

# STRIKE

RESOURCES LIMITED

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## HALF YEAR REPORT

31 December 2005

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THIS DOCUMENT SHOULD BE READ IN CONJUNCTION WITH THE  
30 JUNE 2005 ANNUAL REPORT OF THE COMPANY



ASX Code: SRK

[www.strikeresources.com.au](http://www.strikeresources.com.au)

**STRIKE RESOURCES LIMITED**  
(formerly Fast Scout Limited)

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**CORPORATE DIRECTORY****BOARD**

John F. Stephenson	Chairman
H. Shanker Madan	Managing Director
Farooq Khan	Director
Victor P H Ho	Director

**COMPANY SECRETARY**

Victor P H Ho

**PRINCIPAL & REGISTERED OFFICE**

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**STOCK EXCHANGE**

Australian Stock Exchange  
Perth, Western Australia

**ASX CODE**

SRK (formerly FSL)

**AUDITORS**

Stanton Partners  
1 Havelock Street  
West Perth Western Australia 6005

**BANKER**

National Australia Bank  
Level 1, 50 St Georges Terrace  
Perth Western Australia 6000

## APPENDIX 4D HALF YEAR REPORT

This Half Year Report is provided to the Australian Stock Exchange (ASX) under ASX Listing Rule 4.2A.3

Current Reporting Period:	1 July 2005 to 31 December 2005
Previous Corresponding Period:	1 July 2004 to 31 December 2004
Balance Date:	31 December 2005
Company:	Strike Resources Limited (" <b>SRK</b> ") (formerly Fast Scout Limited; name changed on 16 January 2006)
Consolidated Entity:	SRK and controlled entities: <ol style="list-style-type: none"> <li>(1) Fast Scout Operations Pty Ltd (formerly Virtual Web Pty Ltd, a wholly owned subsidiary during the whole of the current and previous corresponding period;</li> <li>(2) PT Indo Batubara, a company registered in Indonesia on 8 December 2005 in which Fast Scout Operations Pty Ltd is the 100% beneficial owner.</li> </ol>

### Adoption of Australian International Financial Report Standards (AIFRS)

The Consolidated Entity's financial statements for the current reporting period have been prepared under AIFRS. Where necessary, comparative information (i.e. in relation to the previous corresponding period) has been adjusted for reporting under the applicable AIFRS. There is no material impact on equity as at 1 July 2004, 31 December 2004 and 30 June 2005 on the adoption of AIFRS.

### RESULTS FOR ANNOUNCEMENT TO THE MARKET

Consolidated Entity	Dec 2005 \$	Dec 2004 \$	% Change	Up / Down
Total revenues	233,053	162,564	43.36%	Up
Total expenses	1,086,165	1,022,800	6.20%	Up
Loss before tax	(853,112)	(860,236)	-0.83%	Loss Down
Income tax	-	-	-	Unchanged
Loss after tax attributable to members	(853,112)	(860,236)	-0.83%	Loss Down
Basic and diluted loss per share (cents)	(0.87)	(1.05)	-17.62%	Loss Down
Pre and post tax NTA backing per share (cents)	0.86	1.31	-34.35%	Down

### Brief Explanation of Results

Total Revenues include:

- (1) \$5,432 sales revenue (Dec 2004: \$17,133);
- (2) \$209,715 gross proceeds from the sale of share investments (Dec 2004: \$121,207);
- (3) \$7,575 dividend income (2004: \$17,627).

## APPENDIX 4D HALF YEAR REPORT

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Total Expenses include:

- (1) \$297,298 costs of share investments sold (Dec 2004: \$116,202);
- (2) \$269,834 costs in relation to resource projects (Dec 2004: \$nil);
- (3) \$361,967 (net of write-back of previous write downs) costs in relation to classification and development works (Dec 2004: \$263,529).

Please also refer to the balance of this Half Year Report.

### Dividends

No dividends have been paid or declared during the financial half year.

For and on behalf of the Directors,



Date: 15 March 2006

Victor Ho  
Company Secretary

Telephone: +61 8 9214 9700  
Email: info@strikeresources.com.au

## DIRECTORS' REPORT

The Directors present their report on Strike Resources Limited (**Company** or **Strike Resources** or **SRK**) and its controlled entities (the **Consolidated Entity**) for the financial half year ended 31 December 2005 (**Balance Date**).

The Company changed its name from Fast Scout Limited effective 16 January 2006.

Strike Resources is a company limited by shares that is incorporated and domiciled in Western Australia and has been listed on the Australian Stock Exchange (**ASX**) since 7 March 2000.

Strike Resources has prepared a consolidated financial report incorporating the entities that it controlled during the financial half year. Controlled entities were:

- (1) Fast Scout Operations Pty Ltd ABN 12 102 978 370 (formerly Virtual Web Pty Ltd) (**FSO**), a wholly owned subsidiary incorporated in Western Australia;
- (2) PT Indo Batubara, a company registered in Indonesia on 8 December 2005 in which FSO is the 100% beneficial owner.

### OPERATING RESULTS

<b>Consolidated</b>	<b>Dec 2005</b>	<b>Dec 2004</b>
	<b>\$</b>	<b>\$</b>
Total revenues	233,053	162,564
Total expenses	(1,086,165)	(1,022,800)
Loss before tax	(853,112)	(860,236)
Income tax	-	-
Loss after income tax	(853,112)	(860,236)

Total Revenues include:

- (1) \$5,432 sales revenue (Dec 2004: \$17,133);
- (2) \$209,715 gross proceeds from the sale of share investments (Dec 2004: \$121,207);
- (3) \$7,575 dividend income (2004: \$17,627).

Total Expenses include:

- (1) \$297,298 costs of share investments sold (Dec 2004: \$116,202);
- (2) \$269,834 costs in relation to resource projects (Dec 2004: \$nil);
- (3) \$361,967 (net of write-back of previous write downs) costs in relation to classification and development works (Dec 2004: \$263,529).

### LOSS PER SHARE

<b>Consolidated</b>	<b>Dec 2005</b>	<b>Dec 2004</b>
Basic loss per share (cents)	0.87	1.05
Weighted average number of ordinary shares outstanding during the year used in the calculation of basic loss per share	98,220,232	81,593,281
Diluted loss per share (cents)	0.87	1.05
Weighted average number of ordinary shares outstanding during the year used in the calculation of diluted loss per share	98,220,232	81,593,281

# DIRECTORS' REPORT

## FINANCIAL POSITION

<b>Consolidated</b>	<b>Dec 2005</b>	<b>Dec 2004</b>
	<b>\$</b>	<b>\$</b>
Investments in Associates	-	500,072
Other financial assets (share investments)	475,287	782,182
Cash	707,596	5,427
Receivables	19,814	62,018
Internet technologies and other intangibles	-	2,070
Exploration expenditure	78,712	-
Other assets	40,731	53,979
<b>Gross assets</b>	<b>1,322,140</b>	<b>1,405,748</b>
<b>Liabilities</b>	<b>(336,852)</b>	<b>(337,999)</b>
<b>Net assets</b>	<b>985,288</b>	<b>1,067,749</b>
<b>Contributed equity</b>	<b>18,023,488</b>	<b>16,414,372</b>
<b>Reserves</b>	<b>245</b>	<b>-</b>
<b>Accumulated losses</b>	<b>(17,038,445)</b>	<b>(15,346,623)</b>
<b>Total equity</b>	<b>985,288</b>	<b>1,067,749</b>

The Company issued a prospectus on 23 December 2005 and completed a \$1.5 million capital raising on 3 February 2006.

The Company has accounted for its 32.25% interest in ASX listed (but currently suspended) Altera Capital Limited ABN 55 082 541 437 (**Altera Capital or AEA**) and its 27.82% in ASX listed (but currently suspended) Sofcom Limited ABN 88 087 482 602 (**SOF**) as at Balance Date as investments in Associate entities (on an equity accounting basis). The Company is the largest shareholder in AEA and SOF. AEA and SOF are currently suspended from ASX awaiting a potential recapitalisation and the undertaking of a transaction to allow such companies to be re-admitted to ASX. The Company is in discussions regarding a sale of its interest in these companies. The Company accounts for its shareholding in these companies without reflecting any potential "control premium" upon a possible sale of such shareholdings.

## NET TANGIBLE ASSET BACKING

<b>Consolidated</b>	<b>Dec 2005</b>	<b>Dec 2004</b>
	<b>\$</b>	<b>\$</b>
Net assets	985,288	1,067,749
Less intangible assets	-	2,070
<b>Net tangible assets</b>	<b>985,288</b>	<b>1,065,679</b>
Fully paid ordinary shares on issue at Balance Date	114,909,095	81,593,281
Net tangible asset backing per fully paid ordinary share as at Balance Date (cents)	0.86	1.31

# DIRECTORS' REPORT

## DIVIDENDS

No dividends have been paid or declared during the financial half year.

## SECURITIES IN THE COMPANY

### 1. Current Securities

The Company currently has the following total securities on issue:

	Listed on ASX	Not Listed on ASX - Subject to Escrow	Total
Fully paid ordinary shares	45,686,345	1,783,334 <sup>1</sup>	47,469,679
Options, each to acquire one fully paid ordinary at an exercise price of 20 cents with each such option expiring 5 years from the date of its issue (9 February 2011) ( <b>\$0.20 Hume Options</b> )	-	1,833,333 <sup>2</sup>	1,833,333
Options, each to acquire one fully paid ordinary share at an exercise price of 30 cents with each such option expiring 5 years from the date of its issue (9 February 2011) ( <b>\$0.30 Hume Options</b> ).	-	1,666,667 <sup>2</sup>	1,666,667

### 2. Summary of Share Capital Changes

A summary of share capital changes during and subsequent to the half year is as follows:

Date	Description	Issue Price	No. Shares	Value of Issue	Running Balance of Issued Share Capital
30/06/2005	Balance as at commencement of half year				81,593,281
19/08/2005	Issue to Data Base Systems Limited ( <b>DBS</b> ) pursuant to settlement and termination of portal classification agreement approved by shareholders on 22 July 2005 (as described in Section 6 of Review of Operations).	\$0.020	20,965,814	\$419,316	102,559,095
18/10/2005	Placement issue to sophisticated and professional investors entitled to accept offers of securities under section 708 of the Corporations Act	\$0.100	2,290,000	\$229,000	104,849,095

<sup>1</sup> Comprises:

- (i) 116,667 shares issued to Uranium Oil and Gas Limited (**UOG**) on 23 December 2005 pursuant to settlement of the UOG Agreement as defined in the Company's Prospectus dated 23 December 2005 (**Prospectus**) (**UOG Agreement**); escrow period expires on 23 December 2006; and
- (ii) 1,666,667 shares issued to Hume Mining NL (**Hume**) on 9 February 2006 pursuant to settlement of the Hume Agreement as defined in the Prospectus (**Hume Agreement**); escrow period expires on 9 February 2007.

<sup>2</sup> Issued to Hume on 9 February 2006 pursuant to subscription under the Hume Agreement; escrow period expires on 9 February 2007.

## DIRECTORS' REPORT

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Date	Description	Issue Price	No. Shares	Value of Issue	Running Balance of Issued Share Capital
23/12/2005	Placement issue to sophisticated and professional investors entitled to accept offers of securities under section 708 of the Corporations Act	\$0.100	9,710,000	\$971,000	114,559,095
23/12/2005	Issue under UOG Agreement / Acquisition costs under UOG Agreement	\$0.080	350,000	\$28,000	114,909,095
31/12/2005	Balance at end of financial half year (Pre Share Conversion)				114,909,095
3/01/2006	1 for 3 Share Conversion (such that every 3 shares held in the Company was converted into 1 share)	-	- 76,606,083	-	38,303,012
3/01/2006	Post Share Conversion				38,303,012
9/02/2006	Issue under Prospectus Share Offer (with Full Subscriptions)	\$0.200	7,500,000	\$1,500,000	45,803,012
9/02/2006	Issue under Hume Agreement / Acquisition costs under Hume Agreement	\$0.200	1,666,667	\$333,333	47,469,679
13/03/2006	Current balance				47,469,679

### 3. Prospectus Option Offer

As stated in the Company's Prospectus dated 23 December 2005, the Company will be undertaking a 1 for 2 non-renounceable rights issue of Options at an issue price of 1 cent per option (each to acquire one ordinary fully paid share at an exercise price of 20 cents per share with such Options expiring on 30 June 2008) (**Prospectus Options Offer**).

The record date for the Prospectus Options Offer is 29 March 2006.

A prospectus for the Options Offer will be lodged with ASIC and ASX on 20 March 2006.

The Company will be applying for the options to be quoted on ASX.

## DIRECTORS' REPORT

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The indicative timetable for the Prospectus Options Offer is as follows:

1.	Date of Prospectus Options Offer	20 March 2006
2.	Shares quoted on "ex" basis	23 March 2006
3.	Options Record Date	29 March 2006
4.	Date of despatch of Prospectus Options Offer to shareholders	30 March 2006
5.	Close of Prospectus Options Offer	18 April 2006
6.	Quotation of Options on deferred settlement basis	19 April 2006
7.	Company notifies ASX of undersubscriptions	20 April 2006
8.	Anticipated date for issue of Options <sup>(2)</sup>	21 April 2006
9.	Anticipated date for despatch of holding statements to applicants under Prospectus Options Offer	26 April 2006
10.	Deferred settlement trading ends	26 April 2006
11.	Expected quotation of Options	27 April 2006

### NOTES:

- (1) Certain items are indicative dates only, which may change. The Company reserves the right to vary dates by either shortening or extending such dates, subject to the Corporations Act and ASX Listing Rules. Certain dates are also subject to the ASX Listing Rules; to the extent that any of the above dates are inconsistent with the Listing Rules, the dates prescribed under the Listing Rules shall be applicable;
- (2) In accordance with resolution 8 passed at the AGM on 22 December 2005, the Options under the Prospectus Option Offer will be issued within 4 months of the date of the AGM, which was held on 22 December 2005.

## REVIEW OF OPERATIONS

### 1. ASX Suspension and Re-instatement

Under the Listing Rules of the ASX, the Company's securities were suspended from quotation on ASX on the eve of the Annual General Meeting (**AGM**) held on 22 December 2005, where shareholder approval was sought, amongst other matters, for a significant change to the nature and scale of the Company's activities to that of a mineral exploration and development company.

The Company's suspension continued until the Company was able to fully re-comply with Chapters 1 and 2 of the ASX Listing Rules. As a part of these re-admission requirements, the Company issued a prospectus on 23 December 2005 and completed a \$1.5 million on 3 February 2006 (**Prospectus Share Offer**).

After the completion of the Prospectus Share Offer and the UOG and Hume Agreements and re-compliance with the ASX Listing Rules, the Company was reinstated to quotation on 23 February 2006.

### 2. Shareholder Approvals at 2005 AGM

At the Company's AGM on 22 December 2005, the following shareholder approvals were obtained:

- Resolution 1** - Shareholders granted approval for the Company to make a significant change to the nature and scale of its activities by becoming a mineral exploration and development company.
- Resolution 2** - Shareholders:
  - Ratified and approved the Hume Agreement; and
  - Approved the issue of a total of 1,666,667 shares (on a post Share Conversion basis) to Hume on completion of the Hume Agreement.

(refer also Section 3.1 of Review of Operations).

## DIRECTORS' REPORT

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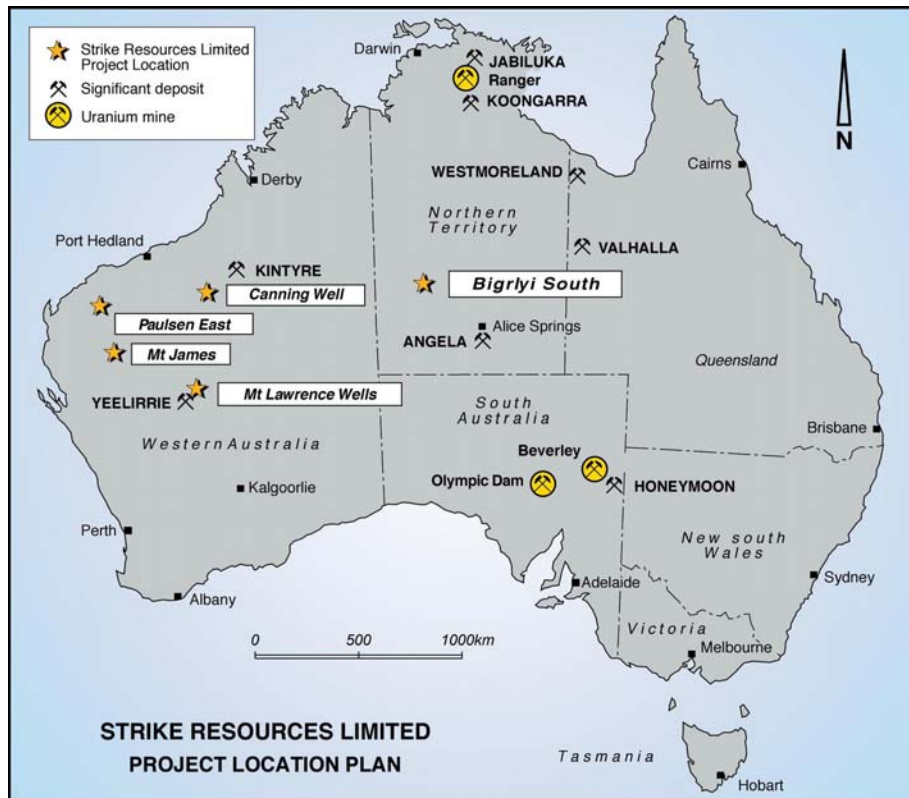
3. **Resolution 3** - Shareholders:
  - 3.1. Ratified and approved the UOG Agreement; and
  - 3.2. Approved the issue of a total of 116,667 shares (on a post Share Conversion basis) to UOG on completion of the UOG Agreement  
(refer also Section 3.2 of Review of Operations).
4. **Resolution 4** - Shareholders authorised and ratified the Company (or an Indonesian incorporated company in which the Company holds a 100% beneficial interest) to negotiate the terms of and enter into a binding agreement substantially in accordance with the terms of the non-binding MOU relating to the Kalimantan Coal Project between the Company and the vendors of the Kalimantan Coal Project.
5. **Resolution 5** - Shareholders granted approval for the issue of a total of 500,000 shares (on a post Share Conversion basis) to Sinarco Resources Pte Ltd as part consideration for the introduction of the Kalimantan Coal Project to the Company.
6. **Resolution 6** - Shareholders ratified the issue by the Company on 18 October 2005 of a total of 2,290,000 shares at an issue price of 10 cents each (raising \$229,000 gross) to professional and sophisticated investors entitled to accept offers of securities under section 708 of the Corporations Act.
7. **Resolution 7** - Shareholders granted approval for the issue of 9,710,000 shares at an issue price of 10 cents per share (raising \$971,000 gross) to sophisticated and professional investors entitled to accept offers of securities under section 708 of the Corporations Act.
8. **Resolution 8** - Shareholders granted approval for the Company to undertake the Prospectus Share Offer, and the Prospectus Option Offer (upon the basis that such options will be issued within 4 months of the date of the AGM).
9. **Resolution 9** - Shareholders granted approval for the Company to undertake the following option issues to Hume.
  - 9.1. 1,833,333 options (on a post Share Conversion basis), each to acquire one share in the Company at an exercise price of 20 cents with each such option expiring 5 years from the date of its issue, and
  - 9.2. 1,666,667 options (on a post Share Conversion basis), each to acquire one share in the Company at an exercise price of 30 cents with each such option expiring 5 years from the date of its issue.
10. **Resolution 10** - Shareholders granted approval for the Company to convert, with effect on 3 January 2006, all of its shares on a one (1) for three (3) basis - such that every three (3) shares held in the Company shall be converted into one (1) share (the **Share Conversion**).
11. **Special Resolution 11** - Shareholders granted approval:
  - 11.1. for the Company to change its name from "Fast Scout Limited" to "Strike Resources Limited"; and
  - 11.2. for the Company's constitution to be modified by replacing all references therein to "Fast Scout Limited" with references to "Strike Resources Limited".
12. **Resolution 12** - Hem Shanker Madan was re-elected as a Director of the Company.
13. **Resolution 13** - John Francis Stephenson was re-elected as a Director of the Company.
14. **Resolution 14** - Victor Poh Hong Ho was re-elected as a Director of the Company.
15. Advisory non-binding **Resolution 15** - The Remuneration Report as detailed in the Directors' Report for the year ended 30 June 2005 was adopted.

A copy of the Notice and Explanatory Statement for the AGM can be viewed and downloaded from the Company's website: [www.strikeresources.com.au](http://www.strikeresources.com.au)

# DIRECTORS' REPORT

## 3. Completion of Tenement Acquisition Agreements

The Company's Project areas in Australia are depicted in the map below:



### 3.1. UOG Agreement

On 23 December 2005, the Company completed the acquisition of a 70% interest in a tenement (application for Exploration Licence ELA 09/1245) located at Rubberoid Well in the Gascoyne region of Western Australia from Uranium Oil and Gas Limited (UOG).<sup>3</sup>

Such tenement forms part of the Company's Mt James Project.

The Company has issued 116,667 fully paid ordinary shares to UOG; such shares are subject to escrow for 12 months (to 23 December 2006).

### 3.2. Hume Agreement

On 9 February 2006, the Company completed the acquisition of a 75% interest in tenements located in the Northern Territory and in Western Australia from Hume Mining NL (Hume).<sup>4</sup>

The Company has issued 1,666,667 fully paid ordinary shares to Hume; such shares are subject to escrow for 12 months (to 9 February 2007).

<sup>3</sup> Pursuant to the UOG Agreement between the Company and Uranium Oil and Gas Limited dated 3 October 2005, being more particularly described in Section 13.2 of the Fast Scout Limited Prospectus dated 23 December 2005 (Prospectus).

<sup>4</sup> Pursuant to the Hume Agreement between the Company and Hume Mining NL dated 15 September 2005, being more particularly described in Section 13.1 of the Prospectus.

## DIRECTORS' REPORT

Furthermore, pursuant to the Hume Agreement, Hume has also subscribed for the following options in consideration for \$10,000 cash:

- (1) 1,833,333 options, each exercisable at 20 cents on before the date being 5 years after the date of grant of such options (9 February 2011) (**\$0.20 Hume Options**); and
- (2) 1,666,667 options, each exercisable at 30 cents on before the date being 5 years after the date of grant of such options (9 February 2011) (**\$0.30 Hume Options**),

(together, the **Hume Options**).<sup>5</sup>

The Hume Options are also subject to escrow for 12 months (to 9 February 2007).

The tenements acquired from Hume are:

Project	Application No	Area (Blocks)	Area (Approx) (km <sup>2</sup> )	Location / Property Name	State
Biglyi South	ELA 24879	82	260	Mount Doreen	NT
	ELA 24927	338	999	Haasts Bluff	NT
	ELA 24928	15	35	Mount Doreen	NT
	ELA 24929	26	56	Mount Doreen	NT
	ELA 24930	99	314	Mount Doreen	NT
Mt James	ELA 09/1253	49	147	Mt James	WA
Canning Well	EL 46/629	19	57	Canning Well	WA
	ELA 46/585 <sup>6</sup>	69	207	Canning Well	WA
Paulsen East	ELA 47/1328	6	18	Paulsen East	WA
	PLA 47/1170	164 hectares	1.64	Paulsen East	WA

ELA = Exploration licence application

EL = Exploration licence (granted) One Block = 300 hectares = 3km<sup>2</sup>

#### 4. Kalimantan Coal Agreement

By a cooperation agreement dated 24 November 2005 between Fast Scout Operations Pty Limited (**FSO**) (a wholly owned subsidiary of the Company), PT Indo Batubara (**Indo Coal**) (an Indonesian incorporated Company which represent FSO's interests in Indonesia), PT Kaltim Jaya Coal (**KJC**) and Pt Kaltim Jaya Mineral (**KJM**), KJC and KJM have offered to assign to Indo Coal the legal right to exclusively conduct general survey activities, explore for, exploit, mine and sell all coal in the concession areas covered by KP1, KP2 and KP3 assuming that KP3 is granted by the relevant Indonesian authorities respectively, and FSO has agreed, subject to the satisfaction of the conditions precedent in the agreement, to procure that Indo Coal accepts such assignment; as described in 13.4 of the Company's prospectus dated 23 December 2005 (the **Kalimantan Coal Agreement**) and **Kalimantan Coal Project**.

The Company has secured an extension of the due diligence completion dates under the Kalimantan Coal Agreement from 3 March 2006 to:

1. 31 March 2006 in relation to KP1 (a thermal coal prospect of approximately 5000ha located approximately 150km north of Balikpapan in East Kalimantan, Indonesia);
2. 15 March 2006 in relation to KP 2 (a thermal coal prospect of approximately 7363ha located 65km southwest of Balikpapan).

The Company is continuing its due diligence of such coal concessions.

<sup>5</sup> The terms and conditions of the Hume Options are outlined in Section 15.3 of the Prospectus.

<sup>6</sup> Pursuant and subject to an agreement between Hume and Giralia Resources NL A.C.N. 009 218 204 (Giralia) and Adelaide Prospecting Pty Ltd A.C.N. 008 934 361 (Adelaide Prospecting) dated 12 November 2004 for Hume to earn an 85% interest in the tenement (excluding manganese mineral rights) on the terms described therein.

## DIRECTORS' REPORT

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### 5. Exploration Programme and Resource Investment Opportunities

The Company will implement an exploration programme on its Australian projects as and when relevant tenements are granted. The Company will focus on its uranium projects in the Northern Territory and Western Australia

The Company will continue to seek resource investment opportunities in Australia, Indonesia and world-wide, drawing upon the extensive international experience of Chairman, John Stephenson and Managing Director Shanker Madan.

### 6. Termination and Settlement of Portal Classification Agreement (PCA)

On 19 August 2005, the Company issued 20,965,814 new shares to Data Base Systems Limited (DBS) and reduced a cash liability owed to DBS from \$189,586 to \$142,189, pursuant to shareholder approval on 22 July 2005 of a termination and settlement of the PCA.

A copy of the General Meeting documentation can be viewed and downloaded from the Company's website: [www.strikeresources.com.au](http://www.strikeresources.com.au)

#### Summary of Final Settlement Terms

Website URL's delivered by DBS to 22 July 2005 (the date of the general meeting approving the termination and settlement)	2,083,372
Cash fees outstanding for works performed from November 2004 to 22 July 2005	\$189,586
Balance of website URL's to be classified under the PCA	1,062,628
Cash cost component of balance of websites to be to be classified under the PCA	\$743,840
<b>Total present and future cash liability payable to DBS</b>	<b>\$933,426</b>
Settlement components:	
(1) Cash - 75% of cash fees outstanding	\$142,189
(2) New shares (at 2 cents each) - 25% of cash fees outstanding	2,369,824
(3) New shares (at 2 cents each) - 50% of Balance of URL's under PCA	18,595,990
<b>Total new shares issued to DBS on 19 August 2005 (pre Share Conversion)</b>	<b>20,965,814</b>

The Company cash settlement sum was repaid in full (with accrued interest at 7% per annum) on 11 January 2006.

### 7. Virtual Web Internet Filtering and Monitoring Solution

As a consequence of the Company's change of activity to a mineral exploration and development company, the Company has ceased development and active marketing of its Virtual Web for Microsoft ISA Internet Filtering and Monitoring Solution.

The Company's Virtual Web for Microsoft ISA Server 2004 and 2000 is designed as a plug-in application that enhances and adds to the security features of Microsoft ISA Server 2004/2000 to allow organisations to more effectively control and monitor their Internet access. Microsoft ISA Server 2004/2000 is an enterprise firewall and Web cache designed to help provide secure, fast, and manageable Internet connectivity and is widely used by organisations around the world. The Company has received Microsoft Certified Partner (MCP) Status for the Virtual Web for Microsoft ISA Server solution. Virtual Web also

## DIRECTORS' REPORT

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integrates a comprehensive monitoring and reporting functionality developed by another Australian public listed company, WebSpy Limited.

The Company is currently seeking opportunities for the commercial exploitation of the Virtual Web Internet Filtering and Monitoring Solution.

### DIRECTORS

On 26 September 2005, H. Shanker Madan, an experienced senior geologist with more than 30 years of world-wide experience in the exploration and evaluation of mineral deposits for various commodities, was appointed a Director to assist in guiding the Company's transition to a resource focused company. Azhar Chaudhri and Yaqoob Khan also resigned as directors. The Board thanks Messrs Chaudhri and Khan, who were founding directors of the Company (as Fast Scout Limited), for their services to the Company.

On 26 October 2005, John Stephenson, previously Director of Exploration for Rio Tinto Australasia with more than 35 years experience in the mineral exploration business, was appointed Non-Executive Chairman to guide the Board and assist the Company through the same transition.

Mr Madan's role changed to that of Managing Director upon shareholder approval at the 2005 Annual General Meeting (**AGM**) for Company's change of activities to that of a mineral exploration and development company.

Information concerning Directors in office during or since the financial half year is as follows:

<b>John Stephenson</b>	—	<b>Non-Executive Chairman</b>
	<i>Appointed—</i>	26 October 2005
	<i>Qualifications—</i>	BSc (honours) in Geology from the University of London through the former University College of Rhodesia and a PhD in Geology from the University of Manitoba, Canada.
	<i>Experience—</i>	Dr Stephenson is a highly experienced geologist with over 35 years experience in the mining sector. He has held senior positions in large mining companies, most recently as Exploration Director for Rio Tinto Australasia where he led Rio Tinto's exploration activities for five and a half years based in Perth.
		Dr Stephenson has also during his career led and managed exploration teams for both junior and major mining companies in several parts of the world, mainly in Southern and East Africa, North America and Australia exploring for gold, uranium, diamonds and base metals. He has also been involved with projects in Europe, South America and India. He led teams responsible for the discovery of a world class diamond deposit, the Diavik diamond mine in Canada's Northwest Territories and a high grade gold deposit, the former Golden Patricia gold mine in Ontario.
		Dr Stephenson has particular experience in the uranium sector having in the early to mid 1970's led reconnaissance airborne and ground surveys for uranium in Canada. Between 1978-1981, Dr Stephenson headed the ground follow-up of a country-wide airborne radiometric and magnetic survey for uranium and other minerals in Tanzania. In the early 90's Dr Stephenson led exploration for a subsidiary of Rio Tinto exploring for uranium and base metals in eastern Canada. Dr Stephenson also led Rio Tinto's exploration activities in Australia in the late 90's which included the search for uranium.

## DIRECTORS' REPORT

<b>H. Shanker Madan</b>	—	<b>Managing Director</b>
<i>Appointed</i>	—	26 September 2005
<i>Qualifications</i>	—	Honours and Masters Science degrees in Applied Geology
<i>Experience</i>	—	Mr Madan has had world-wide experience in the exploration and evaluation of mineral deposits for various commodities. Mr Madan has been a Manager with Hamersley Iron, Group Leader with BHP Minerals, Chief Geologist with Hancock and Wright Prospecting and a Senior Geological Consultant to the Rio Tinto Group.
		Mr Madan has managed a range of mineral evaluation studies in Iran, Brazil and Western Australia for BHP, Rio Tinto and Hamersley Iron. He has also acted as a consultant to Rio Tinto, Ashton Mining and others on mineral projects in Brazil, South Africa, India, the Philippines, Fiji and United States, working on a range of iron ore, diamonds, gold, copper and chromite deposits.
		He has been involved in the discovery of 3 world class iron deposits in Western Australia for TexasGulf and BHP Minerals. From 1997 to 2001, Mr Madan managed the evaluation of resource projects for Hamersley Iron and more recently completed a resources due diligence study of the billion-dollar West Angelas project in the Pilbara region of Western Australia.
<b>Farooq Khan</b>	—	<b>Executive Director</b>
<i>Appointed</i>	—	9 September 1999
<i>Qualifications</i>	—	BJuris, LLB. (Western Australia)
<i>Experience</i>	—	Mr Khan is a qualified lawyer having previously practised principally in the field of corporate law. Mr Khan has extensive experience in the securities industry, capital markets and particularly capital raisings, mergers and acquisitions and investments. Mr Khan has also led the executive management of a number of ASX listed companies through their establishment and growth

<b>Victor P. H. Ho</b>	—	<b>Executive Director and Company Secretary</b>
<i>Appointed</i>	—	Secretary since 9 March 2000 and Director since 12 October 2000
<i>Qualifications</i>	—	BCom, LLB (Western Australia)
<i>Experience</i>	—	Mr Ho has been in company secretarial/executive roles with a number of public listed companies since early 2000. Previously, Mr Ho had 9 years experience in the taxation profession with the Australian Tax Office and in a specialist tax law firm. Mr Ho has been actively involved in the structuring and execution of a number of corporate transactions, capital raisings and capital management matters and has extensive experience in public company administration, corporations law and stock exchange compliance and shareholder relations.

<b>Azhar Chaudhri</b>	—	<b>Former Executive Director</b>
<i>Period of Service</i>	—	9 September 1999 - 26 September 2005

<b>Yaqoob Khan</b>	—	<b>Former Executive Director</b>
<i>Period of Service</i>	—	9 September 1999 - 26 September 2005

### AUDITOR'S INDEPENDENCE DECLARATION

A copy of the Auditor's Independence Declaration as required under section 307C of the Corporations Act 2001 forms part of this Directors Report and is set out on page 15. This relates to the Independent Review Report, where the Auditors state that they have issued an independence declaration.



## STANTON PARTNERS

1 HAVELOCK STREET  
WEST PERTH 6005  
WESTERN AUSTRALIA

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15 March 2006

Board of Directors  
Strike Resources Limited  
Level 14, Forrest Centre,  
221, St Georges Tce, Perth  
Western Australia, 6000

Dear Directors

**RE: STRIKE RESOURCES LIMITED**

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Strike Resources Limited.

As Audit Partner for the audit review of the financial statements of Strike Resources Limited for the half year ended 31 December 2005, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit review; and
- (ii) any applicable code of professional conduct in relation to the audit review.

Yours sincerely

**STANTON PARTNERS**

**John Van Dieren**  
**Partner**

## DIRECTORS' REPORT

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Signed for and on behalf of the Directors of Strike Resources Limited in accordance with a resolution of the Board,



**John Stephenson**  
Chairman

Perth, Western Australia

15 March 2006



**Farooq Khan**  
Director

## INCOME STATEMENT for the half year ended 31 December 2005

	Note	Consolidated Entity		Company	
		31 Dec 05	31 Dec 04	31 Dec 05	31 Dec 04
		\$	\$	\$	\$
Sales revenue	2	5,342	17,133	-	744
Cost of sales		(5,429)	(93,269)	(2,783)	(61,739)
<b>Gross Profit</b>		(87)	(76,136)	(2,783)	(60,995)
Other revenue from operating activities	2	10,421	6,597	10,383	6,597
Non-operating revenue	2	217,290	138,834	217,290	138,834
Classification works costs	2	(3,700,119)	(1,077,853)	(3,699,678)	(1,077,853)
Occupancy costs	2	(4,887)	(13,461)	(4,887)	(13,461)
Finance costs	2	(14,205)	(885)	(13,970)	(841)
Borrowing costs	2	(6,976)	-	(5,476)	-
Corporate costs					
- Write back of previous diminution in value / (diminution in value) of share investments	2	96,644	(21,444)	93,992	(161,464)
- Write back of classification works previously written-down	2	3,338,152	814,324	3,338,152	814,323
- Costs related to resource projects		(269,834)	-	(98,600)	-
- cost of shares sold		(297,298)	(116,202)	(297,298)	(116,202)
- other	2	(218,089)	(331,581)	(407,176)	(333,825)
Administration costs	2	(4,124)	(42,409)	(4,124)	(42,409)
Equity share of Associate net losses	2	-	(276,526)	-	-
Write back of previous diminution in value of investment in Associate	2	-	136,506	-	-
<b>Loss before income tax</b>		(853,112)	(860,236)	(874,175)	(847,296)
Income tax		-	-	-	-
<b>Loss after income tax</b>		(853,112)	(860,236)	(874,175)	(847,296)
<b>Loss attributable to members of the parent entity</b>		(853,112)	(860,236)	(874,175)	(847,296)
<b>Loss per share</b>					
Basic loss (cents per share)	12	(0.87)	(1.05)	(0.89)	(1.04)
Weighted average number of ordinary shares outstanding during the period used in calculation of basic earnings per share		98,220,232	81,593,281	98,220,232	81,593,281

*The accompanying notes form part of this financial report*

## BALANCE SHEET as at 31 December 2005

	Note	Consolidated Entity		Company	
		31 Dec 05	30 Jun 05	31 Dec 05	30 Jun 05
		\$	\$	\$	\$
<b>CURRENT ASSETS</b>					
Cash and cash equivalents	14	707,596	54,197	643,143	50,956
Receivables	4	19,314	169,459	14,781	166,623
<b>TOTAL CURRENT ASSETS</b>		<b>726,910</b>	<b>223,656</b>	<b>657,924</b>	<b>217,579</b>
<b>NON CURRENT ASSETS</b>					
Receivables		500	500	500	500
Property, plant and equipment	5	40,731	47,309	40,731	47,309
Other financial assets	6	475,287	376,750	475,387	526,927
Investments accounted for using equity method	7	-	147,425	-	-
Internet technologies					
Prepaid classification works	8	-	-	-	-
Other development works	8	-	-	-	-
Exploration Expenditure	9	78,712	-	78,537	-
<b>TOTAL NON CURRENT ASSETS</b>		<b>595,230</b>	<b>571,984</b>	<b>595,155</b>	<b>574,736</b>
<b>TOTAL ASSETS</b>		<b>1,322,140</b>	<b>795,640</b>	<b>1,253,079</b>	<b>792,315</b>
<b>CURRENT LIABILITIES</b>					
Trade and other payables	10	320,003	544,869	275,575	544,869
Provisions	11	16,849	21,732	16,849	21,732
<b>TOTAL CURRENT LIABILITIES</b>		<b>336,852</b>	<b>566,601</b>	<b>292,424</b>	<b>566,601</b>
<b>TOTAL LIABILITIES</b>		<b>336,852</b>	<b>566,601</b>	<b>292,424</b>	<b>566,601</b>
<b>NET ASSETS</b>		<b>985,288</b>	<b>229,039</b>	<b>960,655</b>	<b>225,714</b>
<b>EQUITY</b>					
Issued capital		18,023,488	16,414,372	18,023,488	16,414,372
Foreign Currency Reserves		245	-	-	-
Accumulated losses		(17,038,445)	(16,185,333)	(17,062,833)	(16,188,658)
<b>TOTAL EQUITY</b>		<b>985,288</b>	<b>229,039</b>	<b>960,655</b>	<b>225,714</b>

*The accompanying notes form part of this financial report*

## STATEMENT OF CHANGES IN EQUITY for the half year ended 31 December 2005

	Number of Shares	Issued Capital \$	Accumulated Losses \$	Foreign Currency Reserves \$	Total \$
<b>At 1 July 2004</b>	81,593,281	16,414,372	(14,486,386)	-	1,927,986
Loss for the period		-	(860,236)	-	(860,236)
<b>At 31 December 2004</b>	<u>81,593,281</u>	<u>16,414,372</u>	<u>(15,346,622)</u>	<u>-</u>	<u>1,067,750</u>
<b>At 30 June 2005</b>	81,593,281	16,414,372	(16,185,333)	-	229,039
Loss for the period		-	(853,112)	-	(853,112)
Foreign currency translation differences		-	-	245	245
Shares issued to Data Base Systems Limited	20,965,814	419,316	-	-	419,316
Share placement	2,290,000	229,000	-	-	229,000
Share placement	9,710,000	971,000	-	-	971,000
Shares issued to Uranium Oil & Gas Limited	350,000	28,000	-	-	28,000
Share offer expenses		(38,200)	-	-	(38,200)
<b>At 31 December 2005</b>	<u>114,909,095</u>	<u>18,023,488</u>	<u>(17,038,445)</u>	<u>245</u>	<u>985,288</u>

*The accompanying notes form part of this financial report*

## CASH FLOW STATEMENT for the half year ended 31 December 2005

	Consolidated Entity		Company		
	Note	31 Dec 05 \$	31 Dec 04 \$	31 Dec 05 \$	31 Dec 04 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Receipts from customers		4,744	31,333	-	744
Payments to suppliers and employees		(399,008)	(497,488)	(631,593)	(465,215)
Payments for exploration expenditure		(338,944)	-	(167,535)	-
Dividends received		4,329	25,772	7,575	25,772
Interest received		10,421	6,597	10,383	6,597
Interest paid		(6,976)	-	(5,476)	-
<b>NET CASH OUTFLOW FROM OPERATING ACTIVITIES</b>		<b>(725,434)</b>	<b>(433,786)</b>	<b>(786,646)</b>	<b>(432,102)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Payments for investments in listed securities		-	(368,844)	-	(368,844)
Proceeds from return of capital		7,318	-	7,318	-
Proceeds from sale of investments		209,715	121,207	209,715	121,207
<b>NET CASH IN/(OUT)FLOW FROM INVESTING ACTIVITIES</b>		<b>217,033</b>	<b>(247,637)</b>	<b>217,033</b>	<b>(247,637)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Proceeds from borrowings		150,000	-	150,000	-
Repayment for borrowings		(150,000)	-	(150,000)	-
Proceeds from share issue		1,200,000	-	1,200,000	-
Payment for share issue cost		(38,200)	-	(38,200)	-
<b>NET CASH INFLOW FROM FINANCING ACTIVITIES</b>		<b>1,161,800</b>	<b>-</b>	<b>1,161,800</b>	<b>-</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS HELD</b>					
		653,399	(681,423)	592,187	(679,739)
Cash and cash equivalents at beginning of the year		54,197	686,850	50,956	682,888
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	14	<b>707,596</b>	<b>5,427</b>	<b>643,143</b>	<b>3,149</b>

*The accompanying notes form part of this financial report*

# NOTE TO THE FINANCIAL STATEMENTS

## for the half year ended 31 December 2005

### 1. SUMMARY OF ACCOUNTING POLICIES

#### Basis of Preparation of Half-Year Financial Statements

The half-year consolidated financial statements are a general purpose financial report prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standard AASB 134: Interim Financial Reporting, Urgent Issues Group Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board.

The financial report has been prepared on the going concern basis.

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2005 and any public announcements made by the Consolidated Entity and its controlled entities during the half-year in accordance with continuous disclosure requirements arising under the *Corporations Act 2001*.

The same accounting policies and methods of computation have generally been followed in this interim financial report as compared with the most recent annual financial report. AASB 134: Interim Financial Reporting generally only requires disclosure of accounting policies that have changed from those used in the prior annual reporting period. However, as this is the first published financial report prepared in compliance with AIFRSs, all applicable policies have been noted below, with reference to where these have changed from the prior annual period.

The half-year report does not include full disclosures of the type normally included in an annual financial report.

#### 1.1. Principles of Consolidation

The consolidated Financial Statements are prepared by combining the Financial Statements of all the entities that comprise the Consolidated Entity, being the Company (the Company) and its controlled entities. Control exists where the Company has the capacity to dominate the decision making in relation to the financial and operating policies of another entity so that the other entity operates with the Company to achieve the objectives of the Company. A list of controlled entities is contained in Note 6 to the Financial Statements.

All controlled entities have a June financial year-end.

All inter-company balances and transactions between entities in the economic entity, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistencies with those policies applied by the parent entity.

#### 1.2. Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

##### i. Sale of Licence and Disposal of Assets

Revenue is recognised when the Consolidated Entity has passed control of the licences, goods or other assets to the buyer. Control of goods or assets is considered to be passed to buyer upon delivery of asset to buyer or their agents.

##### ii. Contributions of Assets

Revenue arising from the contribution of assets is recognised when the Consolidated Entity gains control of the contribution or the right to receive the contribution.

##### iii. Interest Revenue

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

##### iv. Dividend Revenue

Dividend revenue is brought to account on the applicable ex-dividend entitlement date.

##### v. Other Revenue

Other revenue is recognised on a receipts basis.

### 1.3. Foreign Currency Transaction and Balances

#### i. Functional and presentation currency

The functional currency of each of the group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

#### ii. Transaction and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the income statement, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange difference arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in the income statement.

#### 1.4. Group companies

The financial results and position of foreign operations whose functional currency is different from the group's presentation currency are translated as follows:

- i. Assets and liabilities are translated at year-end exchange rates prevailing at that reporting date.
- ii. Assets and liabilities are translated at year-end exchange rates prevailing at that reporting date.
- iii. Retained profits are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations are transferred directly to the group's foreign currency translation reserve in the balance sheet. These differences are recognised in the income statement in the period in which the operation is disposed.

# NOTE TO THE FINANCIAL STATEMENTS

## for the half year ended 31 December 2005

### 1.5. Income Tax

The charge for current income tax expenses is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using tax rates that have been enacted or are substantively enacted by the balance sheet date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

### 1.6. Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

- i. Where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- ii. For receivables and payables which are recognised inclusive of GST, the net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are included in the statement of cash flows on a gross basis. The GST component of cash flows arising from investing and financing activities, which are recoverable from, or payable to, the Australian Taxation Office, are classified as operating cash flows.

### 1.7. Employee Benefits

Provision is made for benefits accruing to employees in respect of wages and salaries and annual leave ("employee benefits") when it is probable that settlement will be required and they are capable of being measured reliably. Employee benefits expected to be settled within one year, have been measured at their nominal amount. Other employee benefits expected to be payable later than one year have been measured at the present value of the estimated cash flows to be made for those benefits. Superannuation contributions are made by the Consolidated Entity in accordance with statutory obligations and are charged as expenses when incurred.

### 1.8. Cash and Cash Equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid

investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the balance sheet.

### 1.9. Receivables

Trade receivables and other receivables are recorded at amounts due less any provision for doubtful debts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

### 1.10. Investments

Investments are initially recorded at cost on trade date, which includes transaction costs.

Under *AASB 139: Financial Instruments: Recognition and Measurement*, financial assets are required to be classified into four categories, which determines the accounting treatment of the item. The categories and various treatments are:

- i. Held to maturity, measured at amortised cost;
- ii. Held for trading (or designated "as at fair value through profit and loss" upon initial recognition), measured at fair value with unrealised gains or losses charged to the profit and loss;
- iii. Loans and receivables, measured at amortised cost; and
- iv. Available for sale instruments, measured at fair value with unrealised gains or losses taken to equity.

The Consolidated Entity's financial assets classified "as at fair value through profit and loss" upon initial recognition are recognised in the Balance Sheet at fair value. During the period changes in the fair value of investment securities will be recognised in the Income Statement. The fair value of financial assets will be measured at bid price and will exclude disposal costs, or where unlisted or suspended, its net tangible asset value.

On transition to AIFRS this change will not impact net assets.

AASB 1 provides an election whereby the requirements of AASB 139 dealing with financial instruments are not required to be applied to the AIFRS comparative year, and the first time adoption of this standard will apply from 1 July 2005. The Consolidated Entity has decided that it will adopt this election and will not restate comparative information for the 30 June 2005 financial year.

### 1.11. Property, Plant and Equipment

Property, plant and equipment are brought to account at cost less any accumulated depreciation and impairment losses.

The carrying amount of property, plant and equipment is reviewed annually by Directors to ensure it is not in excess of the recoverable amount from these assets.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the income statement. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

# NOTE TO THE FINANCIAL STATEMENTS

## for the half year ended 31 December 2005

The depreciable amount of all fixed assets is depreciated on a diminishing value basis over their expected useful lives to the Consolidated Entity commencing from the time the asset is held ready for use.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation Rate	Depreciation Method
Plant and Equipment	15-50%	Diminishing Value
Leasehold Improvements	15%	Diminishing Value

### 1.12. Valuation of Non Current Assets

The carrying amount of non-current assets are reviewed annually to determine whether they are in excess of the recoverable amount. Non-current assets are written down to recoverable amount where the carrying value of any non-current asset exceeds recoverable amount. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets' employment and subsequent disposal. The expected net cash flows have not been discounted to their present values in determining recoverable amounts.

### 1.13. Impairment of Assets

At each reporting date, the group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

### 1.14. Payables

Trade payables and other accounts payable are recognised when the Consolidated Entity becomes obliged to make future payments resulting from the purchase of goods and services.

### 1.15. Contributed Equity

Issued and paid up capital is recognised at the fair value of the consideration received by the Company. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

### 1.16. Earnings Per Share

#### i. Basic Earnings per Share

Basic earnings per share is determined by dividing the operating result after income tax by the weighted average number of ordinary shares on issue during the financial period.

#### ii. Diluted Earnings per Share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share by taking into account amounts unpaid on ordinary shares and any reduction in earnings per share that will probably arise from the exercise of options outstanding during the financial period.

### 1.17. Research and Development Costs

Expenditure during the research phase of a project is recognised as an expense when incurred. Development costs are capitalised only when technical feasibility studies identify that the project will deliver future economic benefits and these benefits can be measured reliably.

Development costs have a finite life and are amortised on a systematic basis matched to the future economic benefits over the useful life of the project.

### 1.18. Classification Works

Classification works will be amortised over a 5 year period in which the corresponding benefits are expected to arise, commencing with the commercial application of the asset. The unamortised amount is reviewed annually to determine whether it is in excess of the recoverable amount. If the carrying value of the intellectual property exceeds its recoverable amount, the asset is written down to the lower value.

### 1.19. Exploration and Development Expenditure

Exploration, evaluation and development expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are carried forward only if they relate to an area of interest for which rights of tenure are current and in respect of which:

- (i) such costs are expected to be recouped through successful development and exploitation or from sale of the area; or
- (ii) exploration and evaluation activities in the area have not, at balance date, reached a stage which permit a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active operations in, or relating to, the area are continuing.

Accumulated costs in respect of areas of interest, which are abandoned, are written off in full against profit in the year in which the decision to abandon the area is made.

Under AASB 6 "Exploration for and Evaluation of Mineral Resources", if facts and circumstances suggest that the carrying amount of any recognised exploration and evaluation assets may be impaired, the Company must perform impairment tests on those assets and measure any impairment in accordance with AASB 136 "Impairment of Assets". Impairment of exploration and evaluation assets is to be assessed at a cash generating unit or group of cash generating units level provided this is no larger than an area of interest. Any impairment loss is to be recognised as an expense in accordance with AASB 13.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

# NOTES TO THE FINANCIAL STATEMENTS

## for the half year ended 31 December 2005

### 2. LOSS FOR THE HALF YEAR

The operating loss before income tax includes the following items of revenue and expense:

	Consolidated Entity		Company	
	31 Dec 05	31 Dec 04	31 Dec 05	31 Dec 04
<b>(a) Operating revenue</b>	\$	\$	\$	\$
<b>Sales revenue</b>	5,342	17,133	-	744
<b>Other revenue</b>				
Interest received - other	10,421	6,597	10,383	6,597
	<u>15,763</u>	<u>23,730</u>	<u>10,383</u>	<u>7,341</u>
<b>(b) Non-operating revenue</b>				
Dividends from shares	7,575	17,627	7,575	17,627
Proceeds from sale of investments	209,715	121,207	209,715	121,207
	<u>217,290</u>	<u>138,834</u>	<u>217,290</u>	<u>138,834</u>
<b>Total revenue</b>	<u>233,053</u>	<u>162,564</u>	<u>227,673</u>	<u>146,175</u>
<b>(c) Expenses</b>				
<b>Cost of sales</b>	5,429	93,269	2,783	61,739
<b>Operating expenses</b>				
Classification and development works	3,700,119	1,077,853	3,699,678	1,077,853
Occupancy costs	4,887	13,461	4,887	13,461
Finance costs	14,205	885	13,970	841
Borrowing costs - interest paid	6,976	-	5,476	-
Administration costs				
Communications	1,748	5,436	1,748	5,436
Consultancy fees	2,376	36,973	2,376	36,973
Corporate costs				
Costs related to share investments	-	183,256	-	183,256
Costs related to resource projects	269,834	-	98,600	-
Professional Fees	31,706	-	17,836	-
Cost of shares sold	297,298	116,202	297,298	116,202
Depreciation - property, plant and equipment	6,578	7,907	6,578	7,907
Personnel costs	110,056	117,093	110,056	117,093
Provision for employee benefits	(4,883)	740	(4,883)	740
Provision for diminution - share investments	(96,644)	21,444	(93,992)	161,464
Provision/(write back) for non recovery of subsidiary and associate loans	25,000	-	228,500	2,455
Write back of previous amortisation of Internet Technology	(3,338,152)	(814,324)	(3,338,152)	(814,323)
Other corporate expense	49,632	22,585	49,089	22,374
Equity share of Associate's losses	-	276,526	-	-
Write back of provision for diminution in value of investment in Associate	-	(136,506)	-	-
	<u>1,086,165</u>	<u>1,022,800</u>	<u>1,101,848</u>	<u>993,471</u>

### 3. SALE OF ASSETS

Sale of assets in the ordinary course of business have given rise to the following profits and losses:

<b>(a) Net (Loss)/ Gain</b>	Investments	(87,583)	5,005	(87,583)	5,005
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# NOTES TO THE FINANCIAL STATEMENTS

## for the half year ended 31 December 2005

### 4. CURRENT RECEIVABLES

	Consolidated Entity		Company	
	31 Dec 05	30 Jun 05	31 Dec 05	30 Jun 05
	\$	\$	\$	\$
Amounts receivable from				
Trade debtors	2,938	2,340	-	-
Sundry debtors	270	413	270	413
Amounts owed by controlled entities	-	-	-	-
Return of capital receivable	-	159,085	-	159,085
Goods and services tax recoverable	16,106	7,621	14,511	7,125
	<u>19,314</u>	<u>169,459</u>	<u>14,781</u>	<u>166,623</u>

### 5. PROPERTY, PLANT AND EQUIPMENT

Consolidated Entity	Plant and	Leasehold	Total
	Equipment	Improve-ments	
	\$	\$	\$
<b>Gross Carrying Amount</b>			
Balance at 30 June 2005	155,685	21,788	177,473
Additions	-	-	-
Balance at 31 December 2005	<u>155,685</u>	<u>21,788</u>	<u>177,473</u>
<b>Accumulated Depreciation</b>			
Balance at 30 June 2005	(117,572)	(12,592)	(130,164)
Depreciation expense	(5,764)	(814)	(6,578)
Balance at 31 December 2005	<u>(123,336)</u>	<u>(13,406)</u>	<u>(136,742)</u>
<b>Net Book Value</b>			
As at 30 June 2005	38,113	9,196	47,309
As at 31 December 2005	<u>32,349</u>	<u>8,382</u>	<u>40,731</u>
<b>Company</b>			
<b>Gross Carrying Amount</b>			
Balance at 30 June 2005	155,685	21,788	177,473
Additions	-	-	-
Balance at 31 December 2005	<u>155,685</u>	<u>21,788</u>	<u>177,473</u>
<b>Accumulated Depreciation</b>			
Balance at 30 June 2005	(117,572)	(12,592)	(130,164)
Depreciation expense	(5,764)	(814)	(6,578)
Balance at 31 December 2005	<u>(123,336)</u>	<u>(13,406)</u>	<u>(136,742)</u>
<b>Net Book Value</b>			
As at 30 June 2005	38,113	9,196	47,309
As at 31 December 2005	<u>32,349</u>	<u>8,382</u>	<u>40,731</u>

Aggregate depreciation during the year is recognised as an expense (refer Note 2).

# NOTES TO THE FINANCIAL STATEMENTS

## for the half year ended 31 December 2005

### 6. OTHER NON-CURRENT FINANCIAL ASSETS

	Consolidated Entity		Company	
	31 Dec 05	30 Jun 05	31 Dec 05	30 Jun 05
	\$	\$	\$	\$
Investments comprise:				
Shares and options in listed corporations - at cost	632,474	627,929	632,474	627,929
Shares in associated companies - at cost (Note 7)	-	-	995,374	1,145,451
Shares in controlled entities - at cost	-	-	100	100
Less: Provision for diminution	(157,187)	(251,179)	(1,152,561)	(1,246,553)
	<u>475,287</u>	<u>376,750</u>	<u>475,387</u>	<u>526,927</u>
Market value of investments at balance date				
Shares in listed companies	<u>475,287</u>	<u>377,279</u>	<u>475,287</u>	<u>377,279</u>

#### (a) Investment in Controlled Entities

	Percentage of Ownership	
	31 Dec 05	30 Jun 05
<b>Fast Scout Operations Pty Ltd (previously Virtual Web Pty Ltd)</b>	100%	100%
Incorporated in Australia on 28 November 2002. This company is currently involved in resource exploration and development operations.		
<b>PT Indo Batubara</b>	100%	-
Incorporated in Indonesia on 8 December 2005 This company is currently involved in resource exploration and development operations in Indonesia		

The Company did not gain or lose control over any other entity during the financial half year.

### 7. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Name of Associate Entity	Principal Activity	Ownership Interest	Consolidated Carrying Amount	
			31 Dec 05	30 Jun 05
			\$	\$
Altera Capital Ltd	Suspended from ASX	32.25%	-	147,425
Sofcom Ltd	Suspended from ASX	27.82%	-	-
			<u>-</u>	<u>147,425</u>
<b>Movement in Investment in Associates</b>				
Equity accounted amount of investment at the beginning of the financial year			147,425	640,092
New investment during the period			23,003	-
Share of losses before income tax expense			(20,352)	(348,301)
Share of income tax expense			-	-
Return of capital receivable			(150,076)	(144,366)
Equity accounted amount of investment at the end of the financial period			<u>-</u>	<u>147,425</u>
Directors' valuation (as no "market value" due to Associate being suspended from ASX)			<u>-</u>	<u>150,076</u>

#### Summarised Financial Position of Associate

	31 Dec 05	30 Jun 05
	\$	\$
<b>Current assets:</b>		
Cash	123,423	11,845
Receivables	6,503	768,750
<b>Non-current assets:</b>		
Property, plant and equipment	-	1,730
Other financial assets	-	455,887
<b>Current liabilities:</b>		
Payables	(38,352)	(837,771)
Provisions	(39,650)	(12,945)
<b>Net assets</b>	<u>51,924</u>	<u>387,496</u>
<b>Net profit/(losses)</b>	<u>(162,796)</u>	<u>(447,603)</u>

# NOTES TO THE FINANCIAL STATEMENTS

## for the half year ended 31 December 2005

### 8. INTERNET TECHNOLOGIES

	Consolidated Entity		Company	
	31 Dec 05	30 Jun 05	31 Dec 05	30 Jun 05
	\$	\$	\$	\$
(a) Prepaid Classification Works	-	3,338,152	-	3,338,152
Recoverable Amount Written Down	-	(3,338,152)	-	(3,338,152)
Total Prepaid Classification Works	-	-	-	-
(b) Portal Technology Development Works:				
(i) Category Works	30,877	30,877	30,877	30,877
Recoverable Amount Written Down	(30,877)	(30,877)	(30,877)	(30,877)
(ii) Portal Delivery System Development Works	156,153	156,183	156,153	156,153
Recoverable Amount Written Down	(156,153)	(156,183)	(156,153)	(156,153)
(iii) Classification Works	4,178,428	4,178,428	4,178,428	4,178,428
Recoverable Amount Written Down	(4,178,428)	(4,178,428)	(4,178,428)	(4,178,428)
Total Portal Technology Development Works	-	-	-	-

### 8. INTERNET TECHNOLOGIES (contd.)

	Consolidated Entity		Company	
	31 Dec 05	30 Jun 05	31 Dec 05	30 Jun 05
	\$	\$	\$	\$
<b>Summary of Portal Technology</b>				
Prepaid Classification Works	-	3,338,152	-	3,338,152
Category Works	30,877	30,877	30,877	30,877
Portal Delivery System Development Works	156,153	156,183	156,153	156,153
Classification Works	4,178,428	4,178,428	4,178,428	4,178,428
Accumulated write-downs	(4,365,458)	(7,703,640)	(4,365,458)	(7,703,610)
Total Portal Technology	-	-	-	-
<b>Virtual Web development works</b>				
Virtual Web development works	98,365	98,365	98,365	98,365
Recoverable Amount Written Down	(98,365)	(98,365)	(98,365)	(98,365)
Total Development Works	-	-	-	-

Classification works relate to a portal classification agreement (PCA) with Data Base Systems Limited (DBS) for DBS to classify a total of 3,146,000 Internet website URL's (over a 5 ½ year period). As advised in the Company's IPO Prospectus dated 12 January 2000, the Company prepaid a portion of such classification costs by the issue of 50,301,800 fully paid ordinary shares at an issue price of 20 cents per share (representing a notional \$10,060,340) and was required to pay a further cash component being \$272,700 for 286,000 websites to be classified during the first 6 months from commencement of classification works. Thereafter, the Company was required to pay \$2,002,000 cash for the balance of 2,860,000 websites to be classified over the subsequent period. All Classification, Category and Portal Delivery System development costs incurred up to the launch date of the Fast Scout Portal and Virtual Web service on 9 April 2002 were capitalised as an asset. Thereafter, all such costs are expensed as incurred.

On 22 July 2005, shareholders approved the settlement and termination of the PCA with DBS.

On 19 August 2005, pursuant to the settlement and termination of the PCA, the outstanding cash component of the classifications works was reduced to \$142,189 and 20,965,814 new shares were issued to DBS at a deemed issue price of 2 cents per share, valuing the shares at \$419,316, which has been expensed.

# NOTES TO THE FINANCIAL STATEMENTS

## for the half year ended 31 December 2005

### 9. EXPLORATION EXPENDITURE

	Consolidated Entity		Company	
	31 Dec 05	30 Jun 05	31 Dec 05	30 Jun 05
	\$	\$	\$	\$
Balance at the beginning of the year	-	-	-	-
Direct expenditure	78,712	-	78,537	-
Balance at the end of the period	<u>78,712</u>	<u>-</u>	<u>78,537</u>	<u>-</u>

### 10. CURRENT TRADE AND OTHER PAYABLES

Trade creditors	29,252	5,737	29,252	5,737
Other creditors and accruals	139,188	51,340	94,760	51,340
Amounts due to Directors and Director Related Entities	146,007	482,236	146,007	482,236
Unmarketable parcel trust account	5,556	5,556	5,556	5,556
	<u>320,003</u>	<u>544,869</u>	<u>275,575</u>	<u>544,869</u>

### 11. NON-CURRENT PROVISIONS

Provision for employee entitlements	<u>16,849</u>	<u>21,732</u>	<u>16,849</u>	<u>21,732</u>
Number of employees (including Executive Directors and Officers) at Balance Date	<u>4</u>	<u>4</u>	<u>4</u>	<u>4</u>

### 12. LOSSES PER SHARE

	Consolidated Entity		Company	
	31 Dec 05	31 Dec 04	31 Dec 05	31 Dec 04
Basic loss per share (cents)	(0.87)	(1.05)	(0.89)	(1.04)
Net Loss	<u>(853,112)</u>	<u>(860,236)</u>	<u>(874,175)</u>	<u>(847,296)</u>
Weighted average number of ordinary shares outstanding during the period used in calculation of basic earnings per share	<u>98,220,232</u>	<u>81,593,281</u>	<u>98,220,232</u>	<u>81,593,281</u>

Diluted earnings per share has not been disclosed, as it does not show a position which is inferior to basic earnings per share.

# NOTES TO THE FINANCIAL STATEMENTS

## for the half year ended 31 December 2005

### 13. SEGMENT REPORTING

The Consolidated Entity is based in Australia but offers its Virtual Web Internet related software for sale internationally via downloads from Internet. In addition, its current mineral exploration and development activities also extend to Indonesia.

Segment Revenues & Results	External Revenue		Operating Results	
	31 Dec 05	31 Dec 04	31 Dec 05	31 Dec 04
	\$	\$	\$	\$
Internet Technologies	5,342	17,133	(362,054)	(339,666)
Exploration expenditure	-	-	(269,834)	-
Investments	217,290	138,834	(8,364)	(322,088)
	222,632	155,967	(640,252)	(661,754)
Unallocated	10,421	6,597	(212,860)	(198,482)
	233,053	162,564		
Loss before income tax			(853,112)	(860,236)
Income tax expense			-	-
Loss after income tax			(853,112)	(860,236)

Segment Assets & Liabilities	Assets		Liabilities	
	31 Dec 05	30 Jun 05	31 Dec 05	30 Jun 05
	\$	\$	\$	\$
Internet Technologies	2,938	2,340	(146,007)	(218,166)
Exploration expenditure	78,712	-	-	-
Investments	475,287	524,175	-	-
	556,937	526,515	(146,007)	(218,166)
Unallocated	765,203	269,125	(190,845)	(348,435)
	1,322,140	795,640	(336,852)	(566,601)

Other Segment Information	Internet Technologies		Investments	
	2005	2004	2005	2004
	\$	\$	\$	\$
Carrying value of investments accounted for using the equity method	-	-	-	147,425
Share of net losses of associate company accounted for under the equity method	-	-	(20,352)	(348,301)
Acquisition of segment assets	-	-	-	(346,001)
Other non-cash expenses				
Write back of amortisation of Internet Technology	3,338,152	1,348,052	-	-
Diminution of segment assets (write back)			96,644	(54,873)

# NOTES TO THE FINANCIAL STATEMENTS

## for the half year ended 31 December 2005

### 14. CASH AND CASH EQUIVALENTS

For the purposes of the statements of cash flows, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash at the end of the financial period as shown in the statement of cash flows is reconciled to the related items in the balance sheet as follows:

	Consolidated Entity			Company		
	31 Dec 05	30 Jun 05	31 Dec 04	31 Dec 05	30 Jun 05	31 Dec 04
	\$	\$	\$	\$	\$	\$
Cash at bank	707,596	54,197	5,427	643,143	50,956	3,149
	<u>707,596</u>	<u>54,197</u>	<u>5,427</u>	<u>643,143</u>	<u>50,956</u>	<u>3,149</u>

### 15. JOINT VENTURES

The Company has a 45% interest in a web based personalisation and information retrieval software programme. During the financial half year, the Company incurred expenses of \$2,377 towards the development and marketing of the same.

### 16. GAIN/LOSS OF CONTROL OF ENTITIES

There were no entities over which control had been gained or lost by the Consolidated Entity during the financial half year.

### 17. FIRST TIME ADOPTION OF AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("AIFRS")

#### Reconciliation of Equity and Profit and Loss as at 1 July 2004, 31 December 2004 and 30 June 2005.

There are no adjustments to be made to equity and the profit and loss for the year ended 30 June 2005, the six months ended 31 December 2004 and as at 1 July 2004, on adoption of AIFRS.

#### Effect of AIFRS on the cash flow statement for the financial year ended 30 June 2005

There are no material differences between the cash flow statement presented under AIFRS and the cash flow statement presented under the superseded policies.

#### AASB Transition Exemptions

The Consolidated Entity has made its election in relation to transitional exemptions allowed by *AASB 1: First Time Adoption of AIFRS* as follows:

##### i) Business Combination

*AASB 3: Business Combinations* was not prepared retrospectively to past business combinations that occurred before the date of transition to AIFRS.

##### ii) Exemptions from the requirement to restate comparative information for AASB 132 and AASB 139

The Consolidated Entity has elected to adopt this exemption and has not applied *AASB 132: Financial Instruments Presentation and Disclosure* and *AASB 139: Financial Instruments: Recognition and Measurement* to its comparative information.

## NOTE TO THE FINANCIAL STATEMENTS

### for the half year ended 31 December 2005

#### 16. CONTINGENT ASSETS AND LIABILITIES

##### (i) Royalty to Hume Mining NL

Under an agreement with Hume Mining NL (**Hume**) dated 15 September 2005 for the acquisition of a 75% interest in various WA and NT tenement interests (**Hume Agreement**), Hume is entitled to receive a royalty from the Company of 2% of gross revenues (exclusive of GST) arising from any commercial exploitation of any minerals from such tenements.

##### (ii) Payment Obligations and Royalty under Kalimantan Coal Agreement

By a cooperation agreement dated 24 November 2005 between Fast Scout Operations Pty Limited (**FSO**) (a wholly owned subsidiary of the Company), PT Indo Batubara (**Indo Coal**) (an Indonesian Company in which FSO is the 100% beneficial owner), PT Kaltim Jaya Coal (**KJC**) and Pt Kaltim Jaya Mineral (**KJM**), KJC and KJM have offered to assign to Indo Coal the legal right to exclusively conduct general survey activities, explore for, exploit, mine and sell all coal ("**Mining Activities**") in the concession areas covered by KP1, KP2 and KP3 assuming that KP3 is granted by the relevant Indonesian authorities (**Bupati**) respectively, and FSO has agreed, subject to the satisfaction of the conditions precedent in the agreement, to procure that Indo Coal accepts such assignment (**Kalimantan Coal Agreement**).

On 23 February 2006, the Company secured an extension of the due diligence completion dates under the Kalimantan Coal Agreement from 3 March 2006 to 31 March 2006 in relation to KP1 and 15 March 2006 in relation to KP 2. The Company is continuing its due diligence of such coal concessions.

Subject to satisfaction of all conditions precedent (including declaring satisfaction of due diligence), FSO (either directly or through Indo Coal) has the following payments obligations in respect of each of KP 1 KP2 and KP3:

Milestones	Amount
<b>Payment 1:</b> Upon execution by the KP holders of a deed of assignment in favour of Indo Coal pursuant to which exclusive rights to conduct Mining Activities in the concession areas of the relevant KP are granted, such date not being prior to 15 March 2006 (in relation to KP2), 30 March 2006 (in relation to KP2) and, in relation to KP3, such date not being prior to 3 months after the grant of KP3	US\$133,000
<b>Payment 2:</b> Upon the grant of an Exploitation Right in relation to the relevant KP, but not prior to six months after Payment 1	US\$133,000
<b>Payment 3:</b> Later of nine months after Payment 1, and three months after the granting of the Exploitation Right in relation to the relevant KP	US\$67,000
<b>Payment 4:</b> Later of 12 months after Payment 1, and three months after commencement of Mining Activities under the relevant KP	US\$67,000
Total (One Concession)	US\$400,000
Total (Two Concessions)	US\$800,000
Total (Three Concessions)	US\$1,200,000

Payments referred to above shall be made to KJC, in the event that the relevant KP is KP1, KJM, in the event that the relevant KP is KP2 and whichever of KJC or KJM is granted KP3, in the event that the relevant KP is KP3. The payments referred to above shall be made within 15 business days of the date on which the relevant milestone for payment is reached.

In addition to the payments referred to above, upon the commencement of coal production by Indo Coal from any one or more of the Concession Areas (**Production**), FSO is obliged to pay (either directly or through Indo Coal) the following royalties:

- for Production on KP1 and KP3, where Indo Coal receives US\$16 or greater per dry metric tonne FOB at the barging point from the sale of Production, US\$1.50/dry metric tonne; or
- for Production from KP2, where Indo Coal receives US\$17 or greater per dry metric tonne FOB at the barging point from the sale of Production, US\$1.50/dry metric tonne.

## NOTE TO THE FINANCIAL STATEMENTS for the half year ended 31 December 2005

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Payment of the said royalties shall be made to KJC, in the event that the Production is sourced from the KP1 Concession Area, to KJM, in the event that the Production is sourced from the KP2 Concession Area, and to KJC or KJM (whichever is granted KP3), in the event that the Production is sourced from the KP3 Concession Area. The said royalties are to be paid within 15 business days of the end of each calendar quarter in arrears.

FSO is also liable for payment of any amounts required to be paid to any government authority by KJC or KJM in relation to the KPs, where the Mining Rights have been assigned to Indo Coal, for the term of the agreement.

### (iii) Royalty under Sinarco Agreement

Sinarco Resources Pte Ltd (**Sinarco**) has presented several coal opportunities in Indonesia to the Company, one of which is the project the subject of the Kalimantan Coal Agreement (**Kalimantan Coal Project**). By agreement dated 10 November 2005 the Company agreed to reward Sinarco for the introduction of the Kalimantan Coal Project to Fast Scout.

Upon satisfaction of all conditions under the Kalimantan Coal Agreement (including but not limited to completion of the due diligence by FSO contemplated by that agreement), the Company will remunerate Sinarco for the introduction of the Kalimantan Coal Project to the Company on the following terms and conditions:

- (a) The Company issuing shares to Sinarco comprising 500,000 shares at an issue price of 20 cents per share on a post share conversion basis, subject to and after prior SRK shareholder approval of such issue (this was obtained at the AGM on 22 December 2005) and upon SRK effecting the first tranche Payment 1 to the vendors of the Kalimantan Coal Project;
- (b) The Company paying a total of A\$150,000 to Sinarco in 4 tranches (of A\$50,000, A\$50,000, A\$25,000 and A\$25,000 respectively) on the milestones for payment of the 4 tranche payments to be made to the vendors of the Kalimantan Coal Project under the Kalimantan Coal Agreement; and
- (c) The Company paying a royalty to Sinarco of A\$0.25 per dry metric tonne of coal mined and sold from one or more of the concessions pursuant to the Kalimantan Coal Agreement capped at a total amount of A\$600,000.

### (iv) Financial Accommodation To Altera Capital Limited

The Company currently holds 20,002,860 shares (32.253%) in Altera Capital Limited (**AEA**) and is the largest shareholder in that company.

AEA currently has minimal net assets and has been suspended from ASX since 13 June 2003 and has been advised by ASX that its suspension will continue until the company is recapitalised and re-complies with admission requirements under the ASX Listing Rules.

On 1 August 2005, the Company agreed, at the request of AEA, to provide financial accommodation (by way of a loan) of up to \$33,000 to AEA on an unsecured basis (at 7% per annum interest) to meet the working capital requirements of AEA and agreed not to call upon AEA to repay such loan and accrued interest (in part or in whole) until such time as AEA had raised further equity funds sufficient to discharge such loan (and accrued interest) and to meet the ongoing working capital requirements of AEA. The Company understands that a similar commitment for \$17,000 was provided by Queste Communications Limited, the second largest shareholder of AEA.

On 2 November 2005, the Company paid \$25,000 to AEA pursuant to such agreement.

The Company is in discussions regarding a sale of its strategic stake in AEA.

## NOTE TO THE FINANCIAL STATEMENTS

### for the half year ended 31 December 2005

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#### 17. SUBSEQUENT EVENTS

- 3/01/2006 Completion of 1 for 3 share conversion (such that every 3 shares held in the Company was converted into 1 share); the post share conversion issued share capital was 38,303,012 shares.
- 11/01/2006 \$146,035 was paid to Data Base Systems (**DBS**) to discharge the Company's cash obligations owed to DBS under the termination and settlement of a portal classification agreement with DBS (which was approved by shareholders on 22 July 2005).
- 12/01/2006 \$101,641 was paid to Sofcom Limited (**SOF**) to discharge the balance of Company's obligations owed to SOF in relation to the Company's share of costs incurred in relation to Scarborough Equities Limited during financial year ended 30 June 2005.
- 3/02/2006 Completion of Prospectus Share Offer (dated 23 December 2005) with \$1.5 million full subscriptions received.
- 9/02/2006 Issue of 7,500,000 shares under Prospectus Share Offer at \$0.20 per share.
- 9/02/2006 Completion of Hume Agreement. Issue of 1,666,667 shares to Hume as consideration (at deemed issue price of \$0.20 per share). Such shares are subject to escrow until 9 February 2007.
- 9/02/2006 Pursuant to the Hume Agreement, Hume also subscribed for the following options in consideration for \$10,000:
- (1) 1,833,333 options, each exercisable at 20 cents on before the date being 5 years after the date of grant of such options (9 February 2011) (**\$0.20 Hume Options**); and
  - (2) 1,666,667 options, each exercisable at 30 cents on before the date being 5 years after the date of grant of such options (9 February 2011) (**\$0.30 Hume Options**),
- (together, the **Hume Options**).
- The Hume Options are also subject to escrow for 12 months (to 9 February 2007).
- 23/02/2006 The Company is re-admitted to ASX.
- 23/02/2006 The Company secured an extension of the due diligence completion dates under the Kalimantan Coal Agreement from 3 March 2006 to 31 March 2006 in relation to KP1 and 15 March 2006 in relation to KP2. The Company is continuing its due diligence of such coal concessions.
- 13/3/2006 The Company announces its timetable for a Prospectus Options Issue – a 1 for 2 non-renounceable rights issue of options at an issue price of 1 cent per option (each to acquire one ordinary fully paid share at an exercise price of 20 cents per share with such options expiring on 30 June 2008. The record date for the Prospectus Options Offer will be 30 March 2006. A prospectus for the Options Offer will be lodged with ASIC and ASX on 21 March 2006. The Company will be applying for such Options to be quoted on ASX.

## DIRECTORS' DECLARATION

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In accordance with a resolution of the directors of Strike Resources Limited made pursuant to sub-section 303(5) of the *Corporations Act 2001*, we state that:

In the opinion of the directors:

- (a) The financial statements and notes of the Consolidated Entity are in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2005 and of its performance for the half year ended on that date; and
  - (ii) complying with Accounting Standards AASB 134 "Interim Financial Reporting" and *Corporations Regulations 2001*; and
- (b) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Board,



**John Stephenson**  
Chairman



**Farooq Khan**  
Director

Perth, Western Australia

15 March 2006



## STANTON PARTNERS

1 HAVELOCK STREET  
WEST PERTH 6005  
WESTERN AUSTRALIA

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### **INDEPENDENT REVIEW REPORT TO THE MEMBERS OF STRIKE RESOURCES LIMITED**

#### **Scope**

We have reviewed the financial report comprising the balance sheet, the income statement, the statement of changes in equity, the statement of cash flows, accompanying notes to the financial statements and the directors' declaration of Strike Resources Limited (the Company) for the half-year ended 31 December 2005 as set out on pages 17 to 34. The financial report includes the consolidated financial statements of the consolidated entity comprising the disclosing entity and the entities it controlled at the end of the half year or from time to time during the half year. The directors of the Company are responsible for preparing a financial report that gives a true and fair view of the financial position and performance of the consolidated entity and that complies with Accounting Standard AASB 134 "Interim Financial Reporting", in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

#### **Review Approach**

We have performed an independent review of the financial report in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report is not presented fairly in accordance with Accounting Standard AASB 134 "Interim Financial Reporting" and other mandatory professional reporting requirements in Australia and statutory requirements, so as to present a view which is consistent with our understanding of the consolidated entity's financial position, and performance as represented by the results of its operations and its cash flows, and in order for the disclosing entity to lodge the financial report with the Australian Securities and Investments Commission and the Australian Stock Exchange.

Our review has been conducted in accordance with Australian Auditing and Assurance Standards applicable to review engagements. A review is limited primarily to inquiries of the disclosing entity's personnel and analytical procedures applied to the financial data. These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than that given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

### **Independence**

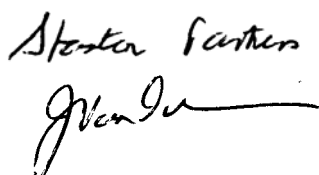
We are independent of the Company, and have met the independence requirements of Australian ethical pronouncements and the Corporations Act 2001. We have given the directors of the Company a written Auditor's Independence Declaration.

### **Statement**

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Strike Resources Limited is not in accordance with:

- (a) the Corporations Act 2001, including:
  - (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2005 and of its performance for the half year ended on that date; and
  - (ii) complying with Accounting Standard AASB 134 "Interim Financial Reporting" and the Corporations Regulations 2001; and
- (b) other mandatory financial reporting requirements in Australia.

### **STANTON PARTNERS**



**J P Van Dieren**  
**Partner**

West Perth, Western Australia  
15 March 2006

## TENEMENT SCHEDULE

### DETAILS OF THE AUSTRALIAN TENEMENTS IN WHICH THE COMPANY HAS SECURED INTERESTS IN

Project	Status	Application No	Grant / Application Date	Expiry Date	Area (Blocks)	Area (km <sup>2</sup> )	Location / Property Name	State	Company's Interest
Bigriyi South	Application	EL 24879	29/08/05	N/A	82	260	Mount Doreen	NT	75% interest acquired under Hume Agreement
	Application	EL 24927	12/09/05	N/A	338	999	Haasts Bluff	NT	75% interest acquired under Hume Agreement
	Application	EL 24928	09/09/05	N/A	15	35	Mount Doreen	NT	75% interest acquired under Hume Agreement
	Application	EL 24929	09/09/05	N/A	26	56	Mount Doreen	NT	75% interest acquired under Hume Agreement
	Application	EL 24930	09/09/05	N/A	99	314	Mount Doreen	NT	75% interest acquired under Hume Agreement
Mt James (Gascoyne Region)	Application	ELA 09/1253	30/08/05	N/A	49	147	Mt James	WA	75% interest acquired under Hume Agreement
	Application	ELA 09/1245	22/07/05	N/A	35	105	Rubberoid Well	WA	70% interest acquired under UOG Agreement
	Application	ELA 09/1257	29/09/05	N/A	27	81	Injinu Hills	WA	100% - applied for by the Company
	Application	ELA 09/1258	29/09/05	N/A	26	78	Mortimer Hills	WA	100% - applied for by the Company
Canning Well (Pilbara Region)	Granted	EL 46/629	02/08/05	01/08/10	19	57	Canning Well	WA	75% interest acquired under Hume Agreement
	Application	ELA 46/585	17/10/03	N/A	69	207	Canning Well	WA	75% (of Hume's interest) under Hume Agreement - Pursuant and subject to an agreement between Hume and Giralia Resources NL A.C.N. 009 218 204 and Adelaide Prospecting Pty Ltd A.C.N. 008 934 361 dated 12 November 2004 for Hume to earn an 85% interest in the tenement (excluding manganese mineral rights) on the terms described therein
Paulsen East (West Pilbara Region)	Application	ELA 47/1328	03/11/03	N/A	6	18	Paulsen East	WA	75% interest acquired under Hume Agreement
	Application	PLA 47/1170	23/10/03	N/A	164 hectares	1.64	Paulsen East	WA	75% interest acquired under Hume Agreement
Mt Lawrence Wells (East Murchison Region)	Granted	EL 53/1115	06/10/04	05/10/09	6	13	Dawsons Well	WA	85% interest acquired from Adelaide Prospecting Pty Ltd
	Application	ELA 53/1203	01/11/05	N/A	17	52	Mt Wilkinson	WA	100% - applied for by the Company

## INFORMATION ON SECURITIES

### DISTRIBUTION OF ORDINARY FULLY PAID SHARES (LISTED ON ASX)

Spread	of	Holdings	Number of Holders	Number of Units	% of Total Issue Capital
1	-	1,000	63	44,326	0.09%
1,001	-	5,000	349	1,012,419	2.13%
5,001	-	10,000	214	1,669,743	3.52%
10,001	-	100,000	389	13,835,910	29.15%
100,001	-	and over	49	29,123,947	65.11%
<b>Total</b>			<b>1064</b>	<b>45,686,345</b>	<b>100.00%</b>

The Company currently has the following total securities on issue:

	Listed on ASX	Not Listed on ASX - Subject to Escrow	Total
Fully paid ordinary shares	45,686,345	1,783,334 <sup>7</sup>	47,469,679
Options, each to acquire one fully paid ordinary at an exercise price of 20 cents with each such option expiring 5 years from the date of its issue (9 February 2011) ( <b>\$0.20 Hume Options</b> )	-	1,833,333 <sup>8</sup>	1,833,333
Options, each to acquire one fully paid ordinary share at an exercise price of 30 cents with each such option expiring 5 years from the date of its issue (9 February 2011) ( <b>\$0.30 Hume Options</b> ).	-	1,666,667 <sup>2</sup>	1,666,667

<sup>7</sup> Comprises:

- (iii) 116,667 shares issued to Uranium Oil and Gas Limited (**UOG**) on 23 December 2005 pursuant to settlement of the UOG Agreement as defined in the Company's Prospectus dated 23 December 2005 (**Prospectus**); escrow period expires on 23 December 2006; and
- (iv) 1,666,667 shares issued to Hume Mining NL (**Hume**) on 9 February 2006 pursuant to settlement of the Hume Agreement as defined in the Prospectus; escrow period expires on 9 February 2007.

<sup>8</sup> Issued to Hume on 9 February 2006 pursuant to subscription under the Hume Agreement; escrow period expires on 9 February 2006.

## INFORMATION ON SECURITIES

### TOP TWENTY ORDINARY FULLY PAID SHAREHOLDERS (SHARES LISTED ON ASX)

Rank	Shareholder	Total Shares	% Issued Capital
1	DATA BASE SYSTEMS LIMITED *	16,675,566	36.50%
2	ANZ NOMINEES LIMITED <CASH INCOME A/C>	1,011,557	2.21%
3	SUNSHORE HOLDINGS PTY LTD	866,933	1.90%
4	RENMUIR HOLDINGS LIMITED	835,834	1.83%
5	MRS LINDA SALA TENNA & MRS LISA SHALLARD *	666,667	1.46%
6	CLASSIC CAPITAL PTY LTD *	600,000	1.31%
7	KATANA CAPITAL PTY LTD *	504,769	1.10%
8	MR LAURENCE JAMES KIERNAN	400,000	0.88%
9	MR FAROOQ KHAN	333,340	0.73%
10	MR ALI SUSANTO	333,333	0.73%
11	DR SALIM CASSIM	333,333	0.73%
12	MR SHANKER MADAN & MRS ANU MADAN <THE AS AND HS MADAN S/F A/C>	333,333	0.73%
13	MR DENIS IVAN RAKICH	300,000	0.66%
14	MANAR NOMINEES PTY LTD	264,505	0.58%
15	LEXHOLD INVESTMENTS PTY LTD	250,000	0.55%
16	CG SUPER PTY LTD	250,000	0.55%
17	MR MAX COZIJN	236,667	0.52%
18	EAST CITY ASSET PTY LTD	233,333	0.51%
19	BELL POTTER NOMINEES LTD <100905 A/C>	224,638	0.49%
20	MR PHILLIP NICOLAOU & MRS NATALIE LUCIANA NICOLAOU <P & N NICOLAOU FAMILY A/C>	200,000	0.44%
<b>Total</b>		<b>24,853,808</b>	<b>54.41%</b>

\* Substantial shareholders of the Company