



GLADIATOR RESOURCES LTD

ABN 58 101 026 859

QUARTERLY REPORT

FOR THE PERIOD ENDED 30 SEPTEMBER 2010

REVIEW OF OPERATIONS

HIGHLIGHTS

Zapucay Project - Uruguay

- Agreement signed with Orosur Mining Inc whereby Gladiator can earn up to an **80% interest in the iron ore, manganese and base metals** in the project area.
- Resource drilling programme commenced utilising one RC and one diamond rig on Papagayo and Iman with **33 holes for 1,926 metres completed** to date including 12 RC holes for 863 metres and 21 diamond holes for 1,063 metres. Drilling continues into the current quarter.
- **Initial assay results for 11 holes** received are consistent with test work undertaken in due diligence and confirm that a high quality magnetite concentrate can be produced. Assay results for remaining holes are due shortly.
- **Best intersections recorded at Papagayo included:**
 - CPDD003 – 21.5m @ 35.1% Fe
 - CPDD010 – 27m @ 33.5% Fe
 - CPDD012 – 20m @ 31.9% Fe
- **Best intersections recorded at Iman included:**
 - CIRC001 – 10.0m @ 30.2% Fe
 - CIRC010 – 26m @ 26.4% Fe
 - CIRC011 – 8.0m @ 39.1% Fe
 - CIRC013 – 12.0m @ 30.6% Fe
- High levels of manganese mineralisation recorded have exceeded expectations compared to surface samples including **9.0 metres @ 21.9% MnO**. Testwork to investigate the production of a separate Mn product is planned and will be part of the ongoing metallurgical studies.
- **Commenced pre-feasibility study** on development of a pig iron project utilising mini blast furnace technology.
- Commissioned study on availability of timber resources for charcoal plant.
- Large contiguous tenement holding in a region that is known to host iron ore and base metals following the successful application for additional tenement (refer to ASX announcement dated 25 October 2010), believed to be the largest contiguous tenement holding in Uruguay.

DPC Process Licence

- Agreement signed with inventors of DPC process, which grants Gladiator the worldwide (excluding Brazil) rights to the process.
- DPC to undertake charcoal production tests for the Zapucay Project.
- DPC to provide new kiln design for the Zapucay Project.

Hogan's Project - Australia

- Newmont provides information memorandum to interested parties.

Corporate

- Mr Len Dean appointed as Non-executive Chairman. Mr Dean has over 40 years experience in operations and marketing in the global iron ore industry, including 36 years with BHP where his final position was Vice President, Coal and Iron Ore Marketing.



Location of Isla Cristalina Belt in Uruguay

IRON ORE, MANGANESE, BASE METALS

ZAPUCAY PROJECT, URUGUAY

Interest: Gladiator Resources Limited earning up to 80%

Operator: Gladiator Resources Limited

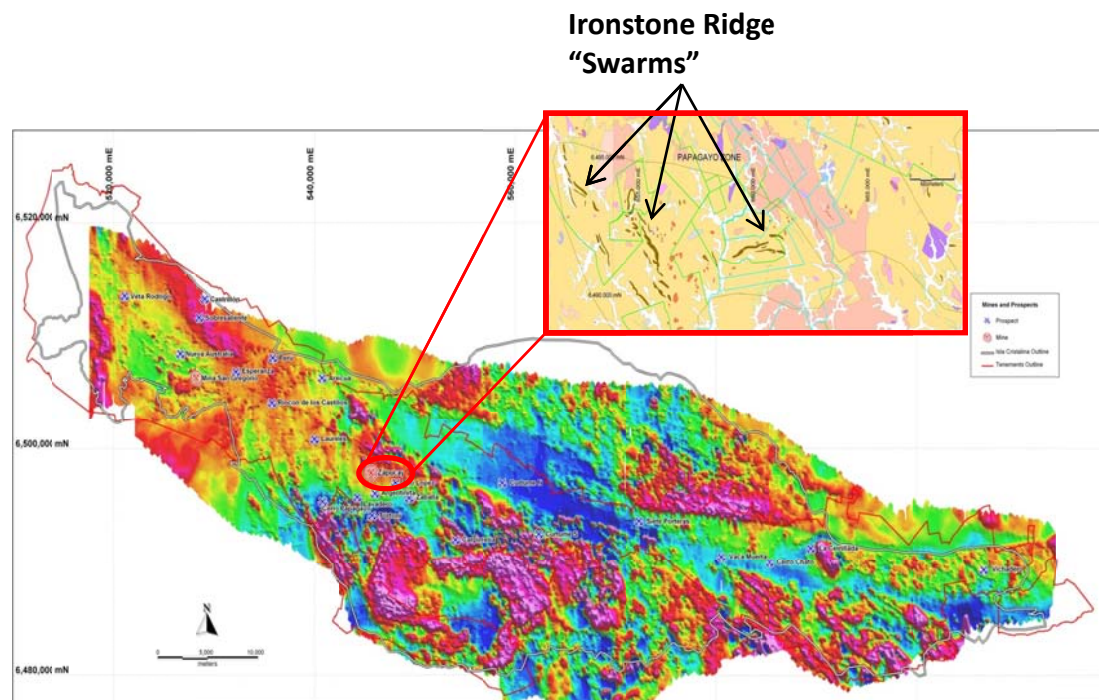


Figure 1: Isla Cristalina Belt

ACTIVITIES UNDERTAKEN DURING THE QUARTER

Field Operations

Drilling, utilising one RC and one diamond rig, commenced in August 2010 and is scheduled to continue for three or four months with metallurgical test work occurring in parallel to the drilling programme. Infill drilling to define resources and to provide additional material for further metallurgical test work is planned for the first half of 2011. The Company anticipates commencing base line environmental studies during calendar 2010.

Inclement weather during August and September hampered drilling progress with the following drilling being completed by 23 October 2010:

Location	RC Drilling		Diamond Drilling	
	Holes	Metres	Holes	Metres
Papagayo	4	235	12	743
Iman	8	448	9	320
Total	12	683	21	1063

The Company has engaged a consulting geologist and employed three Uruguayan and two Brazilian geologists to operate and manage field activities including site preparation, resource drilling and geological mapping, together with support staff in Montevideo.

The OMI laboratory in Uruguay is being used for sample preparation with analytical work being undertaken by Nagrom in Perth.

Assay results for magnetite mineralisation intersected in four drill holes from Papagayo (Table 2) and seven drill holes from Iman (Table 3) have been received.

Drill Hole	From (m)	To (m)	Intercept (m)	Fe %	SiO ₂ %	Al ₂ O ₃ %	V ₂ O ₅ %	TiO ₂	MnO %	S %	P %
CPDD003	0	5	5	36.1	18.5	3.3	0.01	0.4	19.3	0.00	0.08
	5	21.5	16.5	34.8	36.2	3.0	0.01	0.4	6.0	0.00	0.07
CPDD010	0	3	3	32.1	38.3	3.2	0.01	0.3	8.2	0.00	0.05
	45	68	23	34.0	36.7	0.4	0.01	0.1	7.6	0.01	0.07
	68	72	4	30.1	31.6	1.1	0.01	0.1	15.1	0.02	0.08
CPD011	0	2	2	20.7	48.9	10.3	0.02	1.0	1.8	0.00	0.03
	10	17	7	27.6	36.8	7.4	0.02	1.1	1.8	0.00	0.08
	22	31.5	9.5	38.8	36.8	0.6	0.01	0.1	3.2	0.00	0.10
CDP012	0	2	2	41.4	34.2	4.2	0.01	0.5	9.1	0.00	0.10
	4	5	1	35.0	23.2	4.8	0.03	0.7	12.3	0.00	0.18
	12	15	3	43.6	7.7	3.6	0.02	0.3	18.2	0.00	0.18
	19	36	17	32.3	37.4	1.9	0.01	0.2	8.0	0.01	0.09
	36	39	3	29.9	27.6	1.2	0.01	0.3	18.7	0.00	0.05
	40.5	43	2.5	31.2	30.8	3.0	0.02	0.8	6.8	0.00	0.06

Drill Hole	From (m)	To (m)	Intercept (m)	Fe %	SiO ₂ %	Al ₂ O ₃ %	V ₂ O ₅ %	TiO ₂	MnO %	S %	P %
CIRC001	0	10	10	30.2	38.6	3.8	0.01	0.4	3.8	0.01	0.09
	42	48	6	25.7	37.0	3.5	0.01	0.4	6.1	0.10	0.12
	52	57	5	24.7	45.6	6.7	0.02	1.0	0.3	0.10	0.20
CIRC002	0	2	2	24.1	41.0	10.3	0.03	1.2	3.3	0.01	0.07
CIRC003	23	27	4	29.2	46.8	4.2	0.01	0.3	0.4	0.00	0.13
CIRC005	32	33	1	28.9	44.4	2.5	0.02	0.5	5.8	0.06	0.09
	50	56	6	23.8	46.7	5.8	0.01	0.3	4.7	0.08	0.12
CIRC010	0	4	4	25.8	38.8	8.2	0.02	0.6	3.5	0.01	0.10
	4	13	9	29.3	26.1	1.4	0.01	0.2	21.9	0.00	0.05
	13	17	4	26.3	44.4	6.0	0.02	0.9	2.2	0.00	0.16
	17	20	3	30.0	26.1	1.9	0.01	0.2	20.3	0.02	0.60
	20	26	6	20.7	44.6	5.5	0.02	0.4	0.7	0.60	0.08
CIRC011	0	2	2	25.1	46.5	6.6	0.02	0.8	3.2	0.01	0.05
	4	12	8	39.1	34.2	1.5	0.01	0.2	3.7	0.00	0.10
CIRC013	15	27	12	30.6	38.5	3.2	0.01	0.5	6.0	0.00	0.12

Significant intersections of magnetite mineralisation with high manganese content were recorded from both areas. Several of the holes recorded higher levels of manganese mineralisation compared to the surface samples previously collected from the area. Preliminary test work indicates that the manganese does not report to the magnetic fraction.

Davis Tube Recovery (DTR) test work will be undertaken in Perth on all mineralised samples. DTR test work recovers the magnetic fraction from a sample, which is then assayed. The test work

provides information on the recovery of magnetite that could be expected from a commercial plant and also the quality of magnetite that could be produced.

The first DTR results have been received for several 1-metre samples from RC drill hole CIRC010 at Iman (Table 4).

Sample No	Feed		Magnetite Concentrate								
	Fe %	MnO %	Rec %	Fe %	MnO %	S %	P %	SiO ₂ %	Al ₂ O ₃ %	TiO ₂ %	LOI %
DTR0002	34.10	2.19	30.8	69.31	0.53	<0.001	0.011	1.55	0.75	0.51	-1.99
DTR0005	28.81	17.79	34.2	63.78	4.06	<0.001	0.002	4.06	0.43	0.41	-2.57
DTR0008	35.84	22.94	46.7	65.18	6.02	<0.001	0.008	1.74	0.48	0.22	-2.16
DTR0011	24.21	27.74	33.5	54.71	12.41	<0.001	0.002	8.02	0.61	0.19	-1.79
DTR0014	36.76	2.35	36.8	68.79	0.62	<0.001	0.015	1.75	0.34	0.42	-1.98
DTR0017	25.20	16.03	25.7	67.79	3.07	<0.001	0.004	1.42	0.41	0.52	0
DTR0020	33.96	12.62	38.3	65.77	3.45	<0.001	0.008	3.21	0.48	0.29	0
DTR0025	35.12	0.17	44.1	70.41	0.07	<0.001	0.014	1.57	0.31	0.03	-2.42

These results are consistent with the Due Diligence test work previously undertaken on surface samples from Papagayo and **show that a high quality magnetite concentrate can be produced containing very low levels of contaminants such as sulphur and phosphorous.**

Geological mapping has been completed over all previously identified mineralised areas. At Papagayo approximately 6 km of magnetite mineralisation has been mapped and at Iman two parallel units with a total strike length of approximately 3.5 km have been mapped.

Petrological and mineralogical studies are in progress to characterise the ore-types. To date the following have been identified visually during mapping and drill-hole logging:

- A colluvial material consisting of magnetite scree and soil;
- A siliceous magnetite;
- A garnet rich magnetite;
- A pyroxene rich magnetite;

Each ore-type can contain both high and low manganese contents.

Metallurgical Test Work

A project objective is to design a process plant that uses simple and robust equipment that does not have a high power requirement. Options for metallurgical test work are currently being reviewed but the test work programme will probably consist of:

- On each individual ore-type:
 - Physical characterisation tests;
 - Optimum grind investigations;
 - Manganese recovery investigations;
- One or more bulk tests intended to produce a minimum of 500kg of iron products for sintering test work.

Pre-Feasibility Study

The Company has commenced a pre-feasibility study on an initial starter project. The main elements of the project will consist of:

- A mine site where the iron ore will be mined and processed to an iron concentrate;

- A pig iron plant where the concentrate will be sintered and then converted into pig iron;
- Several charcoal production modules, which may be located at the pig iron plant or next to plantations;
- Development and augmentation of relevant infrastructure to support the project operations.

Conceptual studies to date have identified a relatively modest capital cost and comparably moderate operating costs. The studies also confirmed the robustness of the project. However Gladiator will continue to explore opportunities to further enhance project parameters as the economics of the project are confirmed during the pre-feasibility study period.

Charcoal Production

An important part of the pre-feasibility study is the design of a suitable charcoal production plant and the identification of suitable supplies of timber for the process. Pike Consultadora Forestal has been commissioned to undertake a study into the ownership, availability and volumes of timber available in the northern region of Uruguay together with an evaluation of the economics of plantation development in the area.

Discussions have been held with DPC in Brazil and DPC has agreed to undertake charcoal production tests using timber samples to be selected using the Pike Consultadora study.

Discussions have also been held with MiniTec Minitecnologias Ltda regarding the design of the charcoal plant. MiniTec has considerable experience in the design of mini blast furnaces that are currently operating in Brazil and India. The design work will involve three parts:

- Completion of the detailed design of the current DPC concept for a relocatable charcoal production plant;
- Assessment of the potential for power cogeneration through integration of a DPC charcoal plant with a mini blast furnace;
- Conceptual and detailed design of a larger capacity kiln, based on the DPC gas handling and control system.

New Tenement Application

The Company has submitted and had accepted an application for an additional Prospecting Permit over a mineral reserve recently released by the Uruguayan Government. The new application covers an area of approximately 1,433 hectares and is known to contain the southern extensions of both the Papagayo and Buena Orden magnetite deposits (Figure 2). It also covers much of the area between the Papagayo deposit and the Iman deposit to the east. The resource potential of this latter area is unknown and remains to be assessed.

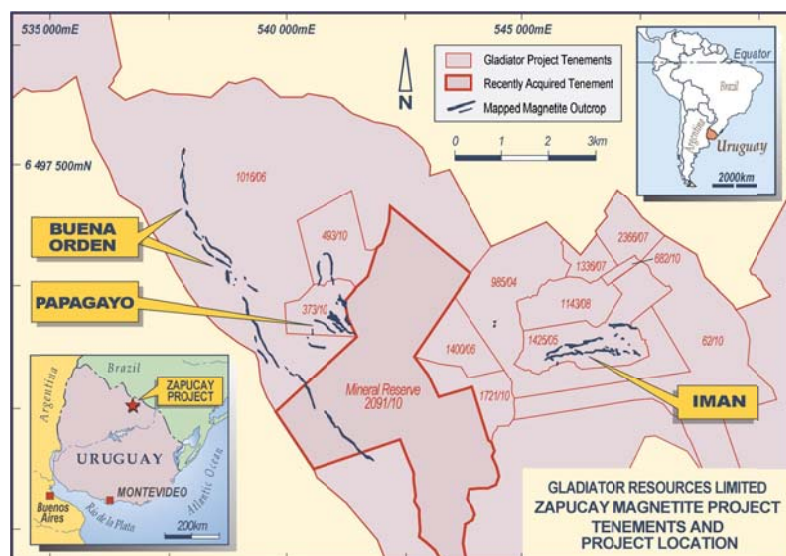


Figure 2: Location of New Prospecting Permit on Mineral Reserve Area

The application secures the area for mapping to commence immediately within the mineral reserve area. The new tenement is located within the area of interest defined under the Joint Venture with OMI and will be included in the JV exploration area.

PROJECT OVERVIEW

Agreement

During the quarter the Company entered into an Option and Joint Venture Agreement with Orosur Mining Inc ("OMI") whereby the Company can earn up to an 80% interest in the iron ore, manganese ore and base metals in OMI's project area at the Isla Cristalina Belt ("ICB") in Uruguay (Figure 1).

The Definitive Agreement was signed on 4th August 2010. The execution of the Agreement triggered a clause in the agreement, which required the Company to issue to OMI 450,000 fully paid shares in the Company (with a market value of \$100,000 calculated using the average trading price of the Company's shares over the 5 day trading period).

The Agreement with OMI provides for Gladiator to earn a 20% interest in the Zapucay Project by expending USD \$1,000,000 on work programmes. Gladiator may, at its discretion, earn a further 31% by expending a further USD \$4,000,000 taking its interest to 51%. Gladiator may elect to earn a further 29% taking its interest to 80% by producing a bankable feasibility study on or before 31 December 2015.

The Agreement provides for OMI to retain the mineral rights to gold, silver and diamonds within the project area. The Agreement addresses the usual matters contained in agreements of this nature including, but not limited to, representations and warranties by OMI and Gladiator, termination provisions, the conduct of the parties under the proposed joint venture, the manner in which the Company exercises its options to earn its interest in the project, provisions for transfer of exploration tenements between the parties, force majeure and the definition of an area of mutual interest which substantially covers all of the prospective iron areas of the ICB.

The Agreement also addresses work programmes during the earn-in phase as well as the conduct of the parties once mining commences on any portion of the project area. The guidelines and parameters of the bankable feasibility study are defined and considered to be on commonly accepted terms for studies of this nature.

The Agreement anticipates the formation of a joint venture via an incorporated entity in Uruguay with the joint venture parties holding their respective interests in the incorporated entity. The Option Agreement covers the key terms to be included in the incorporated joint venture and the parties expect this agreement to be completed during calendar 2010.

Geology

The project area comprises 750 km² in the ICB district of Uruguay and is located approximately 400km north of Montevideo, the capital of Uruguay and some 50km from the border with Brazil.

The ICB is a geological inlier of Proterozoic age rocks in the northern part of Uruguay. The inlier extends approximately 100km east-west and is 30km wide at its widest point. The ICB is considered to be prospective for a number of commodities and is known to contain areas with good iron ore potential. OMI's tenements extend over the most prospective areas of the ICB.

The project area has been explored by OMI for gold and base metals and OMI has provided Gladiator with relevant airborne and ground geophysical data, geological maps, drilling and other data relevant to iron ore exploration in the projects area.

The rocks comprise a package of basement gneisses, quartzites, schists and metamorphic sedimentary and volcanic rocks. Historic reports viewed by the Company indicate that the project area is prospective for iron ore, manganese ore and base metals.

Iron ore mineralisation occurs in stratigraphic units that generally form prominent topographic ridges rising 70 to 100 metres above the surrounding plains. These ridges extend east-west for approximately 60km from Zapucay through Curtume to Vichadero, striking NW-SE and dipping steeply to the SW at 70° to 80°. The zone containing the BIF outcrops varies in width from 5 to 10km.

Development Concept

The Company completed a conceptual study on the project as part of Gladiator's obligations under the Option Agreement. **Based on the results of the study Gladiator is of the opinion that the Zapucay Project has the potential for the development of a financially attractive project based on the production of pig iron using the iron ore resources located within the project tenements.**

To provide information and data for the study Gladiator undertook the following activities:

- An initial reconnaissance of some of the iron ore outcrops;
- Surface mapping of the Papagayo and Iman iron ore outcrops;
- Preliminary metallurgical test work on surface samples collected during the surface mapping;
- Preliminary investigations into infrastructure requirements including options for rail and port infrastructure;
- Preliminary estimates of capital and operating costs.

Based on field reconnaissance, the Zapucay area was identified as the most attractive for initial development. The Zapucay area includes the Papagayo and Iman magnetite deposits. The presence of iron ore outcrops elsewhere in the ICB provides good potential for additional ore supply outside the Zapucay area

Preliminary metallurgical test work indicates the potential for the production of a high grade iron concentrate. At a grind of p80 -250 µm, it was possible to recover both a high grade magnetic and a non-magnetic iron concentrate, with an average iron grade >66% and between 2 to 3% manganese. While preliminary, this does indicate the potential for the production of a high grade iron product. The test work also appears to indicate the potential for the production of a manganese product.

Based on its investigations, Gladiator has developed a preferred development concept, which involves the production of pig iron via mini blast furnace technology using the iron ore resources located within the project area and the plantations of the surrounding area as the principal feedstocks. The concept envisages that the iron ore will be mined and processed to an iron concentrate, which will then be sintered to make it suitable as a blast furnace feed. Charcoal, produced using the timber from nearby plantations will be used as the reductant in the mini blast furnace. The pig iron will then be exported using the established rail and port infrastructure.

A sealed road passes within 10km of the project area, the electrical grid terminates less than 20km from the project and employees experienced in mining and forestry can be sourced from population centres in the vicinity of the project.

BIOMASS PYROLYSIS TECHNOLOGY

LICENSING RIGHTS TO DPC PROCESS

Licensing Agreement

During the previous quarter the Company completed negotiations with the inventors of the DPC Process and the Patent Technology and Know-How Licence Agreement was executed by both parties on 28 July 2010.

The licence grants to Gladiator the worldwide rights, with the exclusion of Brazil, in the field of carbonisation and pyrolysis of biomass, mainly wood and other materials (with the exception of tyres) for the production of charcoal. Gladiator is able to proceed to develop and commercially exploit the technology within the territory and is also able to sub-licence the use of the technology territorially or to industry sectors.

The Licence agreement provides for an initial payment of US\$100,000 within ten days of the execution of the Licence Agreement and for a further payment upon the grant of a patent under an international Patent Cooperation Treaty ("PCT") or in the USA. The Company has also agreed to pay a commissioning fee to be calculated as a one-off fee at the rate of \$12 per tonne of total annual capacity upon the successful commissioning of a plant.

The Licence is for an initial term of six years with extensions of four further terms of three years provided commercial milestones are met in commissioning plants or payments in lieu of commissioning fees to the inventors.

DPC Process

The DPC Process comprises three phases occurring simultaneously in three interconnected horizontal kilns to produce charcoal from suitable organic feedstock, such as timber from eucalypt plantations.

- **Phase 1** – the timber is dried and pre-heated.
- **Phase 2** – controlled pyrolysis of the feedstock occurs.
- **Phase 3** – the charcoal is cooled. When it is sufficiently cool to avoid spontaneous combustion the charcoal is removed and the kiln re-loaded with feedstock ready to recommence the three steps.

The Company has been advised that when compared to conventional and traditional methods of charcoal production, the DPC Process offers many advantages including:

- Higher yield;
- Lower fines generation;
- Significantly faster production cycles;
- The ability to process green, freshly harvested timber;
- A dramatically reduced environmental impact; and
- Lower overall charcoal production costs.

The Process also leads to a reduction in timber consumption, resulting in minimising the area of plantation necessary to support a given level of charcoal production, with a saving in timber production costs.

When compared to other methods, the Process generates a stronger charcoal with a higher fixed carbon content and more uniform product quality.

The charcoal produced by the Process is very suitable for use as a reductant in mini blast furnaces. Gladiator believes that the Process represents a valuable addition to its Uruguay Pig Iron Project and will assist in ensuring that the project will be highly competitive when compared to other pig iron producers.

DPC Process and Zapucay Project

As reported under the Zapucay Project, the Company has held discussions with the owners of the DPC technology ("DPC") regarding several matters relating to the Zapucay Project including:

- Support for a proposed test work programme;
- Provision of a design for a test unit;
- Provision of data as required under the Agreement;
- A review of the latest kiln design.

DPC has agreed to undertake a series of charcoal production tests for the Zapucay Project. DPC has completed basic engineering for a new kiln design, however further detailed design is required. The kiln is all steel and is transportable. The estimated capital cost is in line with capital costs estimated for the project.

GOLD and NICKEL

EAST KALGOORLIE

HOGAN'S PROJECT (E26/108, E15/774, E15/803 and E15/1044)

Interest: 100%

Operator: Gladiator Resources Ltd

The Company has a joint venture arrangement over the Hogan's Project area, located approximately 25km east of Kambalda, with Newmont Exploration Pty Ltd.

The joint venture with Newmont Exploration Pty Ltd (Newmont) deals with the rights to gold on the project area.

Joint Venture with Newmont

Under the terms of the Joint Venture, Newmont has an option to earn a 70% interest in the rights for gold in the project tenements by expending a minimum of \$200,000 on exploration by 24 March 2010 and a total of \$800,000 on exploration by 24 March 2012 after which Newmont may elect to earn an additional 10% interest. Expenditure by Newmont to the end of September 2010 amounts to \$500,857.

As advised in the June 2010 quarterly report, Newmont has determined not to undertake further work on this joint venture and is currently in the process of divesting its interest in the project.

Newmont has advised that during the quarter an Information Memorandum detailing the sale process and work carried out to date has been sent out to interested parties that have completed a Confidentiality Agreement.

E26/107, which had formed part of the joint venture area, was allowed to expire on 22 July 2010.

CORPORATE

APPOINTMENT OF NON-EXECUTIVE CHAIRMAN

Mr Len Dean was appointed as non-executive Chairman of the Company on 30 August 2010. Mr Dean is a metallurgist with over 40 years experience in operations and marketing in the global iron ore industry.

Mr Dean spent 36 years with BHP finishing in 2000 as Vice President, Coal and Iron Ore Marketing. During his time with BHP he was General Manager, Marketing for BHP Iron Ore for 8 years and managed the iron ore mining operations at BHP's Yampi Sound mine.

From 2003 to 2006, Mr Dean was Managing Director of Sesa Goa Limited, a specialist pig iron producer and India's largest private sector iron ore company. During this time Sesa Goa produced approximately 9.5 Mt of iron ore, 280,000 tonnes of coke and 245,000 tonnes of high quality pig iron per annum.

More recently, Mr Dean has been an iron ore consultant with a wide client base including Orinoco Iron (Venezuela), Mitsui Iron Ore Development, CVRD (Brazil) and Mineral Enterprises Limited (India) and a Strategic Marketing Consultant for Orinoco Iron, Thiess, One Steel, BHP Minerals and Portman Mining.

Mr Dean is also a director of Western Plains Resources Limited and sits on the Robe River Joint Venture board as a Mitsui representative. He is a director of Ferrum Consultants an international iron ore consultancy specialising in marketing iron ore and specifically pig iron through their London office.

Gladiator Resources Limited welcomes the appointment of Mr Dean. Mr Dean's experience in the iron ore sector and more particularly pig iron will be a valuable asset to the Company in advancing the Company's project in Uruguay, which aims to be a high-value pig iron operation.

Signed on behalf of the Board of Gladiator Resources Limited

For further information:

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Director/Secretary

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The information in this report that relates to exploration results is based on information compiled by Alex Nutter who is a Fellow of the Australasian Institute of Mining and Metallurgy and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration to qualify as a competent person as defined in the 2004 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Alex Nutter consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001, 01/06/10.

Name of entity

GLADIATOR RESOURCES LIMITED

ABN

58 101 026 859

Quarter ended ("current quarter")

30 SEPTEMBER 2010

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (3 months) \$A'000
1.1 Receipts from product sales and related debtors	--	--
1.2 Payments for (a) exploration & evaluation	(605)	(605)
(b) development	--	--
(c) production	--	--
(d) administration	(151)	(151)
1.3 Dividends received	--	--
1.4 Interest and other items of a similar nature received	--	--
1.5 Interest and other costs of finance paid	--	--
1.6 Income taxes paid	--	--
1.7 Other (GST)	9	9
Net Operating Cash Flows	(747)	(747)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a) prospects	--	--
(b) equity investments	--	--
(c) other fixed assets	(118)	(118)
1.9 Proceeds from sale of: (a) prospects	--	--
(b) equity investments	--	--
(c) other fixed assets	--	--
1.10 Loans to other entities	--	--
1.11 Loans repaid by other entities	--	--
1.12 Other (provide details if material)	--	--
Net investing cash flows	(118)	(118)
1.13 Total operating and investing cash flows (carried forward)	(865)	(865)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(865)	(865)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	--	--
1.15	Proceeds from sale of forfeited shares	--	--
1.16	Proceeds from borrowings	--	--
1.17	Repayment of borrowings	--	--
1.18	Dividends paid	--	--
1.19	Other (capital raising costs)	(1)	(1)
	Net financing cash flows	(1)	(1)
	Net increase (decrease) in cash held	(866)	(866)
1.20	Cash at beginning of quarter/year to date	3,155	3,155
1.21	Exchange rate adjustments to item 1.20	--	--
1.22	Cash at end of quarter	2,289	2,289

Payments to directors of the entity and associates of the directors

Payments to related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	183
1.24	Aggregate amount of loans to the parties included in item 1.10	--

1.25 Explanation necessary for an understanding of the transactions

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

- 1). 1,500,000, 6,000,000, 6,000,000 unlisted options exercisable at \$0.35, \$0.50, \$0.70 on or before 06/07/2012, 06/07/2013 and 06/07/2013 respectively, were issued on 06/07/2010 pursuant to a resolution of members on 15/06/2010.
 - 2). 450,000 shares at \$0.222 were issued on 12/08/2010 pursuant to the Agreement with Orosur Mining Inc.
 - 3). 500,000 unlisted options exercisable at \$0.35 and 500,000 unlisted options exercisable at \$0.50 on or before 06/07/2012 and 06/07/2013 respectively, were issued on 12/08/2010 in consideration for consultancy services provided to the Company.

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

+ See chapter 19 for defined terms.

Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities		
3.2 Credit standby arrangements		

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	450
4.2 Development	--
4.3 Production	--
4.4 Administration	80
Total	530

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	79	55
5.2 Deposits at call	2,210	3,100
5.3 Bank overdraft	--	--
5.4 Other (share application account)	--	--
Total: cash at end of quarter (item 1.22)	2,289	3,155

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1		Interests in mining tenements relinquished, reduced or lapsed		
6.2		Interests in mining tenements acquired or increased		

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

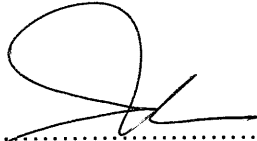
	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 Preference securities <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 +Ordinary securities	85,697,338	85,697,338		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	450,000	450,000		
7.5 +Convertible debt securities <i>(description)</i>				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 Options <i>(description and conversion factor)</i>	9,236,923	--	<i>Exercise price</i> \$0.065	<i>Expiry date</i> 31/12/2011
	2,000,000	--	\$0.35	06/07/2012
	6,500,000	--	\$0.50	06/07/2013
	6,000,000	--	\$0.70	06/07/2013
7.8 Issued during quarter	2,000,000	--		
	6,500,000	--		
	6,000,000	--		
7.9 Exercised during quarter				
7.10 Expired during quarter				
7.11 Debentures <i>(totals only)</i>				
7.12 Unsecured notes <i>(totals only)</i>				

+ See chapter 19 for defined terms.

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here:
(Director)



Date: 29 October 2010

Print name: JOHN PALERMO

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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+ See chapter 19 for defined terms.