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Report prepared by

INTERNATIONAL GEOSCIENCE PTY LTD

On behalf of

UNIVERSAL SPLENDOUR INVESTMENTS PTY LTD
Annual Tenement Summary Report for the period of 23rd December 2010 to 22nd December 2011 for EL27437

6th March 2012

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EXECUTIVE SUMMARY

EL27437 is one of three tenements collectively known as The Victoria River project (also including EL 27306 and 27307). Vehicle access to the project area was very good but the lack of access to the Mn occurrences required the use of helicopter support.

The tenement was visited twice during the reporting period; once during June 2011 and once within September 2011. The first field visit did not identify any manganese occurrences.

Within EL27437 there are two historical Mn occurrences (Battle Creek 1 and 2). Both of these sites were visited during the September field campaign, but only Battle Creek 2 was confidently confirmed.

Battle Creek 2 prospect contains flat lying limestone with ‘rafts’ of high grade manganese. The mineralisation was mapped for ~640 metres. Several samples were collected from the creek and %Mn values ranged from 49.52 to 2.38. The highest manganese values are also relatively high in Ag, Cu and Pb.

The limestone from Battle Creek 2 was deposited in a shallow marine environment which is the same environment as seen at the Groote Eylandt manganese mine in the Northern Territory.

The Battle Creek 1 Mn occurrence consists of a low hill with significant Mn staining on the ground, termite mounds and outcropping rock. Several rock and soil sediments were collected and identified elevated Mn in the soil samples.

Further work is required in order to better understand the depositional nature of the manganese in this region. A greater understanding of the control on mineralisation will facilitate any future exploration in the region.

The Victoria River project area is a significant manganese prospect.
CONTENTS

1 OVERVIEW ........................................................................................................................................... 1
  1.1 Access ...................................................................................................................................... 1
  1.2 Manganese Occurrences / Prospect ............................................................................................. 2
    1.2.1 Battle Creek 2 Prospect ......................................................................................................... 2
    1.2.2 Battle Creek 1 ....................................................................................................................... 3
  1.3 Other Visited Sites ...................................................................................................................... 6
  1.4 Geology Summary ....................................................................................................................... 7
    1.4.3 Deformation ........................................................................................................................ 8

2 MANGANESE MODEL FOR THE VICTORIA RIVER PROJECT AREA ........................................ 11

3 SUMMARY AND RECOMMENDATIONS ....................................................................................... 12
FIGURES

Figure 1: Location of USI’s Victoria River Project area southwest of Katherine. GPS tracks from 2011 field program indicated as pink dash lines.................................2

Figure 2: Location of the rock samples, with sample number, collected at the Battle Creek 2 prospect in the Victoria River project area. All rock samples collected are indicated in yellow. Table of assay values for all rock samples included in Table 1.................................4

Figure 3: Outcrop and selected samples from the Battle Creek 2 Mn prospect. ...............5

Figure 4: Location of the Battle Creek 1 Mn occurrence with rock (yellow) and soil (pink) sample locations. Base of low hill outlined by black dash line. Table of assay values for all rock samples included in Table 2 .........................................................................................6

Figure 5: Location of the rock samples (yellow) collected during the first field visit to the Victoria River project area. The GPS tracks for the visit are shown in pink. Table of assay values for all rock samples included in Table 3. .........................................................................................7

Figure 6: Regional geology from the DELAMERE and VICTORIA RIVER DOWNS 250K explanatory notes. USI’s tenements are outlined in red.......................................................9

Figure 7: Geology map for ELs 27306, 27307 and 27437 derived from the NTGS 250K VICTORIA RIVER and DELAMERE digital data. Area of elevated stream sediment values outlined in pink..........................................................10
1 OVERVIEW

EL27437 is one of three tenements that are collectively referred to as the Victoria River project (Figure 1). Within the 2011 field season 2 field visits were undertaken to identify access to the tenement and collect rock samples, the first during June 2011 and the second during September 2011. Both field visits were primarily focused on visiting the Battle Creek 1 and 2 known Mn occurrences, located along the northeast boundary of the tenement.

The first field visit was by 4WD but was unsuccessful due to access issues. The second trip was by helicopter and was successful in visiting both sites.

The results of the field work have confirmed the location of the Battle Creek 1 and 2 Mn occurrences and have elevated the Battle Creek 2 occurrence to a prospect.

1.1 Access

Vehicle excess to the tenement was very good but the lack of access to the Mn occurrences required the use of helicopter support. The heavy rain during the previous wet season made for unsafe driving off the main roads.

During the helicopter supported trip several well maintained track were observed around Battle Creek 2. It is likely that future trips will be able to utilise these track. Air photos or other high resolution imagery may be required to identify a route from the main road to the prospect.

Due to the large number of rivers in the project area it may not be possible to visit the area by 4WD until later in the dry season after the terrain has dried-out. Therefore helicopter support may be required for the first part of the next field season.

Helicopter support can be mobilised from either the Victoria River Roadhouse or Victoria River Downs.
1.2 Manganese Occurrences / Prospect

Within EL27437 there are two historical Mn occurrences (Battle Creek 1 and 2). Both of these sites were visited but only Battle Creek 2 was confidently confirmed. Although the Battle Creek 1 occurrence does appear to reside in an area of manganese interest, no rock samples returned anomalously high Mn values.

All sample details, assay results and location information is included in the accompanying file (VR_NTSG4_SURF2011A).

1.2.1 Battle Creek 2 Prospect

The close proximity of this occurrence to Battle Creek gives rise to its name (Figure 2). The creek has been cut into the Battle Creek Formation which contains flat lying limestone with ‘rafts’ of high grade manganese. The mineralisation was mapped for ~640 metres during the available time. It is likely that the mineralisation extends further along the creek. The ‘rafts’ are resistant to weathering relative to the limestone and therefore a large number of ‘nodules or rafts’ of manganese can be collected from the creek (Figure 3).

Although the mineralised limestone appears to be relatively thin (<1m) its thickness was difficult to observe in most areas. Due to the flat lying nature of the unit, and its observed
lateral extent, it is likely that the mineralised limestone extends away from the creek under a thin blanket of cover.

Several samples were collected from the creek and %Mn values ranged from 49.52 to 2.38. The highest Mn values relate to several ‘nodules’ collected from the creek and the lower values relate to the underlying non-mineralised limestone.

The highest manganese values are also relatively high in Ag, Cu and Pb. The level of Ag may be considered economical if the cost of separation from the manganese is not too great. The other elements (Cu and Pb) may be able to be used, with Ag, as ‘pathfinder’ element for any future geochemical program.

The term ‘nodule’ is technically incorrect when describing the manganese mineralisation at Battle Creek 2. Nodules typically formed as concentric layers of iron and manganese around a core in a deep marine environment. The Battle Creek 2 mineralisation appears to occur as a replacement within the limestone to form irregular massive high grade manganese zones. The manganese weathers-out as rounded clasts and therefore resembles sea floor ‘nodules’ in the creek bed. In areas the limestone also contains shell fragments within the limestone indicating a shallow marine environment.

This type of mineralisation is poorly understood at the moment and further work is required in order to better define the nature of the prospect.

Evidence in the form of manganese stained soil was observed ~100m west of the creek indicating that the mineralisation extends in this direction.

This historical occurrence is recommended to be considered a Mn prospect.

1.2.2 Battle Creek 1

The Battle Creek 1 Mn occurrence was visited but unfortunately no outcropping high grade Mn was identified. The main site consists of a low hill with significant Mn staining on the ground, termite mounds and outcropping rock. Several rock and soil sediments were collected and identified elevated Mn in the soil samples (Figure 4).

The presence of significant Mn staining and elevated Mn in soil samples may suggests that a source of Mn is concealed in the area and likely within the low hill.

Further mapping, and possibly drilling, of this low hill and the surroundings may be required to evaluate this site for its Mn potential.
Figure 2: Location of the rock samples, with sample number, collected at the Battle Creek 2 prospect in EL27437. All rock samples collected are indicated in yellow.
Figure 3: Outcrop and selected samples from the Battle Creek 2 Mn prospect.
1.3 Other Visited Sites

The first visit during June 2011 to EL27437 did not identify any manganese, or other mineralisation (Figure 5). The assay results, location information and descriptions have been included in the accompanying file (VR_NTSG4_SURF2011A).

The initial visit was aimed at visiting Battle Creek 1 and 2 but due to wet conditions and the lack of access from the south and west the sites were not reached. Several additional tracks were observed but due to time constrains they were not explored. Future exploration may be able to utilise the numerous tracks.

Along the way through the Victoria River tenements several outcrops of siltstone/mudstone, carbonate in sections, and quartz sandstone (low grade quartzite?) were observed.

Initial observation of the siltstone/mudstone appeared to contain very fine grained galena but this has been disproved by the assays.
1.4 Geology Summary

The regional geological setting of the Victoria River project area (Figure 6 & Figure 7) is dominated by sedimentary rocks of the Proterozoic Victoria Basin and volcanic and sedimentary rocks of the Palaeozoic Wiso Basin. A thin veneer of discontinuous Cretaceous rock and Mesozoic cover is exposed along the plateaux margins to the east of the project area.

The Victoria Basin is underlain by the Birrindudu Basin which consists of two groups (Limbunya Group and the Birrindudu Group). Generally this basin consists of a marine succession of sublithic arenite, quartz arenite, siltstone, shale, conglomerate, stromatolitic chert, limestone and glauconitic sandstone.

Overlying the Birrindudu Basin is the Victoria Basin which contains several thousand metres of sedimentary rocks divided into the Wattie, Bullita, Tijunna and Auvergne groups although the Wattie Group does not outcrop in the project area.

The Wattie Group is a succession of mainly sandstone and siltstone, minor carbonate and rare tuffite. It is characterised by regional variations in thickness and was deposited in a shallow marine setting that was punctuated by subordinate deeper marine and evaporitic conditions (Beier et al., 2002).
The lower part of the unconformably overlying Bullita Group (Skull Creek Formation) is an assemblage of mainly carbonates and subordinate siliciclastics. These were deposited on a shoaling, shallow marine platform that included conditions that favoured extensive stromatolite deposition. Basin-wide carbonate deposition concluded with a transition to assemblages dominated by siliciclastics in the upper part of the group (Battle Creek Formation & Weaner Sandstone) (Beier et al., 2002).

Unconformably overlying the Bullita Group is the Tijunna Group. It consists of a lower unit (Wondoan Hill Formation) of glauconitic quartz sandstone, claystone, siltstone and mudstone and an upper unit (Stubb Formation) of siltstone, shale and minor sandstone. This group was deposited in predominantly shallow marine and minor low-energy deep-water conditions (Beier et al., 2002).

The Auvergne Group unconformably overlies the Tijunna Group and consists of sandstone and minor siltstone and pebbly sandstone (Jasper George Sandstone) that was deposited in a near-shore shallow marine environment during a regional transgressive phase of deposition. Progressive basement uplift moved the basin depocentre and the loci of the Auvergne Group to the west (Beier et al., 2002).

Generally the Proterozoic lithologies (Birrindudu Basin and Victoria Basin) correlate with the McArthur Basin which is the source of Mn for the deposits within the Gulf/McArthur Regions (i.e. Groote Eylandt, Rosie Creek, Brumby, etc.).

Uplift and erosion preceded the regional extrusion and deposition of Early Cambrian flood basalts (Antrim Plateau Volcanics). This was followed by Middle Cambrian deposition of the Montejinni Limestone in the Wiso Basin. The Montejinni Limestone lies to the east of the project area along with undifferentiated Cretaceous rocks (Beier et al., 2002).

Stream sediment assays from the NTGS indicate a possible source of Mn within EL 27307. The source of the Mn may be related to the Battle Creek Formation which likely outcrops in the rivers cut into the overlying Antrium Plateau Volcanics.

1.4.3 Deformation

The exposed Proterozoic rocks are generally not strongly folded or faulted. The relatively undeformed Wattie and Bullita Groups outcrop in broad domes and small linear anticlines overlain by nearly flat-lying rocks of the Tijunna Group and Jasper George Sandstone (Beier et al., 2002).

A broad antiform, which is cored by the Skull Creek Formation, displays near four-way dip closures and dominates the regional structural fabric. This domed structure is flanked by arcuate outcrop of more gently dipping (~5°) younger Bullita Group strata and by nearly flat lying rocks of the Tijunna Group and Jasper George Sandstone (Beier et al., 2002).

Isolated anticlines in the Battle Creek Formation were probably topographic highs during the extrusion of the Antrim Plateau Volcanics. A northeast-trending lineament across the project area crudely separates a series of similarly axially oriented synclines and anticlines in the Proterozoic rocks. This lineament probably represents a regional feature of topographic relief (Beier et al., 2002).
Figure 6: Regional geology from the DELAMERE and VICTORIA RIVER DOWNS 250K explanatory notes. USI’s tenements are outlined in red.
Figure 7: Geology map for EL27437 (and 27306 & 27307) derived from the NTGS 250K VICTORIA RIVER and DELAMERE digital data. Area of elevated stream sediment values outlined in pink.
2 MANGANESE MODEL FOR THE VICTORIA RIVER PROJECT AREA

The manganese mineralisation at Battle Creek 2 consists of irregular shaped rafts of high grade manganese within a massive fine grained crystalline limestone (micrite) with areas containing minor fossil clasts (biomicrite).

The limestone was deposited in a shallow marine environment but the relationship between the limestone and manganese mineralisation is unclear. As seen at the Groote Eylandt manganese mine in the Northern Territory, manganese mineralisation is closely associated with the oxygenation of shallow marine manganese rich anoxic water. This period of oxygenation is highest during regressive periods. Therefore a shallow marine regression may be responsible for the deposition of the manganese within the Battle Creek limestone. The discreet contact between the manganese and limestone may be due to the replacement of organic matter by manganese oxide minerals, but the lack of internal structure in the manganese is discouraging. A second possibility suggests a two phase process where the limestone is dissolved in a typical karst environment, and later in-filled by manganese oxide minerals.

Further work is required in order to better understand the depositional nature of the manganese. A greater understanding of the control on mineralisation will facilitate any future exploration in the region.
3 SUMMARY AND RECOMMENDATIONS
The results from the 2011 field program were very encouraging. A significant amount of follow-up work is recommended for the 2012 field program. Below is a list of the main outcomes (italicised) and recommendations (bolded) for EL27437:

- The Battle Creek 2 Mn mineral occurrence has been confirmed on this tenement and the mineralisation appears laterally extensive.
- Rock assay values for Battle Creek 2 are as high as 49.52% Mn, with very low Fe (<1%).
- The location of Battle Creek 1 was visited and indications are that this site contains a source of Mn and requires further investigation.
- It is recommended the outcropping mineralisation at Battle Creek 2 be completely mapped to identify its lateral extents.
- Petrographic and petrophysical study of the collected samples from Battle Creek 2 are recommended to better understand the mineralogy, conductivity, induced polarisation, density and magnetic susceptibility of the mineralised limestone.
- Battle Creek 1 is recommended to be further explored to identify if any outcropping Mn mineralisation is present.
- A soil geochemical program is recommended for Battle Creek 2 and 1 in order to define mineralised areas under cover.
- Drilling and possible trenching is recommended for both Battle Creek 1 and 2 in order to better delineate grade distribution and geometry of the mineralised units.
- Geophysical methods may be considered to delineate mineralisation over large areas.