

## MARKET ANNOUNCEMENT

### COMPANY UPDATE - BERAU COAL JORC UPGRADE

Strike is pleased to announce the following developments in the advancement of its 100% owned Berau Thermal Coal Project, where it is targeting a 3 million tonne per annum (Mtpa) coal mining operation.

#### Summary

- Previous JORC Inferred Coal Resource of 4.6 million tonnes<sup>1</sup> increased to 8.0 million tonnes.
- Outcropping coal seams along further strike length of 4km indicating the potential to increase the JORC Inferred Resource by a further 5 to 10 million tonnes to a total of between 13 to 18 million tonnes.
- Independent financial study indicates operating margin of ~US\$40 per tonne.
- 5,000 metre drilling campaign commenced to:
  - convert the current JORC Inferred Resource of 8.0 million tonnes to an Indicated/Measured JORC category; and
  - validate target mineralisation of a further 5 to 10 million tonnes of coal.
- Engagement of three independent consultancy firms to undertake:
  - resource review and development of a mine plan;
  - detailed transportation study from mine site to loading facilities (approximately 35km from the mine site); and
  - detailed mine and port infrastructure study.
- Discussions underway with various parties to secure firm coal offtake agreements.

*(The potential quantity of the target mineralisation of an additional 5 to 10 million tonnes of coal is conceptual in nature. There has been insufficient exploration to define a mineral resource in relation to that target coal. It is uncertain if further exploration will result in the determination of a mineral resource in relation to that target coal. The potential quality of the target mineralisation coal has not been ascertained at this stage, and no assurance can be given that the target mineralisation will have a similar quality to the current JORC Inferred Resource.)*

#### JORC Upgrade

The Company is pleased to advise that following a review of drilling and geological data, the previous JORC Inferred Resource estimate of 4.6 million tonnes<sup>1</sup> of thermal coal has now been raised to 8.0 million tonnes.

The coal has an average calorific value of 5,800 kcal/kg with low ash (5.6%), low sulphur (0.64%) and low Inherent Moisture content of 14 %.

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<sup>1</sup> Refer [1 August 2008 ASX market announcement entitled "JORC Inferred Coal Resource of 4.6Mt at Berau Project"](#)



The table below provides a summary of the quality of the Berau coal resource.

	Inferred Resource
Coal Tonnes (millions)	8.0
CVADB = Calorific Value Air Dried Basis	5,800
IMADB = Inherent Moisture Air Dried Basis	14
TSADB = Total Sulphur Air Dried Basis	0.64
AADB = Ash Air Dried Basis	5.6
FCADB = Fixed Carbon Air Dried Basis	40
VMADB = Volatile Matter Air Dried Basis	40
CVAR = Calorific Value As Received	5,600
TMAR = Total Moisture As Received	17
CVDB = Calorific Value Oven Dried	6,800
CVDAF = Calorific Value Dry Ash Free	7,200
HGI = Hardgrove Grindability Index	50

The calorific value of this coal together with its relatively low levels of ash and sulphur means that it is ideally suited for use as a fuel for power utilities in both domestic (Indonesia) and international markets.

Coal of this quality is currently selling for US\$80 to \$90 per tonne FOB barge Berau.

### Resource Expansion

The current JORC Inferred Resource of 8.0 million tonnes of thermal coal along a 2.5km strike length is located within a 200 hectare area forming part of the total concession area of 5,000 hectares.

Outcropping coal seams have been mapped intermittently by the Company along a further strike length of 4km southeast of the current JORC Inferred Resource. These outcrops appear to be extensions of coal seams comprising the current JORC Resource. This possible extension of the resource along strike affords the potential to increase the JORC Inferred Resource by a further 5 to 10 million tonnes to a total of 13 to 18 million tonnes.

*The potential quantity of the target mineralisation of an additional 5 to 10 million tonnes of coal is conceptual in nature. There has been insufficient exploration to define a mineral resource in relation to that target coal. It is uncertain if further exploration will result in the determination of a mineral resource in relation to that target coal. The potential quality of the target mineralisation coal has not been ascertained at this stage, and no assurance can be given that the target mineralisation will have a similar quality to the current JORC Inferred Resource.*

The Company has therefore recently commenced a 5,000 metre drilling campaign which is expected to be completed by the end of the year.

The objectives of this campaign are to:

- convert the current JORC Inferred Resource of 8.0 million tonnes to an Indicated/Measured JORC category; and
- delineate an additional resource outside of the currently drilled area.

### Capital and Operating Costs

As previously announced, the Berau thermal coal project has the potential to generate substantial cash flows for Strike.

Based upon the previously-announced JORC Inferred Resource of 4.6 million tonnes of thermal coal, Strike had earlier commissioned an independent study by [GMT Indonesia](#) to determine approximate operating costs for a mining operation based upon a proposed annualised production of 1 million tonnes per annum.

For a 1 Mtpa owner-operated mine, GMT Indonesia estimated an operating cost of approximately US\$40 per tonne (including royalties) and a total capital cost of US\$23 to US\$25 million. Given the current sale price of between US\$80 and \$90 per tonne FOB barge for coal of this quality at Berau, this provided a forecast gross operating margin of US\$40 to \$50 per tonne.

Subsequent to an increase in the JORC Inferred Resource to 8.0 million tonnes referred to above and the identification of additional target mineralisation of between 5 and 10 million tonnes, the Company is undertaking more detailed capital and operating cost estimates with respect to a larger production profile of 3Mtpa. The Company expects final capital and operating cost estimates to be settled within the first quarter of 2009 pursuant to the conclusion of a competitive bid process for mining and infrastructure contracts.

At this stage the Company estimates that total capital required to develop a 3Mtpa mining operation (using contract mining) is not expected to exceed US\$30 million.

### Resource and Infrastructure Studies

A low-cost strip mining operation is planned of 1.5 Mtpa initially, increasing to 3Mtpa. It is proposed that the coal will be trucked and barged to the coast for transport to buyers in Asia.

The Company has recently engaged a number of international and local Indonesian consulting firms to undertake the following resource and infrastructure studies:

- a resource review and development of a mine plan ([Minarco-MineConsult](#));
- a detailed transportation study from mine site to loading facilities (approximately 35km from the proposed mine site) ([Geolndo Survey Services](#)); and
- a detailed mine and port infrastructure study ([Trans Tek Engineering](#)).

The engagement of these firms is a significant step forward in the progression of mine development and will provide the Company with greater confidence and certainty in terms of project economics and the efficient development of a mining operation.

### Offtake Agreements

Given current uncertainty in world financial markets the Company believes that it is important to secure firm and binding offtake agreements for coal produced from this project prior to proceeding with any significant expenditure in mine development. The Company may also seek, in conjunction with such offtake agreements, project financing for the whole or part of the capital costs involved in mine development.

The Company is currently in discussions with various parties to secure firm coal offtake agreements and is also discussing various project financing options.

### Indonesian Offices

In order to advance the development of this project, the Company is pleased to confirm that it has established local offices in Jakarta and Berau (Indonesia) together with 3 local support staff.

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*The information in this document that relates to Exploration Results, Mineral Resources or Ore Reserves has been compiled by Mr Hem Shanker Madan who is a Member of The Australian Institute of Mining and Metallurgy. Mr Madan is the Managing Director of the Company. Mr Madan 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 Mineral Resources and Ore Reserves (the JORC Code)." Mr Madan consents to the inclusion in this document of the matters based on his information in the form and context in which it appears.*