



## Bell Potter endorses Strike

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**THE Peruvian iron ore foray of Perth-based explorer Strike Resources has drifted onto the radar of Bell Potter Securities, with the brokerage initiating coverage on the company with a Buy recommendation.**

Strike has secured the right to earn a 51% interest in two potentially substantial and high-grade magnetite-hematite iron ore plays – Apurimac and Cuzco – in the southern Andes for \$US41 million (\$A53 million) in staged payments.



Strike's appetite for the projects has been whetted by non-JORC compliant resource estimates from the Peruvian Ministry of Energy & Mines over the projects totalling more than 1.2 billion tonnes of iron ore.

Strike is currently drilling the projects to verify the resources, and earlier this week announced that a review of geophysical data had prompted the company to upgrade its resource target estimate for the 500 million tonne Cuzco deposit to 570-650Mt of iron ore.

In his research report on Strike, analyst Stephen Thomas said he regarded Strike as a promising emerging iron ore company with the potential for substantial growth.

"If the proposed drill-out is successful in validating the PMEM preliminary resource estimates, the deposits would contain substantially more metal than most of Strike's peer group of Australian iron ore producers," Thomas said.

"This is mainly due to the standout feature of unusually high-grade magnetite mineralisation at Apurimac and Cuzco ... and compares favourably with the significantly lower grades of many of the emerging Australian magnetite iron ore producers."

Estimates over the grades of Strike's magnetite stand at 60-66% iron, compared with the typical Australian magnetite grades of around 30-35%.

Thomas did note that there was still substantial risk over the projects until the resource sizes could be accurately verified.

"We view the earlier resource estimates by the PMEM as very preliminary in nature, based solely on surface sampling, and until Strike is able to verify these estimates through a proposed drill-out, we recognise that substantial resource risk exists and consequently an investment in Strike is highly speculative at this stage," he said.

Thomas has set a target price for Strike of \$2.35 based on a comparison of market values of its peers.

Strike was unchanged at \$1.67 in midday trade today.

The company was trading at 32c in mid-May before the acquisition of the Peruvian rights was first announced.

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