Retention Licence 3/2009 Oceana

Sixth Annual Progress Report

For The Period

01/02/2018 – 01/02/2019

Australian Hualong Pty Ltd

1Fowler Street

Zeehan, TAS 7469

Author: Laurie Veska

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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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Abstract

Diamond drilling continued intermittently at the Oceana deposit during 2018, based on drill rig availability due to higher priorities on other tenements.

Twelve drill holes were completed for a total meterage of 2280m. Assay results and full details for hole OC8 (partially reported previously) are also included in this report, along with holes OC9 and OC10 which have assays available.

The deeper drilling at Oceana undertaken during 2018 for which assays are available (OC8, OC9 and OC10) did not reproduce the tenor of lead-zinc grades seen in early Amoco drill hole ZT-80-4. Consequently it was decided to focus once again on the shallower open-pittable portions of the Oceana deposit.

At the time of writing, 2 diamond drill rigs at Oceana are nearing the completion of a shallower resource definition program, first begun in 2015. In 2015 3 holes (OC4, OC5 and OC6) were completed of the total 14 hole program.

Exploration expenditure for the 12 month period at Oceana totalled $459,977 – mostly comprised of diamond drilling and associated costs.

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^2, 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*

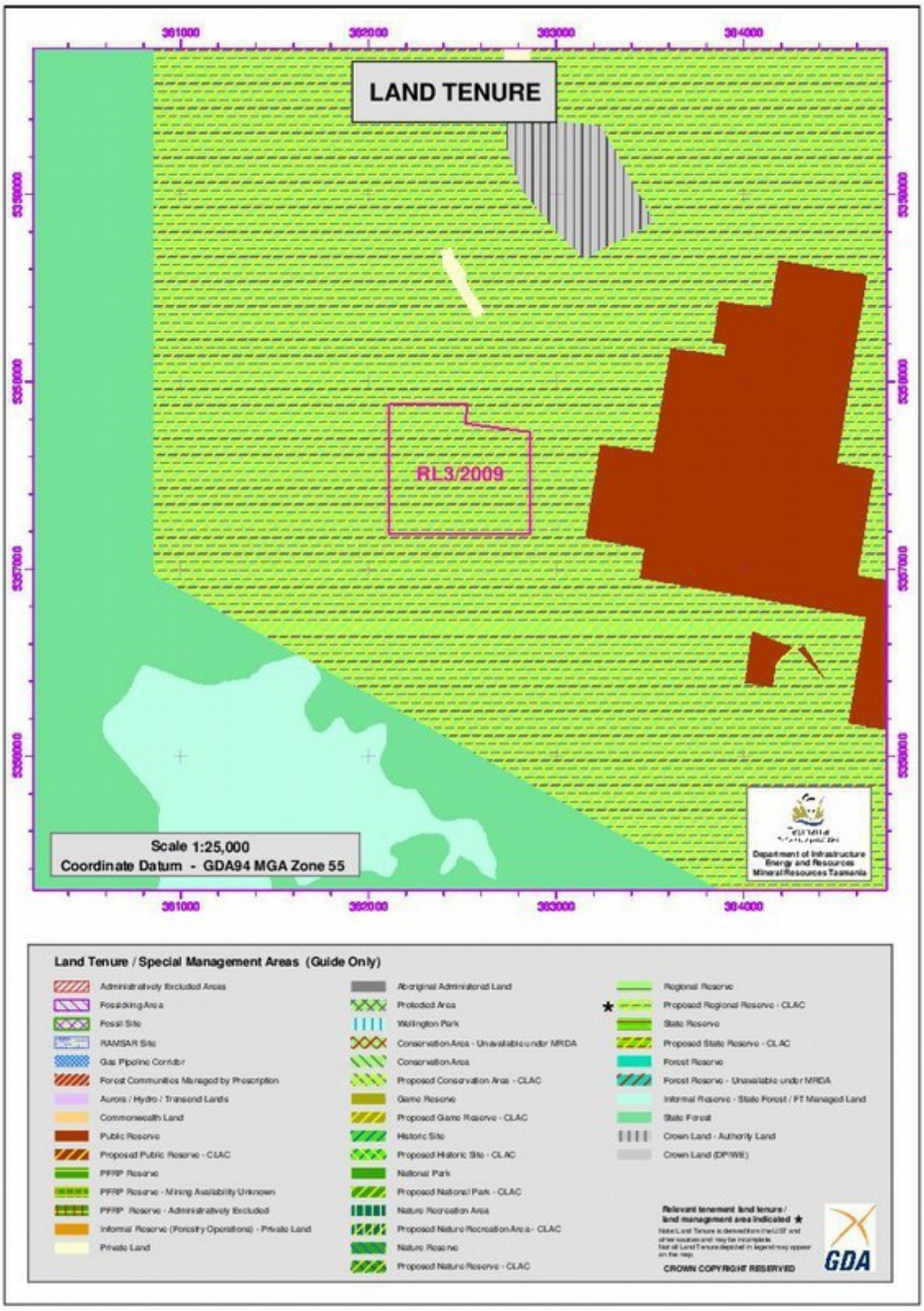

Figure 1: Land Tenure Oceana Retention Licence

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 calcsiltites, 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.

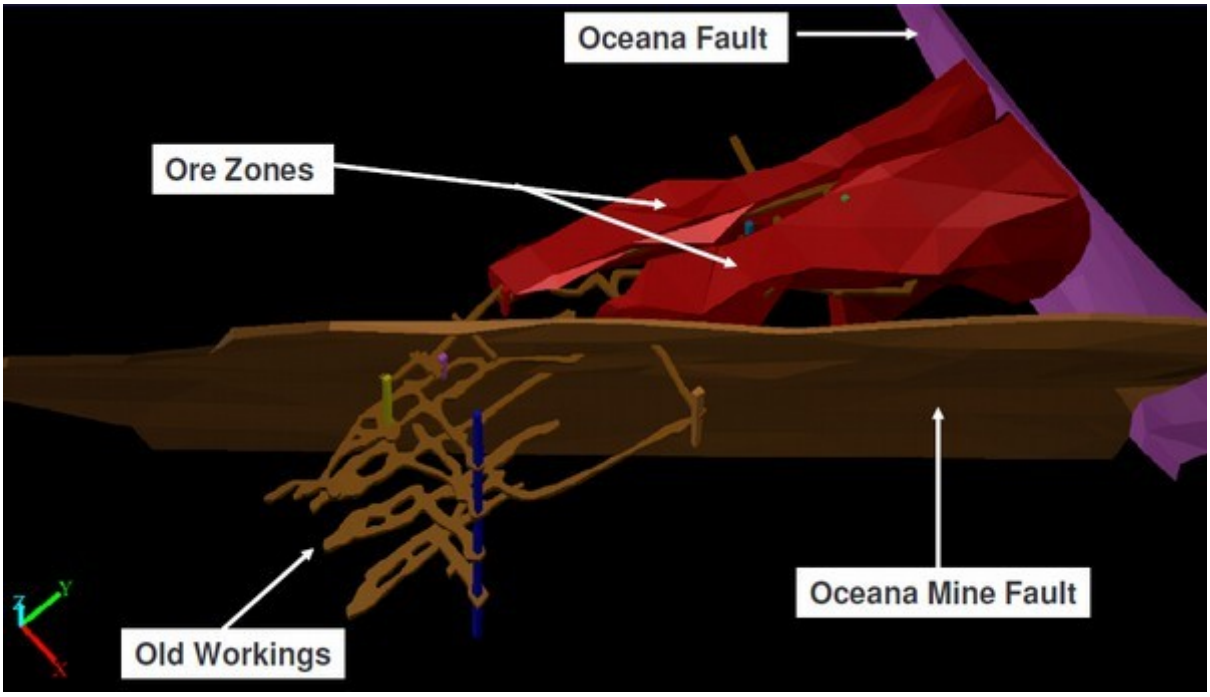

Figure 3: Oceana Resource A mineral zones

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 Exploration Activities

Twelve drill holes (OC9-OC20) were completed for a total meterage of 2280m. Assay results and full details for hole OC8 (partially reported previously) are also included in this report, along with holes OC9 and OC10 which have assays available.

Hole	GDA94 X	GDA94 Y	X Local	Y Local	Azimuth (°T)	Dip	ΨRL (m)	Length (m)
OC8*	362608	5357576	1580	3415	228	-63	1180	416.5
OC9	362593	5357477	1485	3352	228	-65	1180	290.4
OC10	362592	5357477	1484	3353	228	-75	1180	425.4
OC11	362455	5357804	1596	3684	228	-45	1192	316.6
OC12	362318	5357605	1365	3626	48	-65	1199	153.2
OC13	362345	5357593	1377	3600	48	-60	1196	113
OC14	362298	5357678	1398	3693	48	-50	1197	119.7
OC15	362345	5357593	1377	3600	48	-69	1196	141.4
OC16	362294	5357679	1396	3697	228	-70	1197	100
OC17	362327	5357543	1331	3575	48	-55	1195	71
OC18	362356	5357636	1414	3624	48	-60	1195	83
OC19	362314	5357705	1428	3703	228	-70	1199	159.8
OC20	362374	5357484	1327	3500	48	-50	1188	64.8

*Table 1: Drill hole details - *OC8 reported partially in previous annual report*

ΨNote: subtract 1000 from Oceana local RL for conversion purposes

Two drill holes collared at the same drill pad, OC9 and OC10 were completed (having assays available at time of writing) for a total meterage of 700m. Assay results and full details for hole OC8 (partially reported previously and shown in Figure 4) are also included in this report.

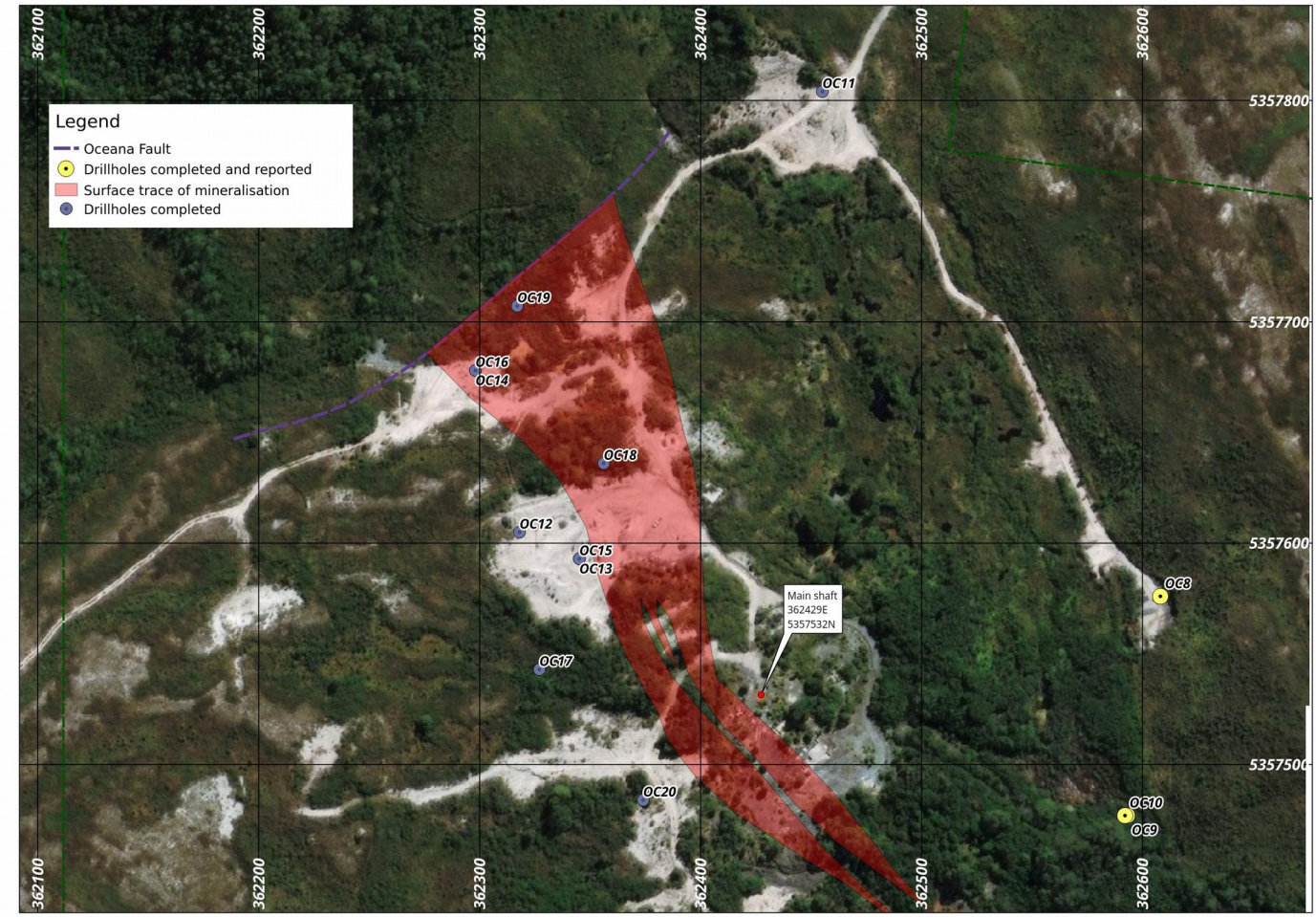

Figure 4: Oceana - location of drill holes, holes reported shown in yellow

The two holes OC9 and OC10 were both drilled at an azimuth of 228° True (270° Oceana Local Grid), 215° Magnetic, but at differing dips. The drill pad was sited on an existing track heading east from the Oceana main shaft towards Pyramid Creek.

Drilling objectives were largely met – OC8 intersected the target horizon(s) approximately 50m down-dip from hole ZT-80-4 intersection(s). It must be noted that old Amoco hole ZT-80-4 deflected markedly to the south (local grid) with depth in comparison to the two OC holes.

As discussed in last year's annual report, intense siderite +/- ankerite alteration was present in and peripheral to the OC8 mineralised interval (not assayed at the time). An 11m zone of low-grade Pb-Zn mineralisation was intersected: 11m @ 1.25% Pb, 0.12% Zn and 13ppm Ag from 370-381m.

The expected mineralised or altered Oceana horizon was not encountered in hole OC9. A several metre wide coarse-grained calcite-healed fault zone was observed in drill core from shallower in the hole 77-85m (Figure 5). This may indicate that the mineralised zone has been offset. This faulted zone stood out quite distinctively, as similar structures have not been observed from previous OC holes drilled since 2015 along the tramway track. Another possibility, and perhaps more likely for some of the earlier holes which failed to intersect significant mineralisation, is alluded to by Simon Tear (personal communication, 17/04/2015) :

Irish-style does vary along strike and down dip. So do typical MVT's, of which the Irish type is a variant. The 150Mt Navan Mine in Ireland drills out its underground resources on 15m spaced diamond drill fans and they still encounter 'holes' in the mineralisation.

This communication possibly adds support to an idea presented in a previous report i.e. wedging of deep holes to gain additional intersections at Oceana. Whilst it is unlikely to get 15m of spacing between neighbouring intersections at the sort of depths drilled thus far with wedging, a spacing in the order of a few metres or more should be obtainable on holes 400m depth or greater, assuming the wedge could be emplaced around 200m down hole.

Hole OC10 encountered a weak to moderately siderite-altered and mineralised zone comprising two lenses separated by 2.5 to 3m of relatively unaltered but brecciated limestone. Intersects include: 14m @ 1.68% Pb, 0.52% Zn and 11 ppm Ag from 347-361m including 4.5m @ 3.86% Pb, 1.24% Zn and 29 ppm Ag from 348.5-353m.

A third hole that was to be drilled from the same pad as OC9 and OC10 (at 70 degrees dip) was not undertaken due to hole OC9 failing to intersect the target horizon. The OC9 hole ideally could have been drilled a little further to account for a possible small offset in the mineralised horizon. It must also be noted that hole OP2, drilled by Pasminco Exploration in 1992 on a nearby section to OC9 (3328N), and plotted in section 3350N, also failed to intersect any significant mineralisation, or any siderite alteration at the along-strike extension of the Oceana mineralised horizon.

Figure 5: OC9 interpreted fault: 77-85m

4 Conclusions, Recommendations and Further Work

The deeper drilling at Oceana undertaken during 2018 did not reproduce the tenor of lead-zinc grades seen in early Amoco hole ZT-80-4. Consequently it was decided to focus once again on the shallower open-pittable portions of the Oceana deposit. Drilling resumed in December 2018 on a series of relatively shallow holes, based partially upon those conceived by Hellman Schofield and AMC consultants around 10 years ago, and first approved by MRT in 2015. At the time of writing, no assays were available for these holes.

The plan for 2019 at RL3/2009 involves producing an updated scoping / feasibility study for the Oceana deposit. Additionally, the following activities are recommended:

- Complete the shallow resource diamond drilling program first started in 2015 at Oceana (currently in progress using 2 drill rigs)
- Update the Oceana resource calculation
- Submit selected composite core samples for metallurgical testing - particularly the highly ferruginous sections seen in recent shallow drilling containing secondary minerals, as well as mineralised clay sections (drill core assays not available at the time of writing).

5 Environment

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

Spraying of gorse was carried out on access tracks, and along the length of the main access track starting at the Henty Road and continuing to the gate. Significant stands of gorse have recently died, the area will be periodically monitored and re-sprayed to prevent any dormant seeds in the soil germinating from taking hold.

6 Expenditure

Oceana RL3/2009 Expenditure for the period ending 01st February, 2019.

Expenditure	$
Geology	$ 25,112
Geochemistry	$ 4,500
Drilling	$ 385,000
Rehabilitation	$ 4,204
Other	$ 3,542
Administration	$ 41,823
TOTAL	**$ 459,977**

Table 2: Exploration Expenditure, 2018

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