PRE-FEASIBILITY STUDY CONFIRMS ROBUST ECONOMICS AT ZAPUCAY PIG IRON PROJECT

18 October 2012

Corporate Summary

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HIGHLIGHTS

- Pre-Feasibility Study indicates the technical and financial viability of developing the Zapucay Project in Uruguay to produce Merchant Pig Iron ('MPI') and iron ore pellets for export
- Current known resources sufficient to sustain annual production of 420,000 tonnes of MPI and 570,000 tonnes of pellets over 19 years with scope to increase the resource base and project life
- Favourable Internal Rate of Return (IRR) of 20% before tax
- The high quality of the MPI and pellets should ensure ready acceptance in the world market for these products with major end users indicating interest for offtake contracts
- Gladiator has an exclusive worldwide licence for the use of environmentally sound DPC pyrolysis technology for charcoal production
- The project has a flexible scale of development, with the potential to be scaled up or down without losing its competitive cost position
- Project logistics based on existing infrastructure
- Regulatory and environmental approvals and permitting process for the Project have commenced

Gladiator Resources Limited (ASX: GLA) ('Gladiator' or 'the Company') is pleased to announce the successful completion of the Pre-Feasibility Study ('PFS') for the Zapucay Project located in northern Uruguay.

The PFS confirmed the positive financials for the Project based on the strong predicted future demand and likely prices for MPI and iron ore pellets. It is expected that demand for MPI will increase at a rate equal to or greater than the growth in global crude steel production over the period to 2020. Capital costs are estimated at US$455 million and operating costs at US$276 per tonne of MPI and US$111 per tonne of pellets.

The Project has flexibility in its development options, whereby it has the potential to be developed at a reduced capital cost of approximately US$200 million, without losing its competitive cost advantage.

"The PFS has demonstrated the robust economics of the Zapucay Project based on the annual production of 420,000 tonnes of MPI and 570,000 tonnes of iron ore pellets over a period of at least 19 years," Director, Tim Adams said.

"Gladiator has unique access to a high quality iron ore supply and product with low phosphorus and sulphur content and has nearby access to low cost timber from established plantations for charcoal production putting it in a unique cost competitive position in the industry and over its competitors."

"The strong future demand for MPI and the positive financial analysis for Zapucay have provided the Board of Gladiator with the confidence to progress the Project to a Definitive Feasibility Study," he said.

PROJECT INFORMATION

Background

The Zapucay Merchant Pig Iron (MPI) Project is located approximately 450 km north of Montevideo, the capital of Uruguay and 50 km from the border of Brazil (Figure 1). The Project is subject to the Isla Cristalina Joint Venture ('joint venture') with Orosur Mining Inc. ('Orosur') in which Gladiator has a 51% interest and the right to earn 80% through the successful completion of a Definitive Feasibility Study (DFS) by 31 December 2015.

The joint venture tenements cover an area of approximately 750 km^2 within the Isla Cristalina Belt. Gladiator has a further two applications in the area for prospecting permits covering a further 150 km^2. The Isla Cristalina Belt is a Palaeoproterozic orogenic belt located in Northern Uruguay and hosts a number of magnetite deposits, several of which are located within the Zapucay Project area.

Figure 1: Location of Isla Cristalina Belt in Uruguay

The Project's development is based on mining the Papagayo, Buena Orden and Iman magnetite deposits in the Zapucay region. Additional magnetite resources are present nearby at Areicua and Curtume (Figure 2) and subject to drill evaluation they have the potential to become standalone projects or enable expansion of the Zapucay Project. Figure 3 shows the Project area in more detail and indicates the extent of the drilling and magnetic geophysical surveys.

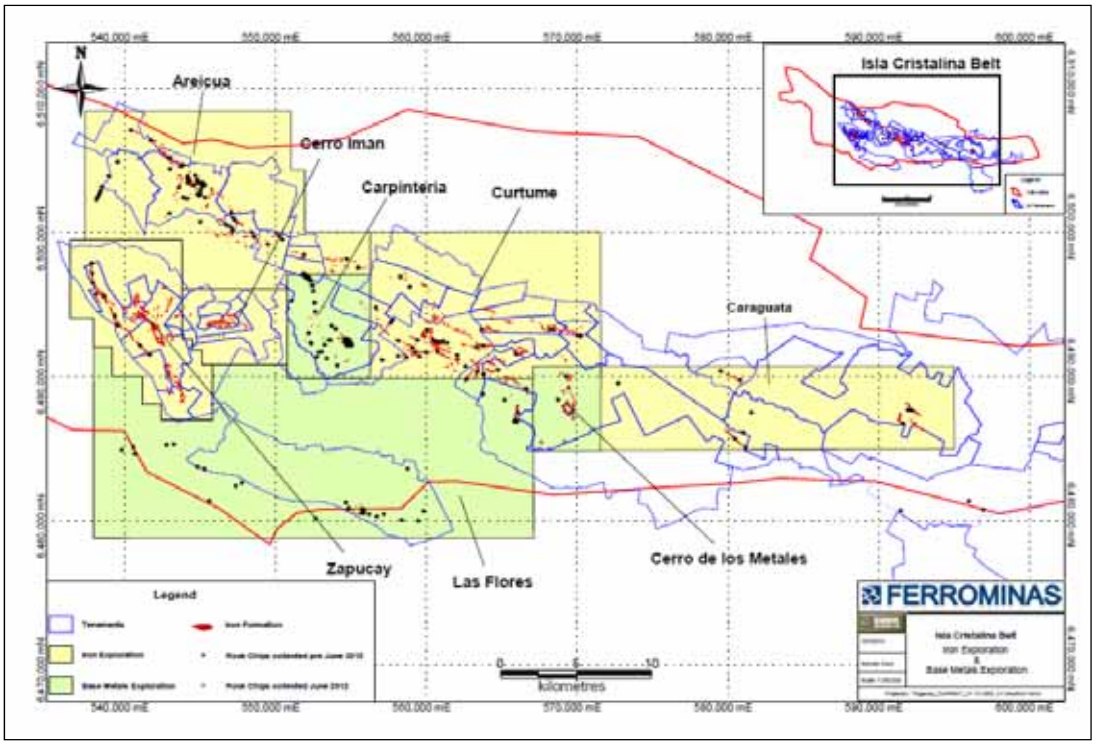

Figure 2: Location of Joint Venture Tenements and Iron & Base Metal Projects

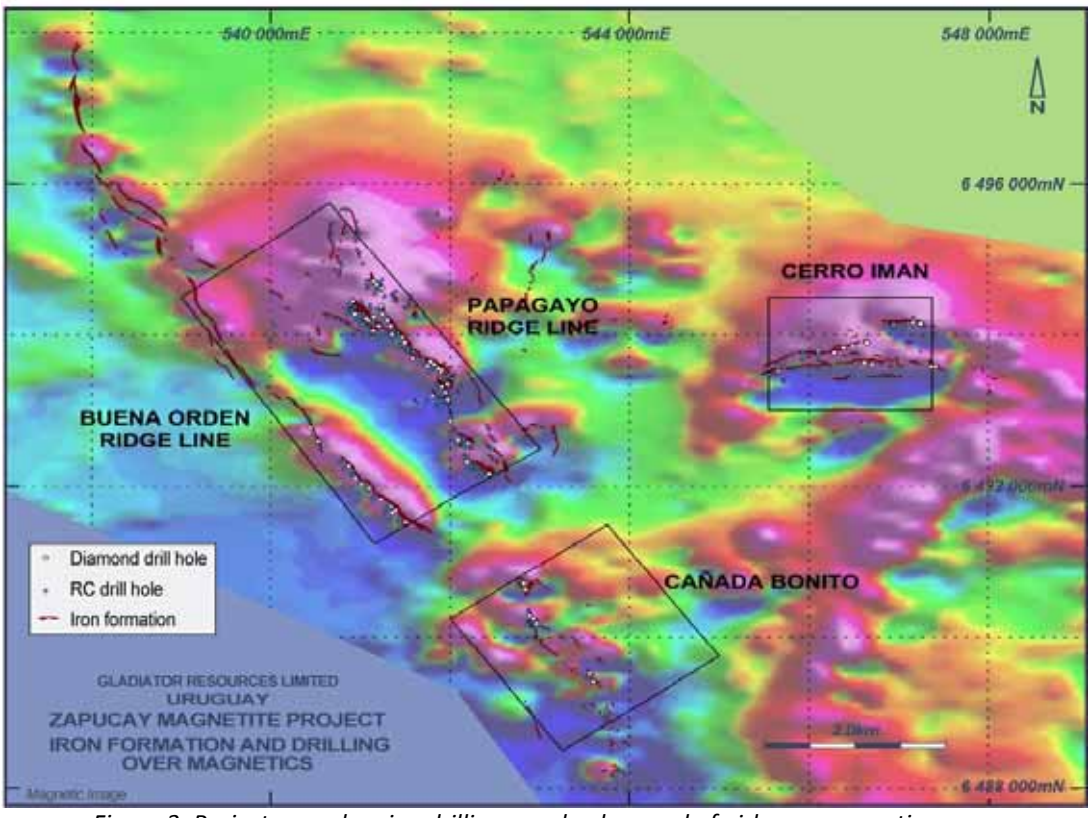

Figure 3: Project area showing drilling on a background of airborne magnetic survey

Mineral Resources

The SRK JORC compliant Mineral Resources statement (Table 1) was announced to the market on 7 September 2012. A lower cut-off of 15% was applied and the mineral resource is reported inside an optimised pit shell based on mining costs and recoveries generated by the Company.

Table 1
Mineral Resource statement
(using a 15% Fe lower cut off and constrained by depth in main project area)

Deposit	Resource Classification	Tonnes (Mt)	DTR %	Assay % Fe	SiO_2	$A1_2O_3$	Mn	P	LOI
Iman (0 – 150m depth from surface)	Inferred	15.2	38.3	29.2	37.8	3.4	5.3	0.10	0.7
Papagayo	Indicated	5.4	29.1	25.8	38.8	4.1	6.4	0.09	1.2
(0 – 190m depth from surface)	Inferred	43.9	31.0	25.9	38.8	3.9	5.6	0.09	1.5
Buena Orden (0 – 190m depth from surface)	Inferred	4.9	33.3	23.8	40.5	4.5	5.6	0.09	2.4
Total		**69.4**	**32.6**	**26.5**	**38.7**	**3.8**	**5.6**	**0.09**	**1.4**

The Mineral Resource converts into a recoverable magnetic fraction and resultant concentrator grades using Davis Tube Recovery values measured in the testwork as depicted in Table 2.

Table 2
Zapucay Project
Mineral Resource DTR magnetic fraction, August 2012
(no lower cut applied)

Deposit	Tonnes Million	Assays % (Estimated from DTR composites) Fe	SiO_2	$A1_2O_3$	Mn	P
Cerro Iman	5.8	63.8	3.9	0.4	2.3	0.01
Cerro Papagayo	15.2	62.9	4.8	0.6	1.6	0.01
Buena Orden	1.6	60.2	7.4	0.9	1.9	0.01
Total	**22.6**	**63.0**	**4.7**	**0.6**	**1.8**	**0.01**

Mining and Processing

The deposits will be mined using conventional open pit mining methods with hydraulic excavators and off road haul trucks. At the planned ore production rate of 3.6 million tonnes per annum (Mtpa) there are sufficient resources for an expected mine life of 19 years with scope to significantly increase the resource base and project life.

The two ore types, low and high manganese respectively, will be processed in a conventional magnetite concentrator to produce low and high manganese concentrate for pelletisation. The concentrator flow sheet has been based on the results of a comprehensive programme of metallurgical testwork completed over the past two years. Table 3 shows the expected concentrate quality from the low and high manganese ores from Papagayo and Iman. The quality of the concentrates is excellent with very low phosphorus and sulphur contents.

Table 3 Zapucay Project Forecast concentrator quality				
	Ore Type Concentrate grade %			
Constituent	Papagayo Low Mn	Papagayo High Mn	Iman Low Mn	Iman High Mn
Fe	69.24	66.66	69.88	67.20
SiO_2	1.22	1.15	0.85	1.57
$A1_2O_3$	0.13	0.19	0.25	0.29
MnO	1.93	5.11	1.28	3.96
S	0.002	<0.001	0.009	0.001
P	0.002	0.002	0.003	0.001

Pelletisation

The two concentrates will be campaigned through a grate kiln pellet plant using pulverised charcoal as fuel to produce low and high manganese pellets. The indicative chemistries for fully fluxed and acid pellets for low and high manganese ores from Papagayo and Iman are shown in Table 4.

Table 4 Zapucay Project Papagayo & Iman low and high manganese ores Indicative chemistry for fully fluxed and acid pellets				
	Grade %			
	Fully Fluxed Pellets		Acid Pellets	
Constituent	Average Low Mn	Average High Mn	Average Low Mn	Average High Mn
Fe	65.77	63.38	66.72	64.46
SiO_2	1.49	1.77	1.56	1.85
$A1_2O_3$	0.30	0.31	0.32	0.34
Mn	1.15	3.16	1.17	3.21
P	0.003	0.002	0.003	0.002
S	0.005	0.003	0.005	0.005

Mini Blast Furnace

Fully fluxed pellets will be converted to MPI in mini blast furnaces designed to use charcoal as the reductant. The Company envisages the construction of two furnaces each with a production capacity of 210,000 tonnes of MPI per year. Charcoal based mini blast furnaces of this size are common in Brazil. The furnaces will have the ability to generate a high temperature blast and also fuel an electricity cogeneration plant, which will provide over one third of the electricity demand of the Project.

Indicative specifications of basic pig iron and MPI from the low and high manganese ores are shown in Table 5. The low manganese ore produces a product very similar to basic pig iron but with extremely low phosphorus and sulphur. The manganese level can be controlled by grade control and the typical pig iron product from the project will be a basic pig iron with very low levels of phosphorus and sulphur.

Table 5
Zapucay Project
Indicative Pig Iron Chemistry

Constituent	Basic Pig Iron Specification Grade%	MPI from Low Mn Ore Grade%	MPI from High Mn Ore Grade%
Iron	>93	93.8	92
Carbon	3.5 to 4.5	4.2	4.2
Silicon	<1.5	0.6	0.6
Manganese	0.5 to 1.0	1.0 to 1.2	3.0 to 3.2
Sulphur	<0.05	<0.01	<0.01
Phosphorus	<0.12	<0.01	<0.01

Charcoal Production

Charcoal production will be undertaken in dedicated facilities using DPC pyrolysis technology. Gladiator has the exclusive worldwide license for the use of this technology outside of Brazil. Unlike traditional charcoal making methods, the DPC process is much more energy efficient, translating to a significant increase in yield. The DPC process has very low gas emissions and is therefore environmentally sound when compared to traditional charcoal making processes. The majority of charcoal produced will be consumed in lump form in the mini blast furnace with charcoal fines being used in the pellet plant. This ensures that all charcoal produced, lump and fines will be consumed by the Project.

Timber supply for the charcoal plant will be obtained from the commercially operated plantations located in the northern and central regions of Uruguay, with a focus on the small diameter thinnings which otherwise have little or no market value.

Project Logistics and Infrastructure

It is proposed to truck the MPI and pellets from site to a loading facility on the rail line near the border with Brazil, a distance of approximately 98 kilometres. From there the products will be railed to the Port of Rio Grande in Brazil, a distance of 687 kilometres (Figure 4). The export terminal has a draft of up to 12 metres and is currently serviced by Handymax and Panamax sized ships.

The Uruguayan government-owned, national electricity provider will supply electricity to the Project. A high voltage line currently supplies power to a nearby gold mine located to the west of the Zapucay Project site. To connect the Project to the national grid, 22 kilometres of 150 kV power line will be constructed.

Process water for the Project will be sourced from a number of water supply dams that will be constructed within the Project site. These dams will collect and store rainfall from across the Project site. The average annual rainfall in the area is estimated at approximately 1,300 mm and is relatively consistent throughout the year.

Figure 4: Product Transport Logistics

The work force for the Project will be sourced from the local region which is home to several towns and farming communities. It is envisaged that a permanent accommodation camp will be established for drive in/drive out employees.

Overall PFS Financial Results

For the purposes of the PFS, the following was assumed:

Resource (inferred and indicated)	66.7 million tonnes
Average waste: ore ratio	3.37:1
Average waste: ore ratio (over first 14 years)	2.9:1
Average Weight Recovery to concentrate	33%
Ore Production Rate	3.6 million tonnes per year
Mini Blast Furnaces Productivity	210,000 tonnes per year
Overall Employment Estimates	654 persons
Life of Mine	19 years
Overall Production Costs	76 per tonne of MPI and US$111 per tonne of pellets
Estimated Overall Capital Cost	US$455 million
Forecast average price for MPI	US$475 per tonne (fob)
General corporate income tax rate	25%
Nominal mineral royalty rate	5% of the sale price for magnetite concentrate
Project Internal Rate of Return (IRR)	19% post tax

Grant Thornton in Uruguay was commissioned by the Company to undertake a review of the project. The review assessed the potential for the Project to access the Uruguayan Government's investment incentive schemes, the impact of potential taxation changes in Uruguay and the overall Project cash flows and financial returns.

Based on the review a substantial portion of the capital investment is eligible for consideration under the investment scheme, which will provide tax advantages for the Project.

Capital Expenditure

The PFS has identified an initial capital cost of US$455 million. Of this, US$378 million will be upfront, with the balance expended over the first year of operations. Refer to Table 6 for the estimated capital expenditure breakdown for the Project;

Table 6 Zapucay Project Capital cost (US $Millions)	
	Capital cost US $millions
Mining and infill drilling	15.10
Concentrator	73.17
Charcoal plants	66.09
Pellet plant	55.80
Blast furnaces	75.40
Material handling and product logistics	27.58
Site infrastructure and general	58.01
Owners cost	26.75
Contingency	56.79
Total	**454.69**

The Project has a flexible scale of development, with the potential to be scaled up or down without losing its competitive cost position. Significantly, in the case of a smaller development, the overall operating costs per tonne of product are not expected to increase. This is due to the potential to lower the Waste: Ore ratio in the mine, thus reducing overall mining costs and offsetting any increases in operating costs that may result due to fewer economies of scale. The capital cost of a development option consisting of a single Mini Blast Furnace is forecast at US$200 million.

Operating Costs

The overall production costs are estimated at US$276 per tonne of MPI and US$111 per tonne of pellets and are summarised in Table 7.

Table 7 Zapucay Project Operating costs for Merchant Pig Iron (MPI) and Pellets			
	Merchant Pig Iron		**Iron Ore Pellets**
Area	**Cash operating cost (US$ per tonne MPI fob)**	**Area**	**Cash operating cost (US$ per tonne pellets fob)**
Pellets	94	Mining	20
Charcoal	120	Concentrator	24
Other	32	Pelletising	18
Logistics	49	Logistics	49
Power credits	-18		
Total	**277**	**Total**	**111**

Financial Result

The expected Financial Result is shown in Table 8, indicating the Project's robustness over a range of price forecasts.

Table 8
Zapucay Project
Financial Result

Scenario	NPV @ 10%		IRR	
	Before Tax (US $millions)	After Tax (US $millions)	Before Tax %	After Tax %
Average forecast price	309.9	253.6	20	19
Downside price	154.8	116.1	15	14
Upside price	524.1	445.9	26	24

Market dynamics - MPI

The Company commissioned Ferrum Consultants Ltd to review the global market for MPI and provide advice on future demand and likely prices. Based on this advice Gladiator has concluded that the likely price for MPI is approximately US$475 per tonne (fob), moving within a range of US$400 to US$550 per tonne over the short to medium term after which general steel industry trends will drive the price. Demand for MPI is predicted to increase at a rate equal to or greater than the growth in global crude steel production over the period to 2020.

Gladiator should have a competitive advantage over many of its competitors due to its high quality iron ore supply, superior quality product with low content of phosphorus and sulphur as well as the ability to produce low cost charcoal using the DPC process.

Approvals Status

The Company lodged its Project Communication Document (PCD) with the Uruguayan Department for the Environment in March 2012. This document summarises the proposed development at Zapucay and the related baseline environmental data. Lodgement of the document represents the first stage of the environmental approvals process. The Department accepted the document as a sufficient description of the project, which initiated the Project approvals process.

Next Steps

Planning for the Definitive Feasibility Study is underway.

***Note**: The Board, based on independent technical advice, reasonably expects the majority of the Inferred Mineral Resource would be upgraded to an Indicated Mineral Resource with continued exploration however it should not be assumed that such upgrading will always occur. Only Indicated or Measured Resources under the JORC code can be used to estimate an Ore Reserve, consequently the forecasts in the Pre-Feasibility Study must be considered conceptual.*

Competent Person Statement

The information in this report that relates to Mineral Resources is based upon information compiled by Dr Lucy Roberts, a geologist with 8 years relevant experience and who is a member of the Australasian Institute of Mining and Metallurgy. Dr Roberts is a full-time employee of SRK Consulting (UK) Ltd, an independent Consultancy 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. Dr Lucy Roberts consents to the inclusion in the report of a summary based upon her information in the form and context in which it appears.

The information in this report that relates to Mining, Processing, Marketing and Financial Analysis is based on information compiled by Tim Adams, a mining engineer with 25 years relevant experience. Tim Adams is a full time employee of Gladiator Resources Limited and has sufficient experience, which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking, 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. Tim Adams consents to the inclusion in the report of the matters based upon his information in the form and context in which it appears.

Disclaimer

Certain of the statements made and information contained in this press release may constitute forward-looking information and forward-looking statements (collectively, "forward-looking statements"). The forward-looking statements in this release relate to future events or future performance and reflect the current expectations, assumptions or beliefs of the Company based upon information currently available to the Company and include, but are not limited to, statements with respect to the estimation of mineral resources, the realisation of mineral resource estimates, the timing and amount of estimated future production, costs of production, capital expenditures, success of mining operations, environmental risks, unanticipated reclamation expenses, title disputes or claims and limitations on insurance coverage.

With respect to forward-looking statements contained in this release, assumptions have been made regarding, among other things, the reliability of information prepared and/or published by third parties that are referenced in this press release or was otherwise relied upon by the Company in preparing this press release. Although the Company believes the expectations expressed in such forward-looking statements are based on reasonable assumptions, such statements are not guarantees of future performance and no assurance can be given that these expectations will prove to be correct as actual results or developments may differ materially from those projected in the forward-looking statements. There is no assurance that the results of the pre-feasibility study will be replicated in actual production conditions or that the IRR or NPV will be as projected. Factors that could cause actual results to differ materially from those in forward-looking statements include, among other things, unforeseen technology changes that results in a reduction in iron or magnetite demand or substitution by other metals or materials, the discovery of new large low cost deposits of iron magnetite and the general level of global economic activity, changes in project parameters as plans continue to be refined, future prices of mineral resources, possible variations in ore reserves, grade or recovery rates; accidents, dependence on key personnel, labour pool constraints, labour disputes, delays in obtaining governmental approvals or financing or in the completion of development or construction activities, and other risks of the mining industry. Readers are cautioned not to place undue reliance on forward-looking statements due to their inherent uncertainty. Such statements relate to future events and expectations and, as such, involve known and unknown risks and uncertainties. The forward-looking statements contained in this release are made as of the date of this press release and except as may otherwise be required pursuant to applicable laws, the Company does not assume any obligation to update or revise these forward-looking statements, whether as a result of new information, future events or otherwise.

There is a low level of geological confidence associated with inferred mineral resources and there is no certainty that further exploration work will result in the determination of indicated mineral resources or that the production target itself will be realised.

About Gladiator Resources Limited

Gladiator is listed on the ASX (Code: GLA) and has a 51% interest in the Isla Cristalina Joint Venture with Orosur Mining Inc. ('OMI') for the Zapucay Merchant Pig Iron Project in Uruguay. Gladiator has recently completed a Pre-Feasibility Study for the Zapucay Project confirming the financial and technical viability of developing the project to produce merchant pig iron and iron ore pellets for export. Gladiator aims to become an independent integrated pig iron ore supplier. The Company's access to a high quality iron ore supply and product with low phosphorus and sulphur content, a flexible scale of development and ready access to low cost timber from established plantations for charcoal production puts it in a unique cost competitive position in the industry and over its competitors.

- Ends -

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