GLADIATOR RESOURCES LTD

ABN 58 101 026 859

QUARTERLY REPORT

FOR THE PERIOD ENDED 31 DECEMBER 2011

REVIEW OF OPERATIONS

HIGHLIGHTS

ISLA CRISTALINA JOINT VENTURE (ZAPUCAY PROJECT) – URUGUAY

- Resource drilling continued on the Cerro Papagayo and Papagayo Ridge magnetite deposits with 314 holes aggregating 27,286 metres completed to date within the Zapucay Project, including 233 RC holes for 21,092 metres and 81 diamond holes for 6,194 metres.

- The results from exploration drilling and metallurgical testwork continue to be highly encouraging and confirm earlier expectations.

- DTR assay results for 42 holes from Papagayo Ridge and Buena Orden ridge line received and show several thick intersections of magnetite mineralisation with high recovery of excellent quality magnetite.

  Best Intersections from Papagayo Ridge included:

  - CPDD 122 – 87m grading 35.7% magnetite containing 67.8% Fe
  - CPRC 196 – 65m grading 39.1% magnetite containing 67.0% Fe
  - CPRC 124 – 62m grading 36.4% magnetite containing 67.8% Fe
  - CPDD 112 – 59.4m grading 36.1% magnetite containing 68.0% Fe
  - CPRC 177 – 59m grading 36.3% magnetite containing 67.2% Fe
  - CPDD 080 – 55.4m grading 32.0% magnetite containing 67.7% Fe
  - CPRC 179 – 42m grading 33.9% magnetite containing 68.8% Fe
  - CPRC 088 – 38m grading 31.4% magnetite containing 67.2% Fe
  - CPRC 175 – 33m grading 30.4% magnetite containing 69.0% Fe
  - CPRC 102 – 33m grading 28.2% magnetite containing 64.9% Fe

- DTR Assays continue to confirm that a high quality magnetite concentrate containing very low levels of contaminants can be produced from the Zapucay Project
- Head assays received for 39 holes from Papagayo Ridge and Cerro Iman and show thick intersections of magnetite mineralisation.

  Best intersections recorded from the Papagayo Ridge included:

  - CPDD 203 – 78.8m @ 27.58% Fe
  - CPDD 164 – 112.4m @ 18.96% Fe

- CPRC 114 – 108m @ 19.7% Fe
- CPRC 196 – 65m @ 29.82% Fe
- CPDD 218 – 67.85m @ 26.34% Fe
- CPDD 250 – 55.4m @ 29.6% Fe
- CPDD 080 – 58.4m @ 27.76% Fe
- CPDD 073 – 79.2m @ 19.9% Fe
- CPDD 089 - 59m @ 25.05% Fe
- CPDD 225 – 58m @ 23.65% Fe
- CPDD 240 – 51.8m @ 26.33% Fe
- CPDD 117 – 45.3m @ 25.78% Fe

- Pre- feasibility study on development of a pig iron project utilising mini blast furnace technology progressing, with capital cost estimates completed for main components of the plant.

- Indicative pig iron chemistry has been prepared based on concentrate produced from the project and shows pig iron from the Zapucay project should be of similar quality to northern Brazilian pig iron with the advantage of substantially lower contents of P and S

- Work essentially completed on Environmental Impact Assessment study for the project.

HOGAN'S PROJECT - AUSTRALIA

- Octagonal drills 3 aircore drill holes aggregating 73 metres at the Sideshow Prospect. No significant results recorded.
- Hyperspectral analysis completed on 225 end of holes drill samples.
- Octagonal planning further drilling within the Hogan's Project during 2012.

Figure 1: Location of the Isla Cristalina Joint Venture in Uruguay

IRON ORE, MANGANESE, BASE METALS

ISLA CRISTALINA JOINT VENTURE, URUGUAY

Interest: Gladiator Resources Limited earning up to 80%
Operator: Gladiator Resources Limited

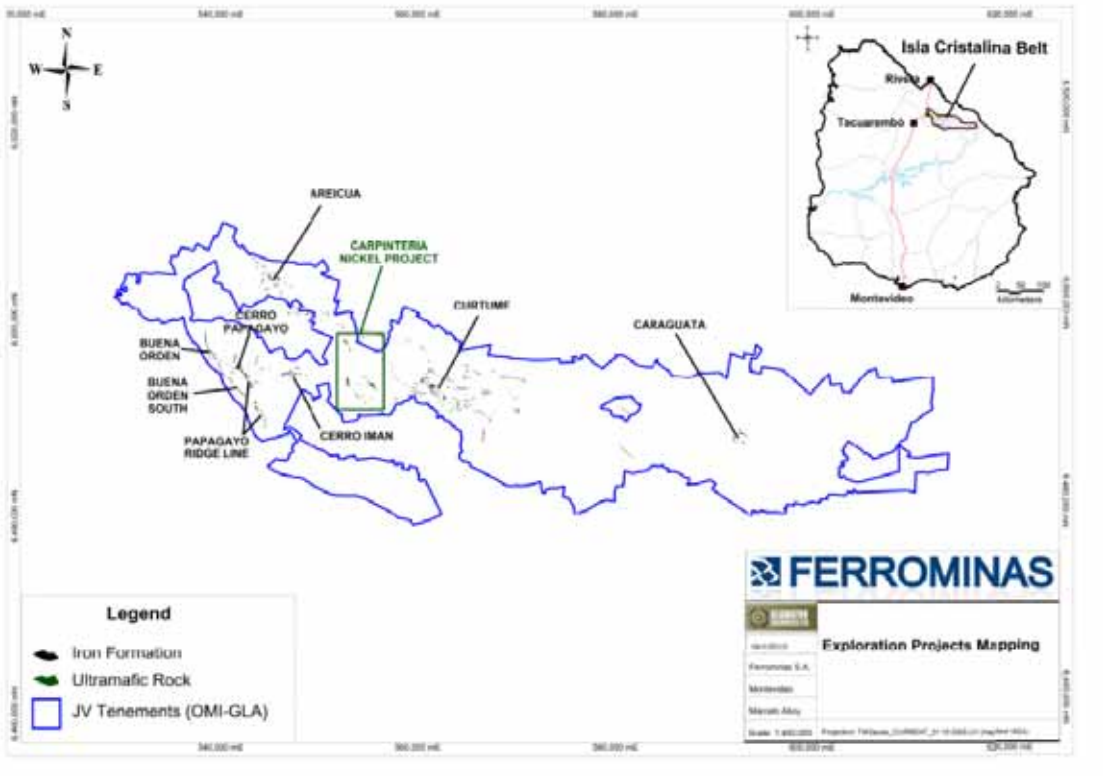

Figure 2: Location of Joint Venture Tenements, Ironstone and Main Projects

The following activities were undertaken within the Joint Venture tenements during the quarter ending 31 December 2011:

Zapucay Project – Iron

- 60 holes aggregating 5,444 metres of resource drilling at Cerro Papagayo and along the Papagayo ridge line
- 18 holes aggregating 1,074 metres of sterilisation drilling at the proposed plant site
- Davis Tube Recovery (DTR) results received for a further 42 holes at Cerro Papagayo and Papagayo ridge line
- Head assay data received for further holes from Cerro Papagayo and Cerro Iman several of which record intersections greater than 40m of magnetite mineralisation
- Indicative pig iron chemistry prepared based on concentrate produced from the project
- Work continued on the preparation of the pre-feasibility study

Curtume Project – Iron

- Geological mapping of iron mineralisation completed at Curtume and DTR results from rock chip samples received

Areicua Project – Iron

- DTR results from rock chip samples received

Caraguatá Project – Iron

- Geological mapping and sampling of iron mineralisation commenced

Base Metals Exploration

- Geological mapping and sampling undertaken over the Carpinteria nickel prospect and the Las Flores IOCG prospect

ZAPUCAY PROJECT - IRON

Drilling

Drilling, utilising one RC rig, continued during the December quarter at the Cerro Papagayo and Papagayo Ridge magnetite deposits within the Zapucay Project. A total of 60 RC drill holes aggregating 5,444 metres were completed during the quarter (Table 1). The drilling was focused on four kilometres of strike along the Papagayo Ridge line (Figure 3). The main objective of this drilling programme was to provide additional information on the quality and continuity of magnetite mineralisation down dip and along strike.

In addition sterilisation drilling comprising 18 RC holes aggregating 1,074 metres was completed to test a potential plant site. No mineralisation was intersected in these holes.

TABLE 1
ZAPUCAY PROJECT
DRILL HOLES COMPLETED OCTOBER - DECEMBER 2011

Location	RC Drilling		Diamond Drilling	
	Holes	Metres	Holes	Metres
Cerro Papagayo	32	3,029	0	0
Papagayo Ridge	28	2,415	0	0
Plant Site Sterilisation	18	1,074	0	0
TOTAL	78	6,518	0	0

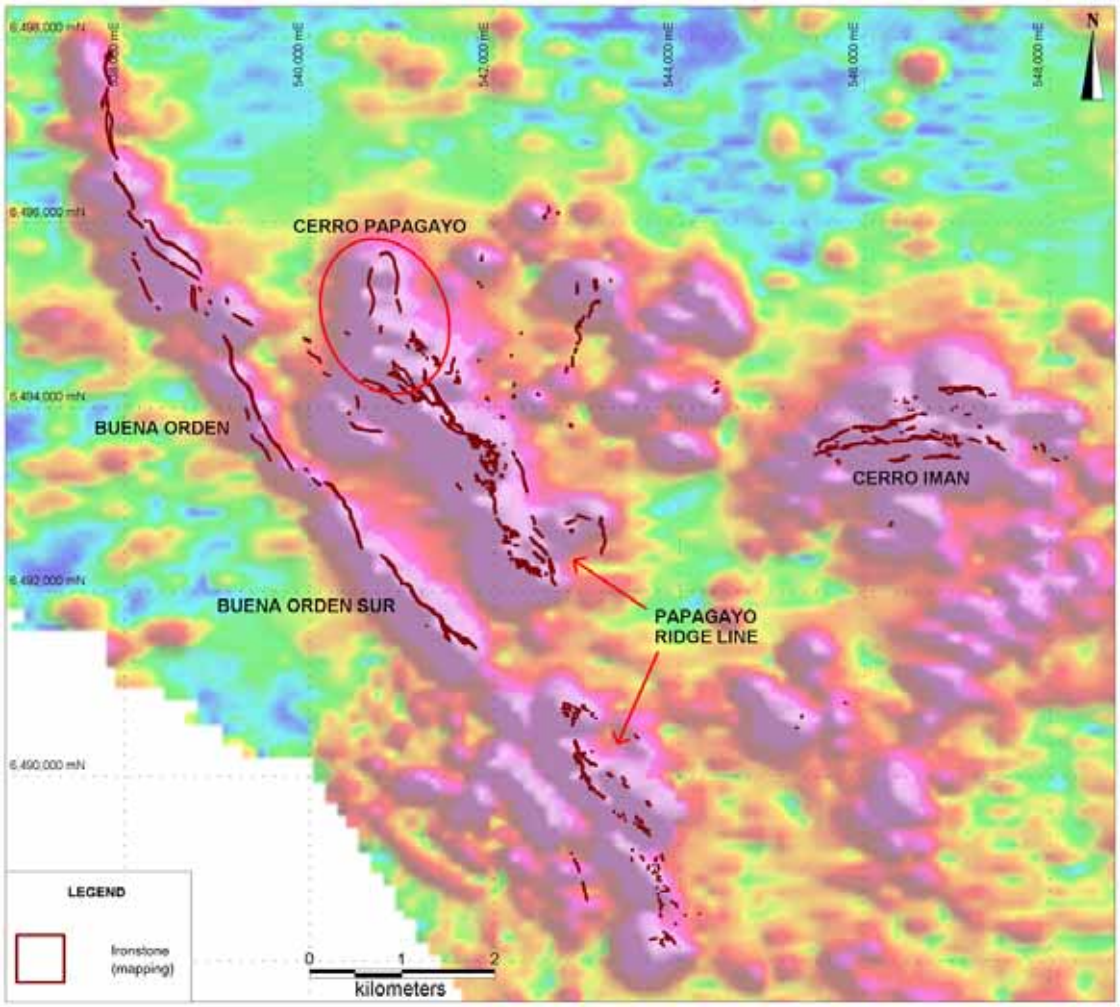

Figure 3: Zapucay Project – Location of Mineral Deposits

The locations of drill holes completed to date at Cerro Papagayo the Papagayo Ridge are shown in Figures 4 and 5 respectively. Drill holes completed during the December 2011 quarter are shown in red.

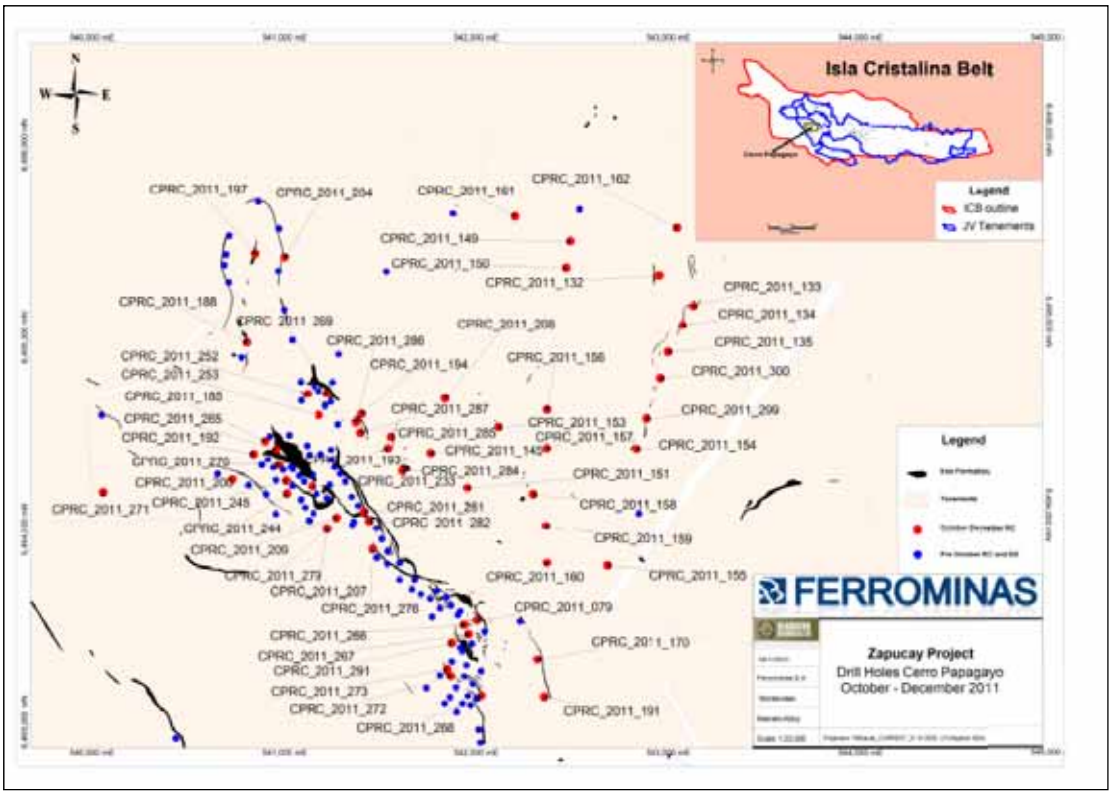

Figure 4: Cerro Papagayo - Drill Hole Location

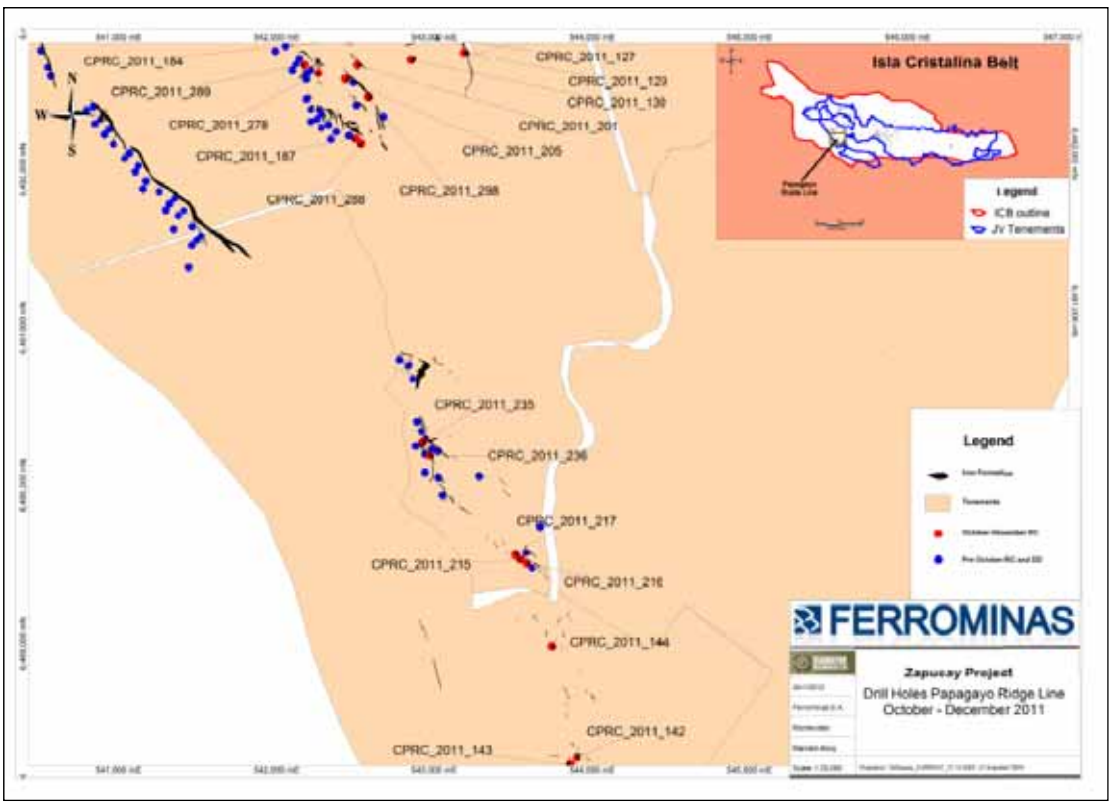

Figure 5: Papagayo Ridge Line - Drill Hole Location

233 RC drill holes aggregating 21,092 metres and 81 diamond drill holes aggregating 6,194 metres have been completed to date at the Zapucay Project since commencement of drilling in August 2010. A summary of the drilling is presented in Table 2.

TABLE 2
ZAPUCAY PROJECT
DRILL HOLES COMPLETED AUGUST 2010 – DECEMBER 2011

Location	RC Drilling		Diamond Drilling	
	Holes	Metres	Holes	Metres
Cerro Iman	37	2,935	18	699
Cerro Papagayo	53	5,081	20	1,501
Papagayo North	19	1,304	0	0
Papagayo Ridge	87	8,666	31	2,929
Buena Orden	19	2,032	12	1,065
Sterilisation	18	1,074	0	0
Total	233	21,092	81	6,194
TOTAL	314 holes for 27,286 metres			

Analytical Results

During the quarter a further 1,222 samples were sent to Perth for analysis. As at the end of December 2011 a total of 6,674 samples had been sent to Perth for analysis. A summary of samples submitted for assay is provided in Table 3

TABLE 3
ZAPUCAY PROJECT
SAMPLES SUBMITTED FOR ASSAY AS AT 30 DECEMBER 2011

Location	Previous			December Quarter 2011			Total		
	RC	DD	RK	RC	DD	RK	RC	DD	RK
Cerro Iman	1,111	319	0	0	0	0	1,111	319	0
Cerro Papagayo	629	578	0	34	74	0	663	652	0
Papagayo North	242	0	0	0	0	0	242	0	0
Papagayo Ridge	1,790	238	0	396	306	0	2,186	544	0
Buena Orden	52	15	0	0	0	0	52	15	0
Buena Orden South	289	115	0	206	84	0	495	199	0
Project Area	0	0	74	0	0	122	0	0	196
TOTAL	4,113	1,265	74	636	464	122	4,749	1,729	196
GRAND TOTAL	5,452			1,222			6,674		

Head assay results for 34 drill holes from Papagayo Ridge line and 5 holes from Buena Orden ridge line (Table 4, diamond drill holes & Table 5, RC drill holes) and 7 holes from Cerro Iman (Table 6) were received during the quarter. Numerous thick intersections of magnetite mineralisation were recorded which is highly encouraging as the Papagayo ridge line has a strike length of approximately four kilometres.

Best intersections of magnetite mineralisation recorded from the Papagayo Ridge included:

- CPDD 203 – 78.8m @ 27.58% Fe
- CPDD 164 – 112.4m @ 18.96% Fe
- CPRC 114 – 108m @ 19.7% Fe
- CPRC 196 – 65m @ 29.82% Fe
- CPDD 218 – 67.85m @ 26.34% Fe

- CPDD 250 – 55.4m @ 29.6% Fe
- CPDD 080 – 58.4m @ 27.76% Fe
- CPDD 073 – 79.2m @ 19.9% Fe
- CPDD 089 - 59m @ 25.05% Fe
- CPDD 225 – 58m @ 23.65% Fe
- CPDD 240 – 51.8m @ 26.33% Fe
- CPDD 117 – 45.3m @ 25.78% Fe

TABLE 4
PAPAGAYO RIDGE DIAMOND DRILL HOLES
HEAD ASSAY RESULTS

Drill Hole	From (m)	To (m)	Interct (m)	Fe (%)	SiO_2 (%)	Al_2O_3 (%)	V_2O_5 (%)	TiO_2 (%)	MnO (%)	S (%)	P (%)
CPDD_073	0.00	79.20	79.20	19.90	43.83	6.33	0.01	0.50	6.74	0.09	0.10
CPDD_080	1.60	59.95	58.35	27.76	38.33	4.39	0.01	0.32	8.15	0.01	0.07
CPDD_089	7.70	66.70	59.00	25.05	38.85	4.39	0.01	0.33	8.26	0.06	0.10
	91.40	100.00	8.60	17.24	44.13	8.73	0.02	0.83	2.35	0.09	0.14
	110.50	116.20	5.70	16.00	50.60	10.12	0.02	0.89	1.09	0.09	0.13
	120.40	152.40	32.00	18.85	49.03	7.32	0.01	0.57	2.60	0.05	0.10
CPDD_117	8.10	53.40	45.30	25.78	42.07	7.33	0.01	0.76	5.85	0.00	0.06
CPDD_136	0.00	8.35	8.35	17.60	50.74	10.76	0.01	0.92	2.75	0.00	0.07
	22.95	31.45	8.50	18.28	49.93	7.10	0.01	0.39	3.89	0.02	0.07
CPDD_164	0.00	17.70	17.70	30.68	41.11	3.38	0.01	0.27	5.90	0.00	0.05
	44.10	156.50	112.40	18.96	45.66	4.88	0.01	0.36	5.53	0.31	0.11
	163.60	173.30	9.70	10.24	51.10	9.12	0.02	0.71	2.75	0.16	0.09
	183.25	197.90	14.65	20.13	43.28	7.29	0.02	0.82	5.31	0.12	0.11
CPDD_173	11.50	46.00	34.50	26.22	39.21	5.70	0.01	0.67	6.47	0.05	0.13
CPDD_203	0.00	5.40	5.40	25.94	40.10	10.07	0.01	0.69	5.34	0.01	0.05
	7.40	27.40	20.00	24.05	38.60	10.59	0.02	0.89	5.95	0.01	0.09
	33.85	112.60	78.75	27.58	39.32	3.05	0.01	0.28	7.83	0.01	0.08
CPDD_218	0.00	67.85	67.85	26.34	41.02	5.48	0.02	0.63	5.35	0.03	0.12
CPDD 220	0.00	3.00	3.00	15.80	46.76	16.23	0.02	0.98	0.83	0.01	0.02
	5.50	24.50	19.00	28.16	44.90	5.27	0.01	0.39	1.93	0.00	0.09
	38.20	49.80	11.60	14.25	49.80	9.49	0.02	0.81	1.24	0.18	0.13
	55.70	67.50	11.80	21.52	42.02	5.99	0.02	0.58	5.89	0.07	0.11
	73.55	105.50	31.95	19.44	44.63	7.05	0.01	0.51	6.29	0.06	0.09
CPDD_223	0.00	13.50	13.50	19.14	50.81	9.96	0.02	0.76	1.48	0.00	0.08
	20.40	29.30	8.90	18.45	49.74	8.67	0.02	0.87	1.70	0.09	0.16
	33.60	60.60	27.00	22.14	41.12	4.70	0.01	0.40	6.08	0.08	0.09
CPDD_225	0.00	58.00	58.00	23.85	42.68	4.38	0.01	0.38	5.70	0.03	0.08
CPDD_229	55.17	86.55	31.38	20.80	46.14	5.61	0.01	0.42	6.38	0.03	0.10
CPDD_234	0.00	19.30	19.30	18.63	46.67	7.66	0.01	0.59	2.63	0.02	0.10
CPDD_238	0.00	45.80	45.80	21.00	44.75	6.00	0.01	0.47	5.14	0.18	0.09
CPDD_240	5.85	57.60	51.75	26.33	38.52	5.26	0.01	0.39	7.47	0.03	0.09
CPDD_246	43.40	73.20	29.80	21.03	44.47	5.63	0.01	0.40	4.91	0.05	0.08
	101.30	110.40	9.10	16.42	44.14	6.34	0.01	0.40	8.16	0.31	0.13
	122.70	143.50	20.80	23.26	43.26	4.97	0.01	0.49	5.27	0.25	0.10
CPDD_250	0.00	55.40	55.40	29.60	33.79	4.17	0.01	0.36	9.59	0.02	0.07
	59.60	72.30	12.70	23.00	44.71	6.40	0.01	0.60	3.85	0.04	0.12
CPDD_254	54.30	69.40	15.10	19.10	44.75	6.79	0.01	0.53	8.41	0.01	0.09
	75.40	124.30	48.90	23.12	42.37	5.57	0.01	0.50	6.32	0.10	0.10

TABLE 5
PAPAGAYO RIDGE REVERSE CIRCULATION DRILL HOLES
HEAD ASSAY RESULTS

Drill Hole	From (m)	To (m)	Interct (m)	Fe (%)	SiO_2 (%)	Al_2O_3 (%)	V_2O_5 (%)	TiO_2 (%)	MnO (%)	S (%)	P (%)
CPRC 114	1.00	109.00	108.00	19.70	46.65	6.92	0.02	0.66	1.26	0.27	0.10
	112.00	132.00	20.00	19.07	45.91	5.72	0.01	0.49	5.46	0.30	0.06
CPRC 174	44.00	62.00	18.00	22.26	42.90	5.79	0.01	0.43	8.27	0.04	0.09
	69.00	71.00	2.00	10.52	44.54	9.55	0.01	0.63	2.57	0.12	0.08
CPRC 178	24.00	42.00	18.00	22.32	44.76	6.14	0.01	0.52	5.10	0.03	0.10
	59.00	82.00	23.00	23.61	44.09	4.86	0.01	0.45	5.69	0.13	0.08
CPRC 189	5.00	13.00	8.00	25.14	41.45	5.02	0.01	0.34	5.73	0.08	0.08
	35.00	38.00	3.00	17.86	44.24	6.11	0.01	0.43	3.86	0.09	0.14
	48.00	64.00	16.00	19.42	45.51	6.64	0.02	0.64	2.35	0.71	0.11
CPRC 196	152.00	217.00	65.00	29.82	34.17	1.91	0.01	0.22	10.22	0.05	0.08
CPRC 211	138.00	157.00	19.00	23.58	41.73	3.29	0.01	0.18	8.58	0.04	0.06
	192.00	198.00	6.00	18.84	43.15	5.73	0.01	0.45	9.10	0.11	0.09
CPRC 212	79.00	94.00	15.00	29.23	35.36	2.53	0.01	0.25	9.52	0.09	0.07
CPRC 213	4.00	10.00	6.00	18.56	42.46	15.42	0.01	0.69	3.46	0.01	0.03
	20.00	25.00	5.00	24.54	38.63	8.06	0.01	0.39	6.94	0.00	0.09
	30.00	71.00	41.00	28.29	39.78	3.73	0.01	0.29	6.73	0.03	0.09
CPRC 221	88.00	93.00	5.00	20.62	46.96	3.21	0.01	0.44	4.40	0.09	0.07
	96.00	103.00	7.00	19.55	47.53	4.94	0.01	0.48	7.55	0.07	0.05
	106.00	110.00	4.00	25.95	43.91	3.01	0.01	0.59	7.31	0.02	0.05
CPRC 231	58.00	70.00	12.00	22.21	45.55	5.87	0.01	0.46	4.38	0.04	0.09
	81.00	96.00	15.00	20.93	46.30	5.12	0.01	0.43	5.62	0.01	0.09
CPRC 237	27.00	74.00	47.00	22.38	42.63	5.74	0.01	0.46	6.66	0.04	0.10
CPRC 239	16.00	21.00	5.00	19.70	38.72	6.46	0.02	0.45	8.79	0.06	0.07
CPRC 243	30.00	35.00	5.00	19.60	44.13	6.67	0.01	0.45	5.27	0.09	0.09
	49.00	55.00	6.00	19.31	44.30	6.82	0.02	0.54	5.19	0.27	0.11
	132.00	135.00	3.00	26.69	46.50	2.55	0.01	0.64	4.01	0.01	0.13
CPRC 249	30.00	66.00	36.00	19.80	45.33	6.37	0.01	0.40	4.64	0.05	0.09
CPRC 256	56.00	101.00	45.00	19.79	43.05	4.54	0.01	0.36	5.14	0.13	0.07
	113.00	122.00	9.00	16.80	51.17	7.22	0.01	0.39	1.72	0.34	0.09
	127.00	151.00	24.00	19.57	41.51	5.04	0.01	0.33	9.79	0.32	0.08
CPRC 258	62.00	65.00	3.00	11.75	50.12	12.10	0.02	0.52	0.86	0.00	0.07
CPRC 259	26.00	29.00	3.00	20.28	41.53	10.17	0.02	0.45	3.71	0.07	0.11
CPRC 260	36.00	50.00	14.00	24.56	42.03	4.59	0.01	0.32	4.87	0.07	0.08
	98.00	101.00	3.00	18.64	45.40	8.19	0.02	0.90	2.46	0.15	0.15
CPRC 263	4.00	7.00	3.00	25.10	41.31	5.24	0.01	0.52	3.53	0.00	0.11
	49.00	75.00	26.00	24.70	41.51	3.53	0.01	0.26	8.00	0.09	0.07
CPRC 266	56.00	101.00	45.00	19.79	43.05	4.54	0.01	0.36	5.14	0.13	0.07
	113.00	122.00	9.00	16.80	51.17	7.22	0.01	0.39	1.72	0.34	0.09
	127.00	151.00	24.00	19.57	41.51	5.04	0.01	0.33	9.79	0.32	0.08

TABLE 6 CERRO IMAN REVERSE CIRCULATION DRILL HOLES HEAD ASSAY RESULTS											
Drill Hole	From (m)	To (m)	Interct (m)	Fe (%)	SiO_2 (%)	Al_2O_3 (%)	V_2O_5 (%)	TiO_2 (%)	MnO (%)	S (%)	P (%)
CIRC 018	45.00	46.00	1.00	6.03	56.74	17.68	0.02	0.80	0.33	0.02	0.11
CIRC 037	58.00	60.00	2.00	7.50	46.63	10.43	0.03	0.72	0.19	0.01	0.10
CIRC 038	3.00	9.00	6.00	14.18	49.09	18.57	0.03	1.47	0.52	0.00	0.07
CIRC 041	8.00	14.00	6.00	14.67	48.25	14.05	0.03	1.25	0.72	0.01	0.10
	19.00	34.00	15.00	10.78	54.02	14.45	0.02	0.95	0.52	0.00	0.09
	67.00	68.00	1.00	9.89	56.61	12.74	0.02	1.38	0.29	0.06	0.09
CIRC 044	61.00	63.00	2.00	15.80	51.09	8.78	0.01	0.79	4.55	0.01	0.12
CIRC 045	39.00	41.00	2.00	17.11	50.26	6.81	0.02	0.53	0.70	0.45	0.05
CIRC 054	8.00	10.00	2.00	8.86	55.50	14.02	0.02	1.26	0.30	0.00	0.17

Davis Tube Recovery (DTR)

Davis Tube Recovery (DTR) test work is being 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.

During the quarter DTR results were received for 13 diamond drill holes and 29 RC drill holes from the Papagayo Ridge and Buena Orden ridge lines (Table 7, diamond drill holes & Table 8 RC drill holes). It should be noted that the DTR data are incomplete with additional DTR results pending for several holes drilled at the Papagayo and Buena Orden ridge lines.

The results show several thick intersections of magnetite mineralisation with high recovery of excellent quality magnetite. The most significant results from the Papagayo Ridge line include:

- CPDD 122 – 87m grading 35.7% magnetite containing 67.8% Fe
- CPRC 196 – 65m grading 39.1% magnetite containing 67.0% Fe
- CPRC 124 – 62m grading 36.4% magnetite containing 67.8% Fe
- CPDD 112 – 59.4m grading 36.1% magnetite containing 68.0% Fe
- CPRC 177 – 59m grading 36.3% magnetite containing 67.2% Fe
- CPDD 080 – 55.4m grading 32.0% magnetite containing 67.7% Fe
- CPRC 179 – 42m grading 33.9% magnetite containing 68.8% Fe
- CPRC 088 – 38m grading 31.4% magnetite containing 67.2% Fe
- CPRC 175 – 33m grading 30.4% magnetite containing 69.0% Fe
- CPRC 102 – 33m grading 28.2% magnetite containing 64.9% Fe

The DTR results are similar to those previously reported and confirm that a high quality magnetite concentrate can be produced containing very low levels of contaminants such as sulphur and phosphorous from the Papagayo Ridge.

TABLE 7
PAPAGAYO RIDGE DIAMOND DRILL HOLES
DTR RESULTS FOR MAGNETITE MINERALISATION

Drill Hole	From (m)	To (m)	Interct (m)	Mass %	Fe %	SiO_2 %	Al_2O_3 %	S %	P %	LOI %
CPDD 080	1.6	56.95	55.35	31.95	67.71	1.79	0.30	0.000	0.010	-2.22
CPDD 098	0.0	1.40	1.40	21.68	66.90	3.94	0.83	0.000	0.010	
	33.0	45.35	12.35	22.75	66.16	4.84	0.57	0.010	0.010	
CPDD 100	13.10	25.70	12.60	21.27	68.79	2.54	0.38	0.000	0.010	
CPDD 103	0.0	11.0	11.00	26.07	68.14	2.41	0.69	0.000	0.010	
	17.55	19.50	1.95	37.06	68.14	2.92	0.32	0.000	0.010	
	35.40	49.60	14.20	34.80	62.60	6.75	0.61	0.010	0.010	
CPDD 105	8.5	16.0	7.5	24.43	66.94	3.71	0.39	0.000	0.010	
	22.10	23.85	1.75	37.70	69.33	2.18	0.36	0.010	0.000	
	30.80	40.00	9.20	19.27	67.12	4.07	0.44	0.010	0.010	
CPDD 107	18.0	20.80	2.80	27.62	68.89	2.42	0.38	0.000	0.010	
	24.65	45.60	20.95	16.20	66.48	4.85	0.58	0.000	0.010	
CPDD 112	0.0	59.35	59.35	36.05	68.04	2.64	0.17	0.000	0.000	
CPDD 115	16.8	24.90	8.1	35.79	66.67	3.82	0.27	0.000	0.010	-2.35
	61.0	77.75	16.75	29.16	64.59	5.68	0.25	0.000	0.010	-3.12
CPDD 119	0.0	8.40	8.40	13.50	68.54	1.00	0.37	0.000	0.010	
	13.05	37.85	24.80	38.08	68.84	1.58	0.08	0.000	0.000	
CPDD 122	6.50	15.00	8.50	29.90	66.60	3.29	0.36	0.000	0.000	-1.67
	48.30	55.20	6.90	11.44	57.04	7.92	0.62	0.000	0.020	
	65.60	152.60	87.0	35.72	67.78	2.93	0.18	0.000	0.000	-3.01
CPDD138	0.0	7.70	7.70	33.11	67.50	3.82	0.45	0.000	0.020	
	12.90	18.80	5.90	25.92	65.88	5.28	0.33	0.000	0.010	
	25.90	31.90	6.00	20.72	68.56	2.49	0.11	0.000	0.000	
	37.40	52.60	15.20	30.61	66.68	4.68	0.20	0.010	0.000	
	61.75	77.60	15.85	30.82	61.88	8.48	0.46	0.030	0.010	
	83.4	88.5	5.10	36.00	64.09	6.67	0.42	0.060	0.010	-2.54
CPDD 210	0.0	15.15	15.15	37.12	67.72	1.88	0.26	0.000	0.010	-1.91
	19.30	23.95	4.65	36.09	67.68	2.55	0.15	0.000	0.000	-2.29
CPDD 240	5.85	29.10	23.25	20.04	67.33	1.76	0.45	0.000	0.010	
	34.90	54.60	19.70	20.94	65.77	4.72	0.31	0.000	0.000	-2.63

TABLE 8
PAPAGAYO RIDGE REVERSE CIRCULATION DRILL HOLES
DTR RESULTS FOR MAGNETITE MINERALISATION

Drill Hole	From (m)	To (m)	Interct (m)	Mass %	Fe %	SiO_2 %	Al_2O_3 %	S %	P %	LOI %
CPRC 081	0.0	12.0	12.0	32.17	66.58	2.06	0.24	0.000	0.000	-1.84
	19.0	31.0	12.0	36.99	69.05	1.65	0.16	0.000	0.010	-2.29
CPRC 088	14.0	52.0	38.0	31.37	67.22	2.97	0.31	0.000	0.010	
	54.0	80.0	26.0	26.52	64.45	5.27	0.63	0.000	0.010	
	86.0	92.0	6.0	12.39	64.34	6.03	0.96	0.050	0.010	-3.31
	96.0	104.0	8.0	9.46	62.87	6.61	0.86	0.010	0.000	-2.32
CPRC 090	4.0	8.0	4.0	29.26	67.31	2.05	0.44	0.000	0.000	-0.99
	29.0	44.0	15.0	24.09	65.98	3.26	0.29	0.000	0.010	-0.98
	45.0	59.0	14.0	19.74	65.34	2.61	0.40	0.000	0.010	-1.43
CPRC 102	16.0	49.0	33.0	28.24	64.88	5.31	0.83	0.000	0.010	-2.60
CPRC 104	1.0	10.0	9.0	11.25	68.60	2.55	0.48	0.000	0.010	-2.68
	21.0	45.0	24.0	25.59	67.61	3.45	0.52	0.000	0.010	-3.00
CPRC 111	11.0	18.0	7.0	28.77	63.98	6.30	0.58	0.030	0.010	

TABLE 8
PAPAGAYO RIDGE REVERSE CIRCULATION DRILL HOLES
DTR RESULTS FOR MAGNETITE MINERALISATION

Drill Hole	From (m)	To (m)	Interct (m)	Mass %	Fe %	SiO_2 %	Al_2O_3 %	S %	P %	LOI %
	21.0	24.0	3.0	12.98	62.18	6.97	1.33	0.010	0.010	-2.45
CPRC 114	3.0	13.0	10.0	38.79	68.25	1.77	0.31	0.000	0.010	-2.24
	19.0	22.0	3.0	21.74	66.77	4.01	0.19	0.000	0.000	
	25.0	29.0	4.0	17.20	67.33	3.16	0.28	0.000	0.010	
	39.0	48.0	9.0	25.99	69.28	1.34	0.39	0.000	0.000	-3.03
	65.0	66.0	1.0	50.85	69.77	1.43	0.59	0.000	0.010	-2.92
	71.0	90.0	19.0	35.23	68.46	3.38	0.68	0.020	0.010	
	92.0	97.0	5.0	31.36	67.92	3.89	0.74	0.020	0.010	
	98.0	100.0	2.0	33.85	68.32	3.32	0.79	0.100	0.010	-3.13
	117.0	118.0	1.0	21.51	64.09	5.79	0.62	0.090	0.010	-2.92
CPRC 116	5.0	23.0	18.0	22.26	64.86	3.86	0.40	0.000	0.010	
CPRC 123	7.0	8.0	1.0	25.24	68.07	2.02	0.24	0.010	0.010	-2.08
	11.0	26.0	15.0	29.52	66.41	3.84	0.29	0.000	0.010	-1.91
	34.0	36.0	2.0	13.43	64.10	4.46	0.34	0.010	0.000	-0.39
	38.0	41.0	3.0	30.38	64.37	5.69	0.23	0.000	0.010	-1.03
	88.0	92.0	4.0	33.92	67.93	3.28	0.16	0.010	0.000	-3.28
	98.0	109.0	11.0	18.49	67.81	3.05	0.35	0.070	0.000	-3.11
	121.0	125.0	4.0	25.59	63.15	6.97	0.53	0.220	0.010	-2.69
	128.0	130.0	2.0	33.37	65.87	6.40	0.67	0.170	0.010	-2.94
	138.0	139.0	1.0	7.91	53.31	18.58	1.59	0.79	0.010	-1.11
CPRC 124	109.0	110.0	1.0	20.67	66.16	4.51	0.73	0.040	0.010	-2.93
	112.0	174.0	62.0	36.35	67.83	2.63	0.21	0.000	0.000	
CPRC 175	14.0	16.0	2.0	34.61	68.05	1.65	0.22	0.000	0.000	-1.37
	17.0	50.0	33.0	30.35	68.97	1.45	0.12	0.000	0.010	-2.08
	67.0	74.0	7.0	16.59	48.33	24.45	0.26	0.310	0.010	
	78.0	83.0	5.0	18.70	59.62	10.53	0.45	0.650	0.010	
CPRC 176	39.0	41.0	2.0	43.95	69.64	1.18	0.24	0.000	0.000	-2.83
	42.0	45.0	3.0	44.85	69.02	1.63	0.14	0.000	0.000	-2.65
	46.0	47.0	1.0	29.36	69.98	0.82	0.19	0.000	0.000	-2.03
	49.0	56.0	7.0	37.50	69.36	1.38	0.32	0.000	0.000	-2.68
	60.0	88.0	28.0	30.60	69.11	1.99	0.14	0.000	0.000	-3.24
	103.0	112.0	9.0	23.73	58.06	14.46	0.95	0.430	0.020	-1.87
	119.0	120.0	1.0	12.11	50.74	23.67	1.15	0.420	0.020	-2.45
	121.0	125.0	4.0	15.38	51.85	22.02	0.67	0.560	0.020	-2.25
	147.0	151.0	4.0	12.84	64.18	6.66	0.64	0.310	0.010	-2.62
CPRC 177	63.0	69.0	6.0	30.44	69.26	1.77	0.36	0.000	0.010	-2.56
	82.0	88.0	6.0	36.79	68.23	2.57	0.11	0.000	0.000	-3.05
	92.0	151.0	59.0	36.34	67.17	3.15	0.20	0.000	0.000	-3.09
	152.0	158.0	6.0	24.15	63.13	6.77	0.73	0.120	0.000	-2.04
	163.0	170.0	7.0	31.87	64.10	6.50	0.48	0.110	0.010	-2.72
	172.0	193.0	21.0	10.55	50.95	18.25	1.28	0.900	0.010	-1.12
CPRC 178	24.0	34.0	10.0	24.38	67.16	3.00	0.44	0.000	0.010	-2.17
	35.0	36.0	1.0	22.19	65.61	4.59	0.66	0.000	0.010	-2.71
	38.0	42.0	4.0	15.41	67.92	2.61	0.34	0.000	0.000	
	60.0	82.0	22.0	29.15	68.34	2.69	0.26	0.000	0.000	-3.09
CPRC 179	12.0	21.0	9.0	26.42	68.15	1.98	0.17	0.000	0.020	-1.00
	24.0	27.0	3.0	19.73	67.84	2.66	0.53	0.000	0.020	-1.48
	65.0	70.0	5.0	25.95	67.31	2.06	0.33	0.000	0.000	-2.58
	71.0	82.0	11.0	27.34	69.44	1.56	0.38	0.000	0.000	-2.65
	89.0	131	42.0	33.93	68.79	2.29	0.22	0.000	0.000	

TABLE 8
PAPAGAYO RIDGE REVERSE CIRCULATION DRILL HOLES
DTR RESULTS FOR MAGNETITE MINERALISATION

Drill Hole	From (m)	To (m)	Interct (m)	Mass %	Fe %	SiO_2 %	Al_2O_3 %	S %	P %	LOI %
CPRC 180	2.0	21.0	19.0	32.86	68.40	2.06	0.43	0.000	0.010	-2.14
	24.0	37.0	13.0	30.81	68.66	2.32	0.32	0.000	0.000	-2.80
	69.0	73.0	4.0	32.11	59.99	10.24	0.48	0.030	0.010	-2.64
	94.0	96.0	2.0	19.00	47.89	26.85	1.83	0.450	0.030	-1.52
CPRC 189	6.0	13.0	7.0	34.46	64.35	6.59	0.39	0.010	0.010	-2.18
	36.0	38.0	2.0	25.79	64.09	5.43	0.70	0.020	0.010	-1.58
	48.0	590	11.0	18.06	57.36	13.23	1.18	0.290	0.020	
	61.0	64.0	3.0	22.09	54.55	14.46	1.13	0.140	0.030	-1.20
CPRC 196	152.0	217.0	65.0	39.12	67.03	3.00	0.18	0.000	0.010	-3.03
CPRC 211	139.0	157.0	18.0	32.27	67.94	2.82	0.18	0.010	0.000	
	192.0	198.0	6.0	23.46	62.15	7.45	0.36	0.020	0.000	
CPRC 212	79.0	94.0	15.0	39.95	66.30	4.18	0.56	0.010	0.010	
CPRC 213	4.0	6.0	2.0	13.67	67.83	2.32	0.86	0.000	0.000	
	8.0	10.0	2.0	15.78	66.70	2.66	0.92	0.000	0.000	
	21.0	24.0	3.0	37.05	67.63	2.55	0.45	0.000	0.000	
	32.0	44.0	12.0	39.84	69.57	2.10	0.42	0.000	0.000	
	45.0	71.0	26.0	36.04	66.71	3.80	0.31	0.000	0.000	
CPRC 221	88.0	92.0	4.0	28.48	67.12	3.51	0.34	0.010	0.000	
	96.0	98.0	2.0	31.58	62.48	5.69	0.32	0.010	0.000	
	100.0	103..0	3.0	30.15	67.33	3.33	0.16	0.000	0.000	
	106.0	110.0	4.0	33.47	67.73	2.42	0.27	0.000	0.000	
CPRC 237	27.0	33.0	6.0	16.85	67.22	3.32	0.45	0.020	0.000	
	35.0	41.0	6.0	25.68	68.18	2.89	0.44	0.010	0.000	
	43.0	74.0	31.0	28.38	65.11	4.10	0.40	0.010	0.000	
CPRC 239	17.0	21.0	4.0	35.31	55.28	9.86	067	0.010	0.000	
CPRC 243	32.0	38.0	6.0	30.54	62.99	5.24	0.42	0.010	0.010	
	49.0	54.0	5.0	23.27	64.77	5.75	0.62	0.020	0.010	
	132.0	135.0	3.0	33.31	69.40	2.00	0.22	0.000	0.010	
CPRC 249	31.0	35.0	4.0	14.11	67.64	2.98	0.48	0.010	0.010	
	36.0	50.0	14.0	9.77	65.25	4.57	0.56	0.010	0.010	
	51.0	66.0	15.0	23.25	59.99	11.20	0.45	0.020	0.010	
CPRC 256	57.0	71.0	14.0	28.15	67.85	3.09	0.32	0.010	0.000	
	73.0	75.0	2.0	12.71	63.00	6.47	0.70	0.010	0.010	
	77.0	84.0	7.0	27.77	68.24	2.98	0.33	0.010	0.000	
	86.0	89.0	3.0	23.19	59.05	11.61	0.85	0.050	0.010	
	91.0	101.0	10.0	6.33	51.23	15.06	1.78	2.150	0.010	
	113.0	114.0	1.0	21.54	40.97	35.14	1.76	0.940	0.020	
	115.0	116.0	1.0	14.01	44.61	30.72	1.37	1.070	0.010	
	118.0	122.0	4.0	8.93	48.97	23.79	0.83	0.770	0.020	
	128.0	151.0	23.0	17.60	62.63	6.87	0.70	0.210	0.010	
CPRC 258	63.0	65.0	2.0	5.90	61.69	8.77	0.81	0.010	0.030	
CPRC 260	37.0	39.0	2.0	19.70	69.10	1.67	0.45	0.000	0.000	
	40.0	50.0	10.0	28.85	69.38	1.82	0.19	0.000	0.000	
	98.0	101.0	3.0	20.73	64.81	5.24	0.81	0.020	0.010	

Pre-Feasibility Study

The Company is undertaking 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 pelletised 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.

Metallurgical Test Work

Assay results have been received for the testwork undertaken to investigate the production of a high-grade pellet feed. Samples representing high and low manganese ore from both Cerro Papagayo and Cerro Iman were evaluated. Liberation of magnetite is substantially achieved at a grind of approximately 75 microns with a slight improvement at finer grind sizes. A grind of approximately 45 microns is typically best for pelletisation. Both the high and low manganese ores produced very high quality concentrate with very low content of phosphorus and sulphur.

Concentrator

Design of the concentrator is continuing however finalisation of the flow sheet is dependant on the completion of metallurgical testwork. EPMS are updating a report on completed test work and the concentrator design to include the production of pellet feed.

Charcoal Production

Discussions have commenced with potential suppliers of timber for the project and a draft memorandum of understanding has been drafted. Test work to measure the dry density of potential timbers has been delayed as no harvesting of timber is occurring in northern Uruguay due to lack of markets for the timber.

Work on the design and costing of the satellite charcoal plants based on the DPC process has been completed. Each site will comprise:

- Four DPC batteries of 10 kilns each;
- Timber storage area;
- Charcoal storage area;
- Buildings, weighbridge and roads;
- Power and wáter supply;
- Emergency fire control system;

Pellet Plant

EPMS have developed indicative chemistries for fully fluxed and acid pellets (Table 9) based on concentrate chemistry from the high and low manganese ores.

TABLE 9
INDICATIVE CHEMISTRIES FOR FULLY FLUXED AND ACID PELLETS

Parameter	Fully Fluxed Pellets		Acid Pellets	
	Average Low Mn Concentrate	Average High Mn Concentrate	Average Low Mn Concentrate	Average High Mn Concentrate
Fe	65.77%	63.38%	66.72%	64.46%
FeO	0.50%	0.50%	0.50%	0.50%
SiO_2	1.49%	1.77%	1.56%	1.85%
Al_2O_3	0.30%	0.31%	0.32%	0.34%
CaO	1.55%	1.84%	0.50%	0.55%
MgO	0.30%	0.28%	0.13%	0.18%
TiO_2	0.16%	0.17%	0.16%	0.17%
Cr_2O_3	0.066%	0.069%	0.067%	0.070%
Na_2O/K_2O	0.030%	0.027%	0.035%	0.033%
Mn	1.15%	3.16%	1.17%	3.21%
P	0.003%	0.002%	0.003%	0.002%

TABLE 9 INDICATIVE CHEMISTRIES FOR FULLY FLUXED AND ACID PELLETS				
Parameter	Fully Fluxed Pellets		Acid Pellets	
	Average Low Mn Concentrate	Average High Mn Concentrate	Average Low Mn Concentrate	Average High Mn Concentrate
S	0.005%	0.003%	0.005%	0.005%
B4	1.03	1.02	0.33	0.33
B2	1.04	1.04	0.32	0.29
MgO/CaO	0.19	0.15	0.25	0.33
SiO_2/Al_2O_3	5.24	5.93	5.06	5.63

For fully fluxed pellets the following assumptions were used:

- Bentonite addition of 8 kg/t pellets;
- Limestone addition of between 25 to 40 kg/t;
- Dolomite addition of between 0 to 10 kg/t.

For acid pellets the following assumptions were used:

- Bentonite addition of 10 kg/t pellets;
- Limestone addition of between 7 to 10 kg/t.

Sinter Plant

Based on economic and environmental considerations the Company believes that a pellet plant offers a more attractive alternative to a sinter plant consequently no further work on the design of a sinter plant is currently planned.

Blast Furnace

A revised draft of the MiniTec design and costing study has been received and is being reviewed and modified to reflect Uruguayan cost structures.

An indicative pig iron chemistry (Table 10) has been prepared based on the average low and high manganese fully fluxed pellet chemistries developed by EPMS and shown in table 9.

TABLE 10 ZAPUCAY PROJECT INDICATIVE PIG IRON CHEMISTRY			
Constituent	Pig Iron from Low Mn Ore	Pig Iron from High Mn ore	Typical Pig Iron From Northern Brazil
Iron	93.8%	92%	94% - 95%
Carbon	4.2%	4.2%	3.5% - 4.5%
Silicon	0.6%	0.6%	<1.5%
Manganese	1.0% to 1.2%	3.0% to 3.2%	0.5% - 1.0%
Sulphur	<0.01%	<0.01%	<0.05%
Phosphorus	<0.01%	<0.01%	<0.12%

Based on the quality of concentrate produced from testwork on the low manganese Zapucay mineralisation the pig iron from the Zapucay project will have a similar manganese content to typical basic pig iron with the bonus of substantially lower contents of phosphorus and sulphur.

Pig iron from the high manganese mineralisation should have a higher manganese content and a correspondingly lower iron content but with substantially lower contents of phosphorus and sulphur.

Logistics

Work is continuing on reviewing the various transportation alternatives available to the project for

transportation of the pig iron to port and export from the port.

Environment
Work on the Environmental Impact Assessment Study is substantially completed. It is planned to lodge the "Project Communication Document" with the authorities in February. This will trigger the commencement of the environmental approvals process.

Cost Estimates
Capital cost estimates have been completed for the following areas:

- Blast furnace;
- Mining;
- Charcoal plants;
- Pellet plant;
- Materials handling and product logistics;
- Ancillary areas.

Revised numbers are awaited from EPMS for the concentrator.

CURTUME PROJECT - IRON

Geological mapping at Curtume was completed during November. The Curtume project is located approximately 25 kilometres east of Cerro Papagayo (Figure 2). A significant strike length of magnetite mineralisation exists at Curtume and the near surface, shallow dipping mineralisation has the potential to contribute additional resource tonnage with low stripping costs.

DTR results have been received for 18 surface rock chip samples (Table11). The sample locations are shown in Figure 6. These initial results are encouraging as they show the widespread presence of magnetite mineralisation with high recovery of magnetite containing high iron content and low sulphur and phosphorus.

TABLE 11
CURTUME PROJECT SURFACE ROCK CHIP SAMPLES
DTR RESULTS

Sample No.	Mass %	Fe %	SiO_2 %	Al_2O_3 %	TiO_2 %	MnO %	S %	P %	LOI %
002990	37.6%	69.67	0.74	0.25	0.132	0.71	<0.001	0.026	-1.62
002991	51.9%	70.36	1.58	0.13	0.031	0.30	<0.001	0.014	-2.84
002992	52.5%	69.60	1.27	0.35	0.346	0.43	<0.001	0.006	-2.13
002993	24.7%	69.75	1.38	0.41	0.230	0.20	<0.001	0.011	-2.21
002994	31.6%	66.78	4.82	0.67	0.242	0.13	<0.001	0.005	-2.41
002995	7.1%	69.87	2.26	0.22	0.058	0.20	0.007	0.016	-2.78
000905	4.2%	42.66	39.18	0.25	0.019	0.12	0.020	0.040	I.S.
000909	33.7%	70.23	0.83	0.42	0.032	0.15	0.007	0.004	-2.01
14244	19.0%	69.79	0.67	0.13	0.017	0.10	0.004	0.020	-0.89
20001	29.3%	68.17	1.68	0.32	0.161	1.51	<0.001	0.006	-1.44
20002	19.9%	63.94	3.25	0.39	0.29	4.23	0.00	0.008	-0.62
010654	57.4%	71.14	0.75	0.46	0.031	0.05	0.003	0.003	-3.09
010655	51.7%	70.97	1.19	0.35	0.027	0.05	0.002	0.002	-3.02
010656	39.9%	66.50	1.06	0.54	0.01	2.88	0.00	0.017	0.15
010657	27.1%	50.39	27.01	0.37	0.018	0.54	0.006	0.027	-1.92
010658	35.0%	69.47	2.37	0.87	0.150	0.08	0.004	0.004	-3.14
010574	29.8%	68.16	3.43	0.20	0.013	0.04	<0.001	<0.001	-1.04
010575	18.5%	70.07	0.56	0.25	0.017	0.27	0.002	0.024	-1.32

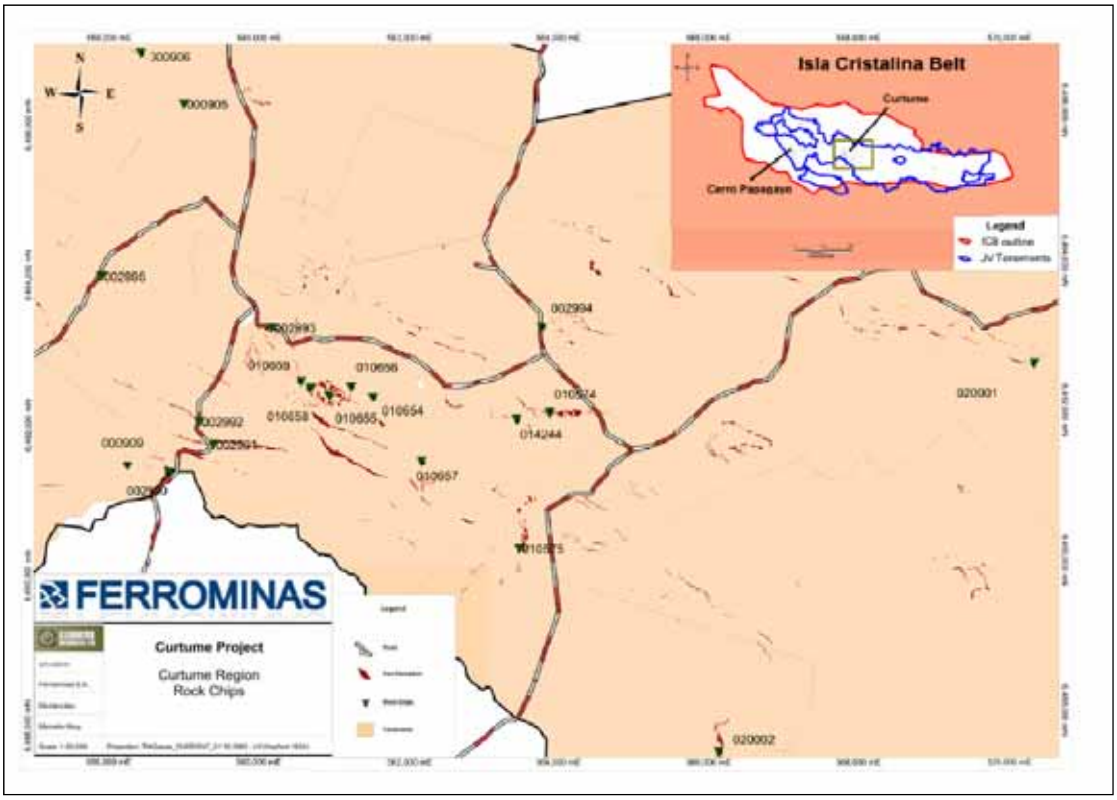

Figure 6: Curtume Project – Sample Locations

AREICUA PROJECT - IRON

The Areicua Project is located approximately 10 kilometres northeast of the Cerro Papagayo Project (Figure 2). DTR results have been received for 31 rock chip samples collected from the Areicua project area (Table 12). The sample locations are shown on figure 7. These initial results are encouraging as they indicate the widespread presence of high quality magnetite mineralisation.

TABLE 12
AREICUA PROJECT SURFACE ROCK CHIP SAMPLES
DTR RESULTS

Sample No.	Mass %	Fe %	SiO_2 %	Al_2O_3 %	TiO_2 %	MnO %	S %	P %	LOI %
009946	20.6	66.81	4.89	0.34	0.035	0.04	0.007	0.005	-1.02
009947	27.8	66.76	4.54	0.39	0.011	0.03	<0.001	0.014	-0.66
009949	32.9	67.83	4.10	0.33	0.045	0.03	<0.001	0.006	-1.62
010700	16.8	68.94	2.10	0.31	0.043	0.04	<0.001	0.004	-1.32
000901	8.2	69.58	1.59	0.39	0.181	1.49	0.004	0.012	-1.53
000902	31.4	69.16	2.31	0.31	0.106	2.01	0.004	0.003	-1.57
000903	54.0	70.45	1.39	0.42	I.S.	I.S.	<0.001	0.011	-2.68
000904	3.9	68.36	2.81	0.28	0.086	1.70	0.056	0.007	I.S.
002997	32.3	69.87	1.53	0.38	0.069	0.06	0.007	0.003	-2.16
002999	30.8	69.91	1.13	0.34	0.056	0.04	<0.001	0.006	-1.50
003000	7.7	70.05	1.69	0.40	0.058	0.20	0.012	0.042	-3.54
003811	21.8	69.00	0.58	0.21	0.159	0.95	<0.001	0.012	-0.76
003812	34.0	66.12	4.33	0.47	0.215	0.13	0.001	0.035	0.21
003813	4.8	69.58	1.45	0.41	0.037	0.12	0.002	0.012	I.S.
005826	13.3	68.94	2.03	0.41	0.047	0.20	0.025	0.034	-1.63
005827	1.7	67.94	2.59	0.50	0.015	0.39	0.015	0.024	I.S.
005828	32.3	68.94	1.18	0.52	0.257	0.57	0.005	0.016	-1.14

TABLE 12 AREICUA PROJECT SURFACE ROCK CHIP SAMPLES DTR RESULTS									
Sample No.	Mass %	Fe %	SiO_2 %	Al_2O_3 %	TiO_2 %	MnO %	S %	P %	LOI %
005829	22.1	69.53	0.70	0.37	0.129	0.08	0.005	0.016	-0.80
005898	22.7	69.69	1.12	0.35	0.017	0.08	<0.001	0.006	-1.27
005899	1.8	67.50	2.61	0.24	0.014	0.33	0.007	0.007	I.S.
005900	22.6	69.81	0.84	0.36	0.008	0.06	0.002	0.005	-0.98
010569	46.8	71.06	0.43	0.38	0.022	0.15	<0.001	0.010	-2.46
010570	25.7	68.26	1.70	0.55	0.166	0.06	0.029	0.003	-0.35
010571	35.3	64.06	7.80	0.34	0.099	0.08	0.005	0.019	-0.17
010800	24.6	68.57	2.75	0.36	0.051	0.07	0.003	0.004	-1.54
005895	17.6	68.58	0.62	0.10	0.005	2.01	0.002	0.007	-1.09
005896	25.6	69.62	0.39	0.31	0.008	0.60	<0.001	0.001	-1.09
005897	7.7	68.96	2.34	0.42	0.105	0.14	0.005	0.020	-2.46
010561	41.4	69.47	2.42	0.29	0.019	0.08	<0.001	0.003	-2.36
010562	24.3	70.12	0.56	0.12	0.010	0.05	0.004	0.002	-1.32
13276	13.3	69.75	1.34	0.40	0.026	0.07	0.002	0.006	-1.85

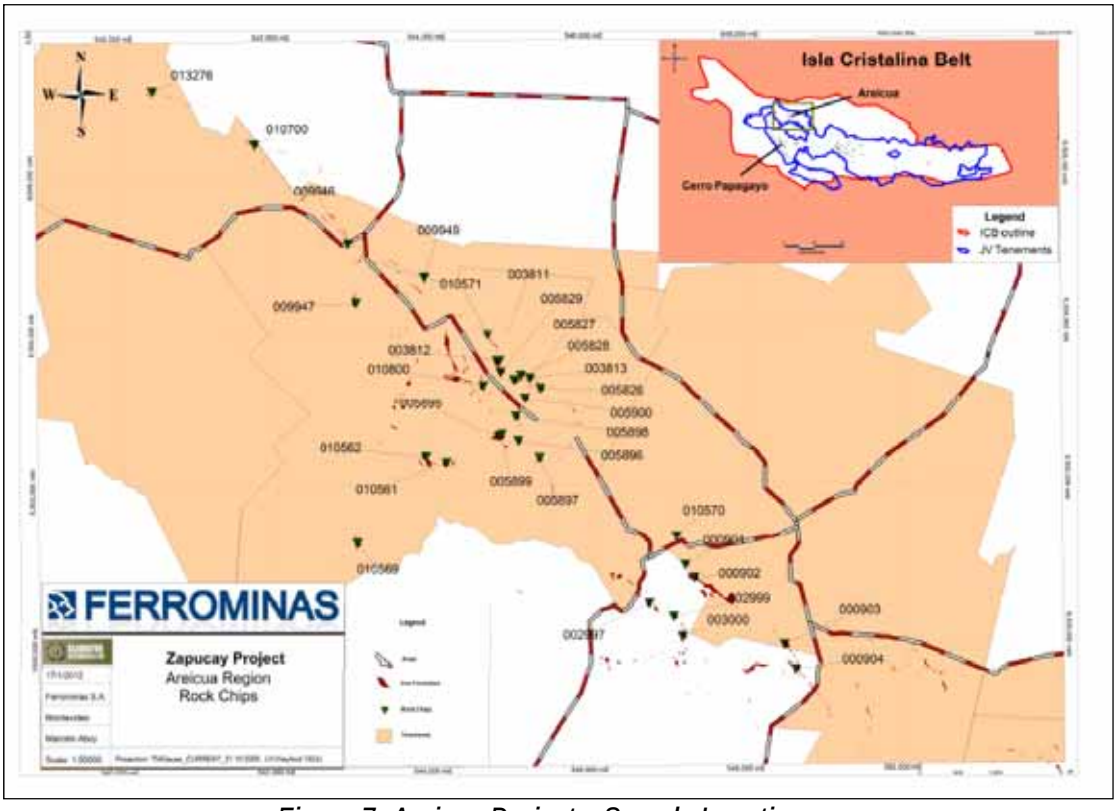

Figure 7: Areicua Project – Sample Locations

CARAGUATÁ PROJECT - IRON

Geological mapping and rock chip sampling commenced at Caraguatá Project during the quarter. The project is located approximately 55 kilometres east of Cerro Papagayo (Figure 2). Results from rock chip samples collected are pending.

BASE METAL EXPLORATION

Carpinteria Nickel Prospect

During 2008 the GeoDiscovery Group ("GeoDiscovery") from Brisbane, Australia completed a review of the Carpinteria nickel prospect for Orosur Mining Inc. ("Orosur") The Carpinteria area is located between Cerro Iman and Curtume iron project areas (figure2) and forms part of Gladiator's Joint Venture Agreement with Orosur.

The Carpentaria project is composed of a series of adcumulate-mesocumulate dominated dunites to peridotites indicative of a series of dynamic high magma-flux feeder sills. The intrusions display a range of sulphide-saturation histories and display chalcophile element enrichment. GeoDiscovery concluded that these features suggest that the project has potential for Ni-Cu massive sulphide mineralization

Gladiator has completed detailed field mapping and rock chip sampling at Carpinteria during the quarter. All exploration data is currently being reviewed with a view to developing a follow up exploration programme.

Las Flores Granite / IOCG targets.

During 2011 Coffey Mining completed an interpretation of aeromagnetic and radiometric data for the Isla Cristalina Belt. Three areas have been identified at the margins of the Las Flores granite that have potential for iron-oxide copper gold mineralization. During the quarter these areas have been mapped and several rock chip samples submitted for multi-element analysis. The results are pending.

PROJECT OVERVIEW AND BACKGROUND

Agreement

During August 2010 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. 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 (completed). Gladiator may, at its discretion, earn a further 31% by expending a further USD $4,000,000 taking its interest to 51% (completed). 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.

Geology

The Isla Cristalina Belt is a Palaeoproterozoic orogenic belt located in Northern Uruguay, with approximate dimensions of 100 kms by 40 kms, and which hosts several discrete iron formation occurrences, several of which are located at the Zapucay Project. Additional areas include Areicua and Curtume and subject to drill evaluation they have the potential to become stand alone projects or allow expansions of the Zapucay Project.

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.

The concept envisages that the iron ore will be mined and processed to an iron concentrate, which will then be pelletised 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

ACTIVITIES UNDERTAKEN DURING THE QUARTER

DPC Process and Zapucay Project
DPC has issued a final report on the charcoal production testwork undertaken by them. DPC is assisting Gladiator in the preparation of the pre-feasibility study for the Zapucay Project by providing data on gaseous emissions from a DPC charcoal kiln for the Environmental Impact Assessment of the project.

PROJECT OVERVIEW AND BACKGROUND
Licensing Agreement
During July 2010 the Company entered into an agreement, "The Patent Technology and Know-How Licence Agreement", with the inventors of the DPC biomass pyrolysis process.

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 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. 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 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.

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 Octagonal Resources (WA) Limited, which acquired the earn-in rights to the project from Newmont Exploration Pty Ltd in December 2010.

Joint Venture with Octagonal

The joint venture with Octagonal deals with the rights to gold on the project area. Under the terms of the Joint Venture, Octagonal has an option to earn a 70% interest in the rights for gold in the project tenements by expending $800,000 on exploration by 24 March 2012 after which Octagonal may elect to earn an additional 10% interest by expending a further $300,000. Expenditure by Octagonal during the December quarter amounted to $33,047 bringing the total expenditure credited to Octagonal for the project to $758,787.

Gladiator is not required to contribute its proportion of joint venture costs until a decision to mine is made by the Joint Venture.

Summary of Work Completed by Octagonal

Work completed by Octagonal during the December quarter included:

- Completion of 3 aircore drill holes aggregating 73 metres at the Sideshow Prospect. No significant results were recorded.
- Hyperspectral analysis was completed on 225 end of hole aircore drill samples collected from E15/774, E15/803, E15/1044 and E26/108.
- Petrological analysis was completed on two end of hole aircore drill samples collected from E15/774.

Proposed Future Activities

Octagonal are planning to undertake infill air core drilling at the Quimby and Sideshow Prospects during the next quarter.

During 2012 Octagonal intends to continue regional and infill aircore drilling at the Sideshow, Burns and Quimby prospects and Salt Creek – Lucky Bay Gravity Trend with the objective of defining gold in regolith anomalies for bedrock drill testing (Figure 8). Regional lake aircore drilling was planned to test the Burns Prospect during 2011 however due to heavy rainfall throughout the year the lake could not be accessed by an aircore drilling rig.

A 27 hole land aircore drilling program, totaling 1,100 metres, is planned to infill gold in regolith anomalism at the Quimby Prospect using an 80 metre by 320 metre spaced grid. The Quimby Prospect occurs within the Salt Creek – Lucky Bay Gravity Trend and was identified during 2011. The target is defined by two 160 metre by 640 metre spaced drill holes that intersected 1 metre @ 0.11 g/t Au from 36 metres in OSC078 and 3 metres @ 0.5 g/t from 46 metres in OSC091. These assay results define a greater than 1,300 metre long northwest striking mineralised trend.

A 50 hole land aircore drilling program, totaling 2,000 metres, is planned to infill gold in regolith anomalism at the Sideshow Prospect using an 80 metre by 320 metre spaced grid. Drilling during 2011 has identified three significant gold anomalous trends in weathered Archaean rocks that correlate with second and third order structures related to the Mt Monger Fault. Two anomalies

strike west-northwest whereas the third strikes east-west. The largest anomaly is semi-continuous over 2.5 kilometres.

A 35 hole regional lake aircore drilling program, totaling 1,400 metres, is planned on E15/803 to test part of the Burns Prospect using a 160 metre by 640 metre spaced grid.

Additional exploration at each target area will be determined based on exploration results.

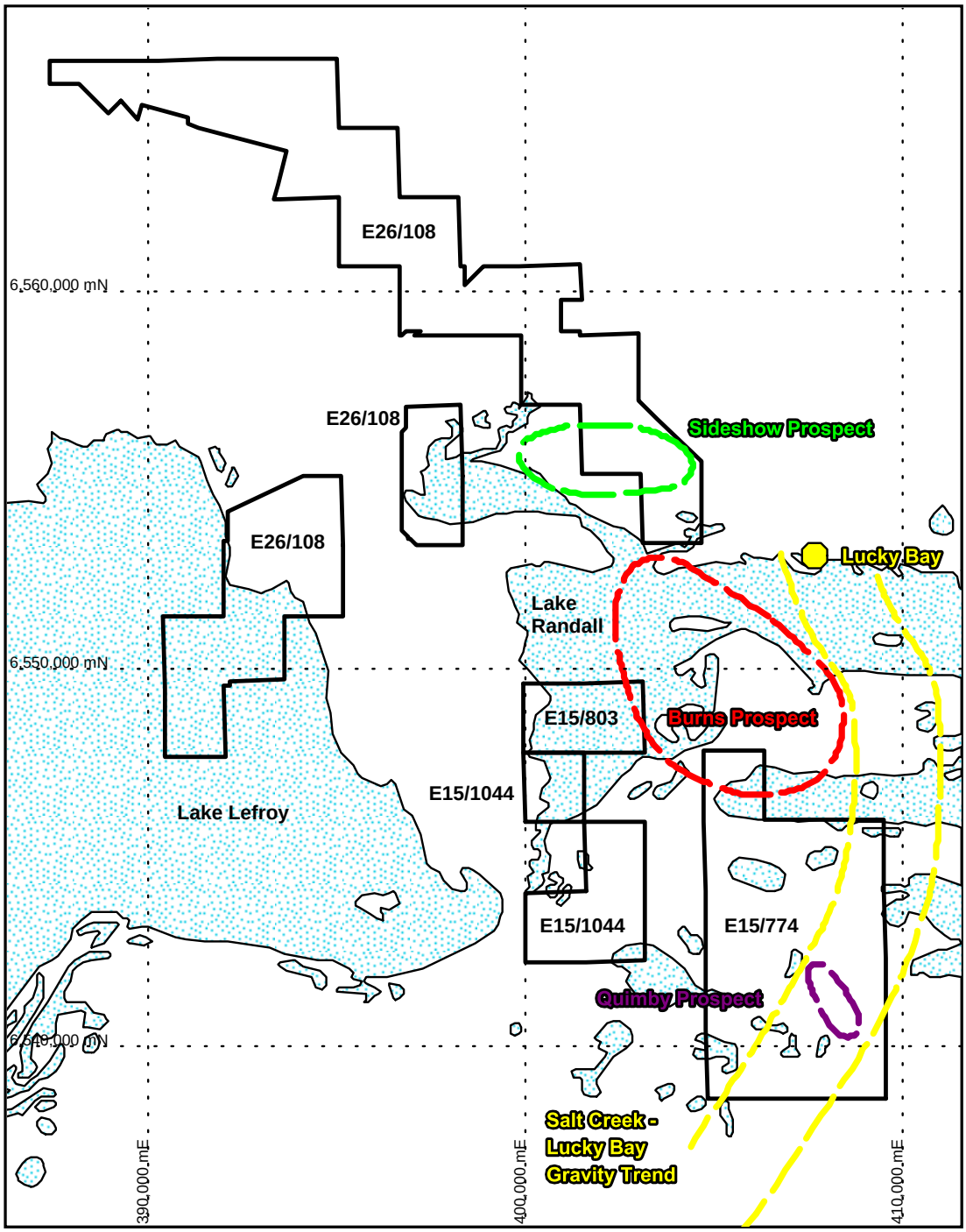

Figure 8: Hogan's Joint Venture – Exploration Target Areas

Signed on behalf of the Board of Gladiator Resources Limited

For further information:

Mr John Palermo
Director/Secretary

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Facsimile: +61 8 9242 5903
Email: jpalermo@gladiatorresources.com.au

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.

The information in this report that relates to Mineral Resources is based upon information compiled by Bernardo Viana, a geologist with 10 years relevant experience, who is a Member the Australian Institute of Geoscientists. Mr Viana is a full time employee of Coffey Mining Pty Ltd 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. Mr Viana consents to the inclusion in the report of a summary based upon his information in the form and context in which it appears.

Forward-Looking Statement

This document may contain forward-looking statements concerning the Company and the projects owned by the Company. Forward-looking statements are not statements of historical fact and actual events and results may differ materially from those described in the forward-looking statements as a result of a variety of risks, uncertainties and other factors. Forward-looking statements are based on the Company's beliefs, opinions and estimates as of the date the forward-looking statements are made and no obligation is assumed to update forward-looking statements if these beliefs, opinions and estimates change or to reflect future developments.

Rule 5.3

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, 17/12/10.

Name of entity

GLADIATOR RESOURCES LIMITED

ABN	Quarter ended ("current quarter")
58 101 026 859	31 DECEMBER 2011

Consolidated statement of cash flows

	Cash flows related to operating activities	Current quarter $A'000	Year to date (6 months) $A'000
1.1	Receipts from product sales and related debtors	--	--
1.2	Payments for (a) exploration & evaluation	(1,833)	(3,743)
	(b) development	--	--
	(c) production	--	--
	(d) administration	(223)	(425)
1.3	Dividends received	--	--
1.4	Interest and other items of a similar nature received	62	70
1.5	Interest and other costs of finance paid	--	--
1.6	Income taxes paid	--	--
1.7	Other (GST)	11	102
	Net Operating Cash Flows	(1,983)	(3,996)
	Cash flows related to investing activities		
1.8	Payment for purchases of: (a) prospects	--	--
	(b) equity investments	--	--
	(c) other fixed assets	--	(16)
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)	365	194
	Net investing cash flows	365	178
1.13	Total operating and investing cash flows (carried forward)	(1,618)	(3,818)

+ See chapter 19 for defined terms.

1.13	Total operating and investing cash flows (brought forward)	(1,618)	(3,818)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	470	600
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)	(7)	(7)
	Net financing cash flows	463	593
	Net increase (decrease) in cash held	(1,155)	(3,225)
1.20	Cash at beginning of quarter/year to date	2,452	4,522
1.21	Exchange rate adjustments to item 1.20		
1.22	**Cash at end of quarter**	1,297	1,297

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	241
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

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	300
4.2	Development	--
4.3	Production	--
4.4	Administration	200
	Total	**500**

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	127	122
5.2	Deposits at call	700	2,200
5.3	Bank overdraft	--	--
5.4	Other (share application account)	470	130
	Total: cash at end of quarter (item 1.22)	1,297	2,452

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		(refer attached notes)		
6.2	Interests in mining tenements acquired or increased		(refer attached notes)		

+ See chapter 19 for defined terms.

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** *(description)*				
7.2	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3	**+Ordinary securities**	123,416,872	123,416,872		
7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	7,236,923	7,236,923		
7.5	**+Convertible debt securities** *(description)*				
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7	**Options** *(description and conversion factor)*	1,500,000 6,500,000 6,000,000 14,017,389 750,000 1,000,000 1,000,000 125,000	-- -- -- -- -- -- -- --	*Exercise price* $0.35 $0.50 $0.70 $0.40 $0.30 $0.30 $0.40 $0.40	*Expiry date* 06/07/2012 06/07/2013 06/07/2013 31/12/2012 31/12/2012 31/12/2013 31/12/2013 30/06/2013
7.8	Issued during quarter	125,000 750,000 750,000	-- -- --	$0.40 $0.30 $0.40	30/06/2013 31/12/2012 31/12/2012
7.9	Exercised during quarter	7,236,923	--	$0.065	31/12/2011
7.10	Expired during quarter				
7.11	**Debentures** *(totals only)*				
7.12	**Unsecured notes** *(totals only)*				

+ 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 5).

2 This statement does give a true and fair view of the matters disclosed.

Sign here: ..... Date: 31 January 2012
(Director)

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 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report.

5 **Accounting Standards** ASX will accept, for example, the use of International Financial Reporting 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.