this as an Inferred Resource. H&S are of the strong belief that there is insufficient data to identify a resource of any kind and that the drilling intercepts should be classified as exploration results. A more detailed explanation for this reasoning is included in Appendix 2 as a file note sent to ZZL in 2007, mainly as a result of the interpretation of the 2007 drilling. The exposed lode at Allison's comprises an N to NNW striking sulphide vein system/structural zone that is up to 200m long by a maximum width of 20m. A series of parallel, semi-continuous sulphide zones consist of coarse grained sphalerite, galena and pyrite with a quartz (+calcite) gangue. Some individual sulphide veins are discontinuous and poddy in nature and there are lower grade sulphide dissemination/veinlet zones interstitial to the massive sulphide pods. The mineralisation and alteration appear to cease within the underlying Posb1 unit. Weathered brown sandy/clay material is found in the host carbonate unit, peripheral to and within the zinc mineralisation and has been identified as talc. This material forms an alteration halo to the main mineralisation and acts as a surface indicator of blind mineralisation. Similar steeply dipping vein-style mineralisation occurs at the Watson's and Main Lode areas. Watson's Lode is a steeply dipping narrow sulphide vein, (1-2m wide) with limited extent, approximately 50m west of the Allison's Lode. It is hosted in the magnesium-rich Poss1 unit, as for the Allison's Lode; the Watson's Lode has a similar orientation to the Allison's. The lode measures 100m long with a maximum interpreted base about 40m below surface. The lode is considerably narrower than the Allison's and has a reduced level of mineralisation continuity. Figure 6 Host Rock & Replacive Mineralisation, Allison's Lode The Main Lode is located 200m west of the Allison's Lode and is similar to the Watson's Lode in mineral style. The lode occurs in two separate zones, a north section and south section, which is mainly due to a lack of drilling; historical mapping and mining indicates the lode is continuous in this middle section. The host unit is the same magnesium-rich dolomite as per the Watson's and Allison's Lodes, with the lode measuring 250m long with an interpreted base to the lode at a depth of 50m below surface. The lode is slightly more complex with there being a second narrow vein interpreted close to the original vein. In addition drilling has identified the old tailings from the original 19th Century mining, which is referred to in this report as the Main Lode Surface resource.

The most significant recent discovery at the Comstock is at the Boss, beneath the outcropping gossans, 100m east of the Allison's Lode. Mineralisation at the Boss is considered to be stratabound as semi-massive to veined sulphide replacement style with sphalerite, galena and pyrite. The Boss Lower mineralisation is hosted by the dolomitic Posd1 unit, immediately below the Phyllite Marker Unit (Posb1) and covers an area of 400m long by 200 wide, at an average depth of 70m below surface. Thickness of the mineralisation can range from a minimum of 4m to a maximum estimated true width of 20m. At this stage it is bounded by the Balstrup Fault to the north and by Bendall's Fault in the south. Anomalous host rocks in the same stratigraphic position accompanied by characteristic siderite alteration were drilled as far west as the Main Lode (DDH SY130), whilst mineralisation is open to the east. At its northern end, near the Balstrup Fault, the mineralisation dips about 25-30° to the north. This 'roll over' effect is attributed to dextral movement on the fault and the possibility of a secondary parallel fault. Additionally two units of stratabound mineralisation, overlying each other, were encountered in the Poss1 unit. This constitutes the Boss Upper Sulphide and Oxide mineralisation and comprises a thick unit of interpreted oxidised material, with localised high grade supergene silver mineralisation, overlying but separated from, a thinner sulphide-rich unit. The oxide material at the Boss measures 300m by 150m by up to 60m thick and outcrops at surface, whilst the Boss Upper Sulphide mineralisation measures 150m by 150m by 5m at a depth of 50-60m below surface. The gossan units continue to the east for another 800m and reach close to the old Britannia Mine. Additionally one hole at the Boss, SY131, has recorded near surface, high grade silver mineralisation in jarosite material (possibly supergene related) of 7m @ 520g/t Ag from 7m down hole (Pb 0.4%

and Zn 0.07%). Key aspects on the mode of formation for the mineralisation at the Comstock are included below:

- Generation of lead/zinc sulphide fluids, age unknown; could be Cambrian i.e. Mt Read Volcanics, Ordovician i.e. Gordon Limestone or Devonian i.e. Heemskirk Granite. Presumed at this stage to be Devonian as Pb-isotope data for the Allison's Lode confirms a Devonian lode style (Radonich 2002).
- Fluids introduced into the carbonate sequence causing mineral replacement; possibly ponding beneath the less replacive phyllite units e.g. Boss Lower. There is pervasive wall rock replacement associated with the lode mineralisation.
- Brittle fracturing in the carbonate allows for lode development; is this contemporaneous with the replacive mineralisation or a later stage product associated with deformation and possible granite intrusion?
- The 'mineralising structure' is unknown; it is not thought to be either the Balstrup Fault or the Tenth Legion Fault.

It is worth noting that there is significant base metal and massive magnetite mineralisation at depths of >450m. Some of this mineralisation was suggested by RGC to be part of the Balstrup Fault Mineralisation, although if the mineralisation is stratabound some of these intercepts line up in an entirely plausible flat-lying geological scenario.

## 3 Current Activities

### 3.1 Exploration Activities

During the reporting period, 6 diamond drill holes totalling 1042m were completed at The Boss prospect, Comstock RL, with drilling under way on further holes at the time of writing. These holes were aimed at further defining the known JORC Pb/Zn/Ag resource at The Boss.

#### 3.1.1 Vertical re-entry diamond drill holes

Three of the six drill holes completed (SY128, 131 and 138) were re-entries of vertical reverse circulation holes dating from 2007 which were considered to be too shallow to adequately test the Boss Lower mineralisation at these locations. The holes were generally still open enough to allow casing to be emplaced to most or all of the original hole length with some effort.

Hole SY128 began diamond coring in mineralised dolomite-hosted skarn, and was interpreted to have penetrated old undocumented underground workings. The open-space and/or backfilled workings resulted in considerable core loss within the mineralised interval, however a wide and high-grade Pb+Zn intersection was still able to be delineated. The hole proceeded to intersect a magnesian dolomite breccia unit until the end of the hole.

Hole SY131 intersected a sphalerite – galena – pyrite mineralised graphitic siltstone approaching cataclasite in places with notable core loss. The hole then intersected a massive sulphide interval representing mineralised replacement of silicified dolomite at its upper contact with the carbonaceous siltstone. The core loss experienced in this interval may be due to solution cavities in the dolomite. Similarly, a wide and quite high-grade (in places) Pb+Zn intersection was able to be delineated – refer to cross-section 357800E (AGD66) digital appendix A.

Hole SY138 failed to intersect any mineralisation of significance. It mainly consisted of graphitic fractured and sheared siltstone approaching cataclasite.

#### 3.1.2 Angled diamond drill holes

SY161 was collared on the northern side of the Balstrup Fault (hanging wall) drilling grid south (180 °T) and was designed to traverse the fault and test the mineralised zone at depth. Severe drilling difficulties were experienced across the faulted zone, with thick bands of variously coloured clays encountered until 100m down hole where a carbonaceous quartz fragment and siltstone cataclasite unit could be identified. The rest of the hole was mostly a variably weathered talc-altered dolomite unit with a three metre carbonate replacement style pyrite-sphalerite sulphide zone intersected at 170m down hole.

SY162 initially intersected a strongly weathered carbonaceous siltstone unit. At 59m a very vuggy and leached sulphide zone with pyrite, galena and sphalerite was intersected. The mineralisation appeared to be hosted in carbonaceous siltstone, but the host could also be partially within a dolomite inter-bed, however the original rock was almost totally replaced. The carbonaceous siltstone became more of a cataclasite unit further down hole, before a dolomite unit was intersected. The dolomite quickly hosted an interesting zone of dolomite magnetite-magnesite-pyrite skarn. The presence of some calc-silicate minerals such as wollastonite and tremolite was deemed likely, along with some patches of possible pinkish coloured garnet. Some creamy yellow

magnesitic breccia intervals were also present. Intercalating units of dolomitic siltstone and carbonaceous shale characterised the remainder of the hole (refer to cross-section digital appendix B).

SY163 intersected a range of lithologies broadly similar to that seen in hole SY162: magnesitic dolomite breccia units intercalated with graphitic siltstone bands – these often acting as the main focusses of deformation being far less competent, and commonly exhibiting cataclasite textures. At 130m down hole, a 2m thick semi-massive pyrite sphalerite and galena sulphide zone was present in a dolomite host at its lower contact with a carbonaceous shale. The mineralisation *pooled* at the carbonaceous shale contact – however it did not appear to pervade into the underlying unit (refer to cross-section digital appendix C).

## Boss Prospect resource drilling completed



Figure 3: Drilling completed at The Boss prospect, 2017.

## 3.2 Environmental and Rehabilitation Activities

The lime dosing of the Comstock tailings dam and polishing pond has continued throughout 2017 with pH readings from the polishing pond maintained at an acceptable level – at or above what is required by the EPA.

An aeration trial utilising a 400 CFM air compressor was started in December 2017. The compressor was used to aerate the water, and stir up lime that had settled at the bottom of the tailings dam. This action has repeatedly shown to elevate the pH in the dam and consequently reduce overall lime usage. The use of aeration will continue in 2018 (in conjunction with normal lime dosing) to help control pH.

The Allison's Pit clay was to have been quarried starting February 2016, following the granting of the required mining lease by the relevant authority. Whilst the Allison's Pit clay has demonstrated suitable permeability and particle properties, AHL were notified by Mineral Resources Tasmania that the Company was also required to demonstrate that the clay to be quarried is not overall acid-producing in itself.

Clay samples were sent for further analysis in order to ensure their overall suitability as a waste rock cover system. The clay was tested during the reporting period for net acid production potential (NAPP) by Knight Piésold, which involved freighting several large clay samples to laboratories interstate, including Intertek Genalysis in Perth, WA. (See digital appendix D for further details).

Based on the geochemical testing results, the clay was considered unsuitable for use in a waste rock cover system primarily due to the potential for leaching of metals and metalloids such as lead, cadmium and manganese. As such, it was recommended by Knight Piésold that alternative sources of clay, away from mineralised zones, be assessed for geochemical and geotechnical suitability.

## 4 Conclusions and Recommendations

The exploration / resource definition work to be completed during the next 12 months includes a resource re-calculation at The Boss to incorporate the latest drilling. At the time of writing, the first of three Boss extension holes are in progress, to the east of the known resource.

Alternate clay resources are to be examined following the adverse findings regarding the metal content of the proposed clay capping material near Allison's Pit. The presence of potential capping clays will be investigated in areas further from known mineralisation on the RL.

## 5 Expenditure

RL4/2009 Expenditure for the year ending 01<sup>st</sup> February, 2018:

Geology (including salaries)	213,912
Geochemistry	7,685
Drilling	210,423
Rehabilitation	157,713
Other	56,811
Administration	64,654
<b>Total</b>	<b>\$ 711,198</b>

Table 1: Expenditure for the year ending 1st February, 2018

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