

Wednesday, 11 February 2009

MARKET ANNOUNCEMENT

Completion of Peru Lump Iron Ore Transportation Studies

CUZCO PROJECT AREA

Strike refers to its previous market announcements relating to conceptual studies being undertaken in relation to a possible lump iron ore mining operation for its Cuzco iron ore project utilising high grade (+60% Fe) near surface hematite for transport to the Port of Matarani through a combination of trucking and rail transport.

Strike confirms that such study was completed on the basis of the following criteria:

Category	Value
Annual Production Rate	1 million tonnes per annum
Operational Life	20 years (@1 Mt/pa)
Product Specification	-30/+6mm Lump Ore of ~64% Fe
Product Bulk Density	3.4m ³ /tonne
Mining	3:1 Strip Ratio 35 metre deep pit maximum
Road hauling vehicles to be used	Nominal 30 tonne capacity rigid bodied trucks
Rail Wagon	50 tonne payload capacity
Cost Variance	-10%/+40%

The study has indicated an estimated capital cost of approximately US\$156.6 million and an estimated operating cost of US\$73.08/tonne.

Having reviewed the study and based upon current and projected prices for the proposed iron ore product relative to estimated operating costs, Strike does not believe this one million tonne per annum lump iron ore operation presently represents an economically viable proposition.

As such Strike does not believe it is appropriate to conduct any further work on a trucking/rail operation from the Cuzco Project area.

APURIMAC PROJECT AREA

Strike also confirms having undertaken a preliminary and basic transportation study examining the feasibility of mining up to one million tonnes per annum of high grade lump iron ore from its Apurimac project area using road transport to the Port of San Nicholas.

The study has indicated an estimated capital cost of approximately US\$49 million and an estimated operating cost of US\$76.31/tonne.

Having reviewed these figures and based upon current and projected prices for the proposed iron ore product relative to estimated operating costs, Strike does not believe road transport of lump iron ore from the Apurimac project area presently represents an economically viable proposition.

As such Strike does not believe it is appropriate to conduct any further work on a lump iron ore mining operation utilising road transport from the Apurimac Project area.



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ABOUT STRIKE'S PERU IRON ORE PROJECTS



Apurimac Project:

(68.15%, Apurimac District, Peru)

This project comprises 72 concessions totalling 59,109 hectares located 16 kilometres from Andahuaylas, the capital of the Apurimac Province, in Peru's southern Andes.

Cuzco Project:

(68.15%, Apurimac District, Peru)

This project comprises 22 concessions totalling 17,563 hectares located 130 kilometres south-east of the Apurimac Project area and 80 kilometres south of the city of Cuzco. Two small towns, Santa Tomas and Colquemarca, are located within a few kilometres of the project area.

Strike has completed a Pre-Feasibility Study (PFS) on its Apurimac Iron Ore Project, which focuses on the development of a 20 million tonnes per annum mining operation with iron ore concentrate transported by slurry pipeline to a new port location at Tres Hermanas.¹ The PFS has confirmed that this Apurimac Iron Ore Project has the potential to become a highly profitable world class iron ore operation, with:

- Average operating costs (OPEX) of approximately US\$14.50 per tonne
- Total capital cost (CAPEX) of approximately US\$2.3 billion
- High quality product grading +68% Fe, very low in alumina, phosphorous and other impurities

However, in light of tight credit and capital markets, reduced commodity prices and the dispute with its local partner (D&C Group) in Apurimac Ferrum S.A. (AF) (the Peruvian company that holds the Apurimac and Cuzco Projects), Strike has determined to significantly reduce its expenditure in Peru until the dispute is resolved and/or credit, capital and commodity markets show clear signs of recovery.

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