

Thursday, 24 July 2008

MARKET ANNOUNCEMENT

GENERAL COMPANY UPDATE

The Company provides the following general update:

Apurimac Iron Ore Project (Peru)

The Apurimac Project currently comprises approximately 74 concessions totalling approximately 61,309 hectares¹.

The results of the Pre-Feasibility Study on Strike's flagship Apurimac Iron Ore Project focusing on the development of a 20Mtpa mining operation with iron ore concentrate transported by slurry pipeline to the coast was announced on 23 July 2008².

Strike confirms that it is now aggressively targeting the following key Apurimac project milestones:

- Expanding resource inventory in Apurimac to +300Mt (December 2008)
- Completion of Railway Scoping Study (September 2008)
- Completion of Bankable Feasibility Study (June 2009)
- First Production from Apurimac (first half of 2012)

A 2,105 line kilometre helicopter-borne geophysical survey in the Apurimac Project area has recently been completed. The final results and analysis from this survey are expected to be received in August 2008. Anomalies highlighted from preliminary data have been followed up by surface reconnaissance surveys. Prospective targets will be further tested by scout drilling.

Community approvals and environmental permits are being sought for approximately 45,000 metres of RC and diamond drilling in the Apurimac region, including in-fill drilling at the Opaban I and III concessions.

1 Strike's Apurimac Project comprises concessions held by Apurimac Ferrum S.A and Strike Resources Peru S.A.C.

2 Refer 23 July 2008 ASX market announcement titled "[Pre-Feasibility Results Confirm World Class Prospects for Apurimac Project in Peru](#)"



Cuzco Iron Ore (Stage 1 Lump) Project (Peru)

The Cuzco Project currently comprises approximately 10 concessions totaling approximately 8,218 hectares.³

Strike Resources is conducting a scoping study on the mining and transportation of initially 1.2Mt tonnes, expandable to 2Mt per annum of high-grade (+60% Fe) lump iron ore from its Cuzco mine through to Matarani port commencing in late 2009. Preliminary findings indicate that the ore will be trucked 275 kilometres through to a railhead near the town of Imata. From there it will be loaded onto trains and railed 312 kilometres through to the existing port of Matarani using a third party contractor Peru Rail.

Strike Resources has commenced base line environmental monitoring at the Cuzco project as a precursor for the Environmental Impact Assessment which is due to be awarded to a preferred consultant by the end of July 2008.

Two 456kg bulk samples (mined to a depth of 8 metres) and core samples from the last diamond drilling campaign are currently undergoing lump iron ore metallurgical testing in Australia with results expected in August 2008.

The Type C environmental approvals have been granted for a further 296 hole drilling campaign by the Ministry of Mines. Stage 1 drilling seeks to define a near surface JORC resource to support the Stage 1 Lump operation. Subsequent drilling campaigns will also seek to define a JORC resource at depth to support Strike's proposed Stage 3, 20 Mtpa operation from the Cuzco Project area.

All community approvals have been granted for the drilling of these additional 296 holes and drilling will commence in August 2008.

The outstanding results from the 66 hole drilling program at Cuzco drilled earlier in the year will be available by the end of August.

D&C Claims

The Company refers to its market announcements on this matter dated:

- 2 June 2008 entitled ["Strike Moves to 68.5% Interest in Peruvian Iron Ore Projects"](#);
- 18 June 2008 entitled ["Update Regarding Strike's Interest in Peruvian Iron Ore Assets"](#);
- 18 July 2008 entitled ["Update – Strike's Interest in Peruvian Iron Ore Assets"](#).

The Company confirms the following matters in relation thereto:

- (1) On May 29, 2008 the Company exercised its options to acquire a 38.5% shareholding interest in Apurimac Ferrum (AF) from D&C Group and MAPSA;
- (2) D&C Group obtained a Judicial Precautionary Measure (**JPM**) against AF, comprising three orders:
 - (a) for the provisional suspension (with respect to Strike, MAPSA and IAC) of the effects, rights and obligations derived from the AF Shareholders' Agreement. This order was notified to AF on July 9, 2008;

³ Strike's Cuzco Project comprises concessions held by Apurimac Ferrum S.A and Strike Resources Peru S.A.C.

- (b) for the provisional suspension of a share pledge agreement entered into by D&C Group and Strike (whereby D&C Group granted Strike certain voting rights in respect of its AF shares). This order was notified to AF on May 30, 2008; and
 - (c) for the provisional suspension (with respect to Strike, MAPSA and IAC) of the effects, rights and obligations contained in the IAC Agreement. To the best of Strike's knowledge, this order was notified to AF on May 30, 2008;
- (3) In D&C Group's application for the JPM, it stated that the JPM orders were sought as a precursor to arbitration proceedings to request the termination of the AF Shareholders' Agreement. The principal allegation from D&C Group (as stated in the JPM application) was that the AF Shareholders' Agreement prescribed the manner in which Strike was to earn its 51% interest in AF (via an initial investment of US\$6.5 million to gain 12.5% and the exercise of options to acquire a further 38.5% in consideration for US\$34.5 million) and that Strike's acquisition of a 70% interest in IAC (which holds a 24.5% interest in AF) from MAPSA (**IAC Transaction**) allowed Strike to gain control over a greater percentage of AF when it was not allowed, in D&C Group's opinion, to do so under the AF Shareholders' Agreement;
 - (4) The Company's Peruvian lawyers have advised that the Peruvian Judiciary shall have jurisdiction over the JPM only until the arbitration panel has been convened. Once the arbitration panel has been convened it assumes jurisdiction over the matter;
 - (5) D&C Group has not lodged arbitration proceedings as foreshadowed in its JPM application, as far as Strike is aware;
 - (6) In the absence of any definitive action by D&C, on June 6, 2008, Strike filed its own arbitration request seeking a final declaration that the IAC Transaction remains valid and binding on the parties (accordingly, reaffirming its additional 17.15% interest in AF through IAC) and a final declaration as to the validity of the exercise of the options. This arbitration request is pending the formation of an arbitration panel, which will then set a timetable for the future conduct of the matter;
 - (7) D&C Group has claimed that the options exercise is invalid as it filed its application for the JPM in April 2008, prior to the date of exercise of the options;
 - (8) The Company's exercise of options to acquire a 38.5% shareholding interest in AF from D&C Group and MAPSA on 29 May 2008 was entered into AF's share ledger book the same day, prior to AF receiving any valid notification of the JPM order;
 - (9) The Company's Peruvian lawyers have advised that under Peruvian General Corporate Law, AF must regard the persons who appear as owners of shares in AF's share ledger book as being the owners;
 - (10) According to a notation in AF's share ledger book, the Peruvian Judiciary has confirmed that the JPM is inapplicable to the option exercise effected by Strike. The merits of D&C Group's challenge to the exercise of the options will be determined in Strike's arbitration proceedings. Strike reiterates that it has received a number of clear legal opinions from leading Peruvian lawyers, all of which confirm the Company's view that D&C Group's claims have no merit;
 - (11) Immediately post options exercise and as at the date hereof, the shareholding structure of AF, as reflected in AF's share ledger book, is as follows:
 - (a) Strike – 13,443,015 shares (50.952%)
 - (b) IAC – 6,476,735 shares (24.548%)

- (c) D&C Group S.A.C., D&C Pesca S.A.C. and Ausinca Peru S.A – 6,464,025 shares (24.5%);
- (12) The US\$17.25 million options exercise monies payable to MAPSA was collected by MAPSA on June 17, 2008. In this regard, US\$12.5 million was paid to MAPSA and US\$5 million was advanced to AF as a loan from MAPSA (as provided for under the AF Shareholders' Agreement); and
- (13) The US\$17.25 million options exercise monies payable to D&C/Ausinca has not yet been collected by those parties. Of that US\$17.25 million, US\$5 million is to be advanced to AF by D&C Group as a loan, as provided for under the AF Shareholders' Agreement. In this regard, the US\$5 million loan component has not yet been advanced to AF. These amounts are recorded in Strike's accounts as amounts payable to D&C/Ausinca.

Notwithstanding the above, Strike has been engaged in good faith discussions with D&C Group, including meetings in Los Angeles and Lima, to seek a mutually acceptable resolution to the issues raised above. However, in a tactic which Strike believes was an attempt to achieve a bargaining position in those discussions, D&C Group recently made allegations of irregularities associated with Strike's exercise of the options and referred the matter to the police. Strike has received advice from Peruvian counsel that the allegations are unfounded and without merit. Strike is responding to these allegations in a forceful and direct manner.

The Company will provide further updates on this matter as developments arise in relation to Strike's own arbitration proceedings and D&C Group's threatened proceedings.

Berau Coal Project (East Kalimantan, Indonesia)

Strike has through a joint venture (**JV**) with ASX listed Orion Equities Limited (Orion) a 30% interest (free-carried until decision to mine) in the Berau Coal Project located approximately 40 kilometres south-west of Tanjungredeb (Berau) and approximately 350 kilometres north of Balikpapan (the capital city of Kalimantan). Orion holds the remaining 70% interest.

Strike is currently awaiting the final results of resource modelling to define a JORC resource estimate from the 4,511 metres of diamond drilling (over 66 holes) conducted in the project area.

An Environmental Impact Study has been commissioned as a precursor to applying for a mining licence to commence operations in the second half of 2009.

Various other studies are also in progress or being commissioned, including in relation to mine planning, transportation, port infrastructure and sales and marketing.

Additional exploration is currently being planned to test coal seam extensions to the south-east to the north-east and to the south-west of the current work area. This will comprise initial geological outcrop mapping to delineate drill targets.

As reported in the presentation released to ASX on 3 July 2008⁴, Strike has been in discussions with Orion to acquire its 70% joint venture interest in the project. It is anticipated that the consideration for this acquisition will be the issue of shares in the capital of Strike. There has been not yet been any binding agreement reached between the parties.

4 Refer 3 July 2008 ASX market announcement titled "[Presentation to Fund Managers and Institutional Investors](#)"

Paulsens East Iron Ore Project (West Pilbara, Western Australia)

Strike has a 75% interest in the two tenements comprising this project with Orion Equities Limited (**Orion**) having a 25% interest (free-carried until decision to mine). The tenements are located approximately 140 kilometres west of Tom Price (close to bitumised road) and eight kilometres east-northeast of the Paulsens Gold mine in the northwest of Western Australia.

Strike is targeting a one million tonne per annum mining operation from this project with direct shipping (**DSO**) quality iron ore being trucked to an existing port in either Onslow or Dampier.

A 2,724 metre 58 hole RC drilling campaign was recently completed with results and analyses pending – this is expected to be received in August 2008. Upon receipt of this data, Strike will conduct resource modelling to define a JORC resource and a model for mine planning purposes.

A scope of works is being commissioned to outline the process to advance this project to a production phase, with the aim of mining operations commencing in the first half of 2010.

An Environmental Survey is being conducted as a precursor to submitting a Mining Proposal to support mining operations commencing in the first half of 2010.

Strike has commenced the heritage process and has initiated discussions and negotiations with the Pilbara Native Title Service and the traditional owners' claimant group to develop an initial "negotiating protocol" which outlines the process for finalising a mining agreement.

Various other mining, transportation/haulage, port studies/proposals are being coordinated to develop an overall Scoping Study.

As reported in the presentation released to ASX on 3 July 2008⁵, Strike has been in discussions with Orion to acquire its 25% interest in the project tenements in consideration for scrip in Strike. It is anticipated that the consideration for this acquisition will be the issue of shares in the capital of Strike. There has been not yet been any binding agreement reached between the parties.

King Sound Mineral Sands Project (Kimberley, Western Australia)

Strike has through a joint venture with ASX listed Alara Uranium Limited (Alara) a 30% interest (free-carried until decision to mine) in the King Sound Mineral Sands Project, currently comprising three tenement applications covering a total area of 652 square kilometres, located approximately 10 kilometres west of the port town of Derby in the West Kimberley region of Western Australia.

The JV has identified the King Sound area as being prospective for the accumulation of heavy minerals, such as zircon, rutile and ilmenite.

The JV is awaiting the grant of these tenements prior to conducting additional sampling for test work to produce and characterise the heavy minerals to determine an effective processing pathway and develop a conceptual work flow sheet as part of an overall scoping study on the feasibility of the project.

5 Refer 3 July 2008 ASX market announcement titled ["Presentation to Fund Managers and Institutional Investors"](#)

Corporate

Strike refers to its previous announcement⁶ about the AF shareholders' discussions with a group led by a major international mining company for the potential sale of up to 100% of those projects and Strike's other Peruvian iron ore assets for a total sale price of US\$650 million, which valued Strike's interests at approximately US\$450 million. These discussions have not advanced to a completed transaction, particularly in light of D&C's JPM/Arbitration dispute with Strike over Strike's shareholding in IAC and other AF related matters D&C.

Cash Position

The Strike Group's current cash position is approximately A\$18.7 million with a further holding of listed securities totalling approximately A\$1.8 million.

Strike has advanced interest bearing loans funds to AF totalling approximately US\$5.65 million (excluding accrued interest). .

Strike has a current liability owed to D&C/Ausinca of US\$17.25 million (pursuant to the exercise of options to acquire a 19.25% shareholding in AF from D&C/Ausinca on 29 May 2008). US\$5 million of this amount is to be advanced to AF as a loan from D&C/Ausinca (as provided for under the AF Shareholders' Agreement).

Expiry of Listed \$0.178 Options

The Company's listed \$0.178 options expired on 30 June 2008 with nearly all options being exercised.

During the quarter ending 30 June 2008, 2,880,027 listed \$0.178 (30 June 2008) options were exercised and converted into shares, raising a total of \$512,644.81.

6 Refer 1 April 2008 ASX market announcement titled "[Update on Potential Sale of Peruvian Iron Ore Assets](#)"

Securities Information

as at 23 July 2008

Issued Securities

	Quoted on ASX	Not Quoted on ASX	Total
Fully paid ordinary shares	102,466,182	-	102,466,182
\$0.178 (9 February 2011) Unlisted Options	-	1,833,333	1,833,333
\$0.278 (9 February 2011) Unlisted Options	-	1,666,667	1,666,667
\$0.938 (21 July 2011) Directors' Options	-	4,600,000	4,600,000
\$0.938 (13 September 2011) Unlisted Directors' Options		500,000	500,000
\$1.178 (6 October 2011) Unlisted Employee Options		150,000	150,000
\$2.078 (7 March 2012) Unlisted Directors' Options		500,000	500,000
\$2.788 (7 March 2012) Unlisted Directors' Options		3,300,000	3,300,000
\$2.878 (1 May 2012) Unlisted Employees' Options		133,000	133,000
\$2.878 (5 September 2012) Unlisted Employee Options		200,000	200,000
\$2.878 (17 November 2012) Unlisted Employee Options		250,000	250,000
\$3.978 (3 December 2012) Unlisted Directors' Options		4,000,000	4,000,000
\$2.878 (4 March 2013) Unlisted Employee Options		250,000	250,000
Total	102,466,182	17,383,000	119,849,182

Distribution Of Ordinary Fully Paid Shares

Spread	of	Holdings	Number of Holders	Number of Units	% of Total Issue Capital
1	-	1,000	643	362,542	0.354
1,001	-	5,000	1,805	5,755,393	5.617
5,001	-	10,000	647	5,177,553	5.053
10,001	-	100,000	799	23,816,429	23.243
100,001	-	and over	86	67,354,265	65.733
Total			3,980	102,466,182	100%

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The information in this market announcement that relates to exploration results has been compiled by Mr Hem Shanker Madan who is a Member of The Australasian Institute of Mining and Metallurgy (AusIMM). Mr Madan is the Managing Director of the Company. Mr Madan has in excess of 5 years experience which is relevant to the style of mineralisation under consideration and qualifies as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Mineral Resources and Ore Reserves (the JORC Code)." Mr Madan consents to the inclusion in this market announcement of the matters based on his information in the form and context in which it appears.