STRIKE
RESOURCES LIMITED

ANNUAL REPORT
2006

CONTENTS

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CORPORATE DIRECTORY

BOARD

John F. Stephenson	Non-Executive Chairman
H. Shanker Madan	Managing Director
Farooq Khan	Executive Director
Victor P H Ho	Executive Director
William M Johnson	Non-Executive Director

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Front Cover: Iron-ore surface samples from Apurimac Project, Peru
Back Cover: Section of Hematite Ridge, Paulsens East, Western Australia

COMPANY PROFILE

Strike Resources Limited (**SRK**) is a mineral exploration and development company with a prospective portfolio of mineral exploration projects in Australia, Peru and Indonesia:

(1) Apurimac and Cuzco (Peru) – Iron-Ore

(2) Paulsen East (West Pilbara, Western Australia) – Iron-Ore and Gold

(3) Bigrlyi South (Northern Territory) - Uranium

(4) Mt James (Gascoyne, Western Australia) – Uranium

(5) Mt Lawrence Wells (East Murchison, Western Australia) - Uranium

(6) Canning Well (Pilbara, Western Australia) – Gold and Uranium

(7) West Java Banten (Indonesia) – Copper and Gold

The Board has members with extensive experience in the resources sector, including Chairman, Dr John Stephenson, previously Exploration Director for Rio Tinto Australasia with more than 35 years experience in the mineral exploration business, and Managing Director, Mr 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.

The Company continues to investigate opportunities in iron-ore as well as in other mineral commodities. This includes pegging of tenements, entering into joint ventures, taking options over and acquiring tenements, projects and joint venture interests, in Australia and overseas.

COMPANY PROFILE

PERUVIAN IRON-ORE PROJECTS

The Company has secured the right to progressively earn a 51% or greater interest in potentially large high grade hematite and magnetite deposits in Peru – the Apurimac and Cuzco Projects. The Company is currently conducting due diligence on the projects and Apurimac Ferrum S.A. (**AF**), the Peruvian company that will hold the projects.

STRIKE RESOURCES LIMITED
PERU IRON ORE PROJECTS
LOCATION PLAN

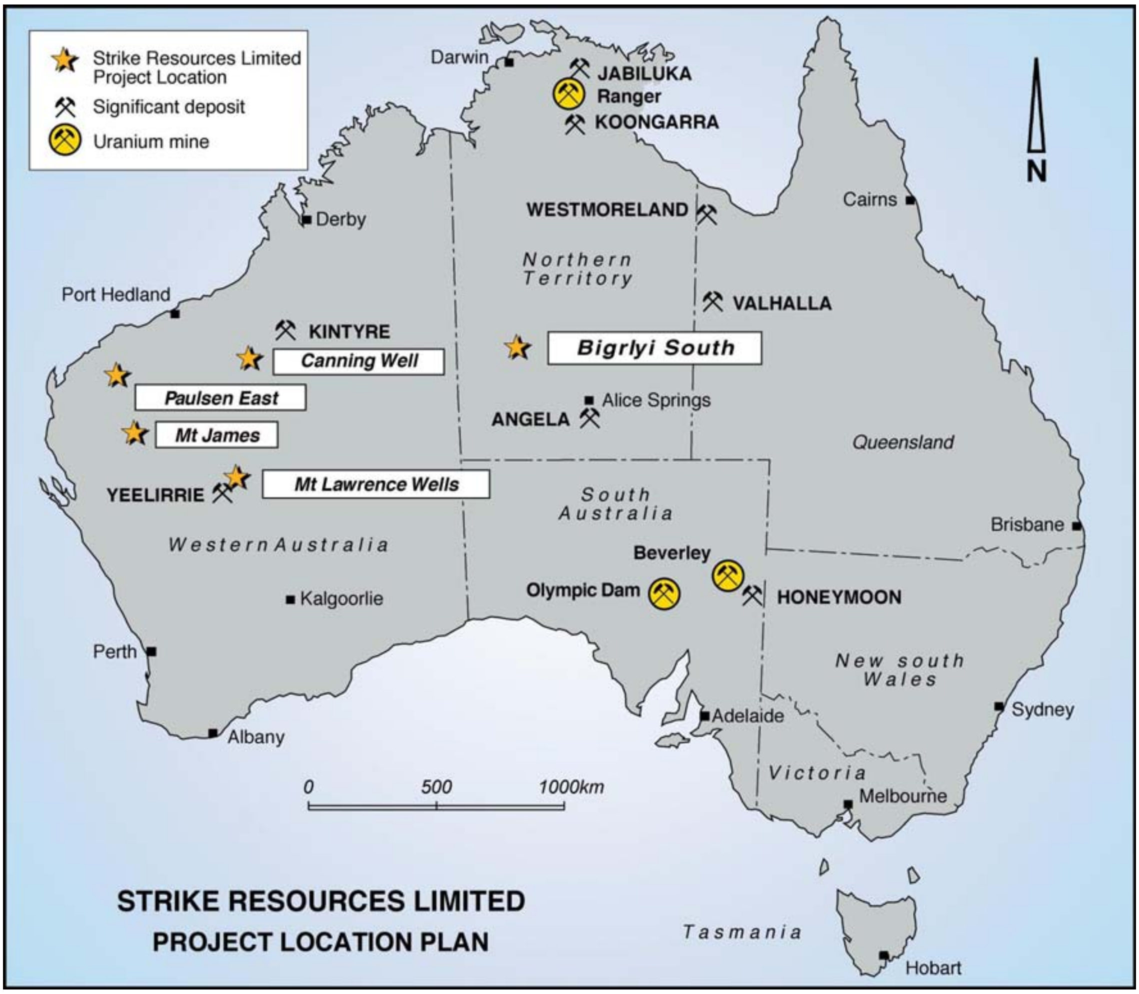
COMPANY PROFILE

AUSTRALIAN PROJECTS

The Company has a 75% interest in a suite of uranium exploration tenement applications located principally in the northern part of the Ngalia Basin in the Northern Territory together with a 75% interest in a series of further tenement interests in Western Australia.

In addition, the Company has secured interests in further tenements prospective for other mineral commodities and has also directly pegged tenements in Western Australia.

The Company's project areas in the Northern Territory and Western Australia are located in the geographic map below.



INDONESIAN PROJECT

West Java Banten Copper/ Gold

The Company has entered into an agreement to acquire a 100% interest in a 5,601 hectare concession located approximately 100 kilometres south-west of Jakarta. The Company has identified epithermal gold veins, gold stock works and associated porphyry copper targets within the concession.

OVERVIEW OF PROJECTS

1. APURIMAC AND CUZCO IRON-ORE PROJECTS (PERU)

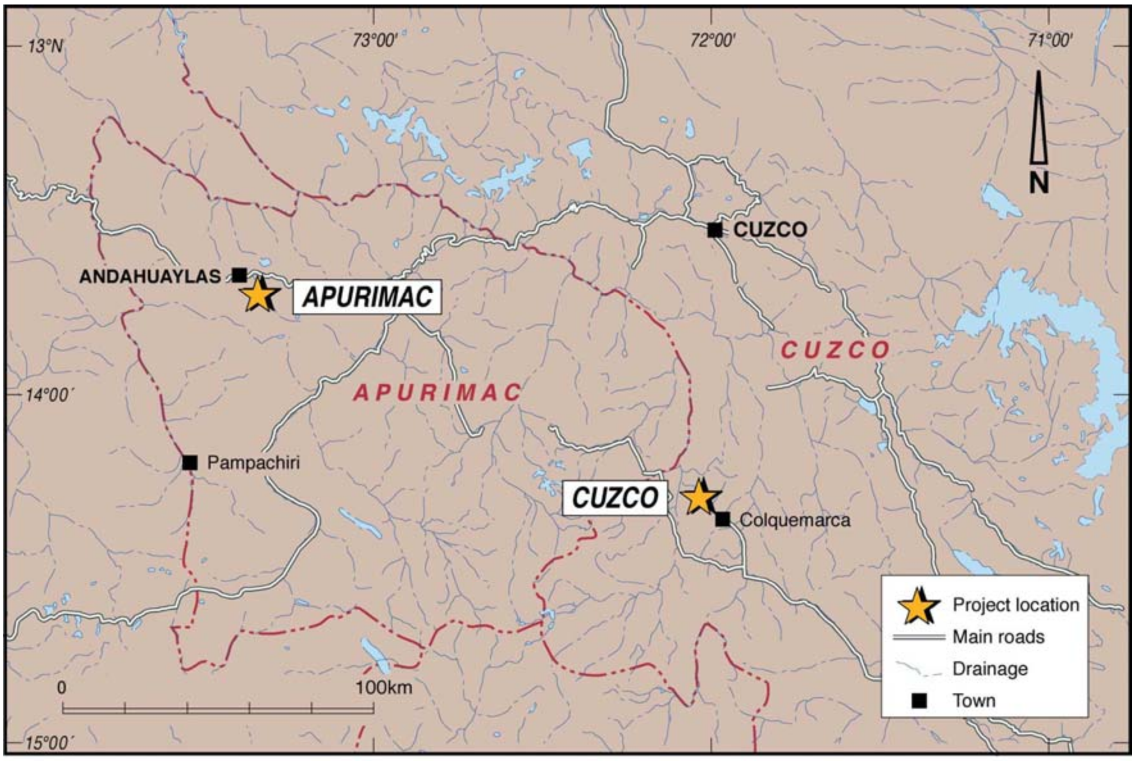
Project summary details are as follows:

(i) The Apurimac Project

- Based upon a report issued by the Peruvian Ministry of Energy and Mines: estimated resource of 730 million tonnes of high grade hematite and magnetite iron-ore grading at between 60 and 66% Fe, between 2 and 5% Silica and between 0.2 and 0.8% Alumina;
- 21 mining tenements having a total area of 18,488 hectares;
- Tenements are located close to the city of Andahuaylas in Peru's southern Andes.

(ii) The Cuzco Project

- Based upon a report issued by the Peruvian Ministry of Energy and Mines: estimated resource of 500 million tonnes of high grade iron-ore (principally magnetite) grading at 64%+ Fe, 0.09% Phosphorus, 5.06% Silica and 0.3% Sulphur content;
- Six mining tenements having a total area of 4,926 hectares;
- Tenements are located approximately 150 kilometres south south-west from the city of Cuzco in Peru's southern Andes.



STRIKE RESOURCES LIMITED
PERU IRON ORE PROJECTS
PROJECT LOCATION PLAN

It is noted that the potential quantity and grades referred to above are conceptual in nature; there has been insufficient exploration to define a JORC compliant Mineral Resource; it remains to be ascertained if exploration will result in the determination of a Mineral Resource. The Company further notes that the Peruvian Ministry of Energy and Mines estimates have been based on mapping and surface sampling and have not been based on drilling. Detailed exploration will be required to confirm the Peruvian Ministry of Energy and Mines' estimates and to determine the full iron-ore potential of the two projects.

OVERVIEW OF PROJECTS

The Company's investigations suggest that the iron oxide deposits in the Apurimac and Cuzco districts are metamorphic skarn deposits in limestone in the contact region of intrusive monzonites and granodioritic rocks. At both these locations, much of the contact is obscured by Quaternary sediments. Most of the deposits outcrop as massive hematite and hematite-magnetite deposits having being variously oxidised since their formation.

The Company believes that, based upon published literature and knowledge of similar deposits in Iran, these Peruvian deposits may range from high-grade hematite, hematite-goethite to high-grade hematite-magnetite and magnetite enrichment to various grades. Such deposits are generally known to be subsequently intruded by porphyry dykes and may also contain remnants of partly metamorphosed calcareous rocks or interbedded argillaceous or arenaceous layers.

Reconnaissance Drilling Results

As part of its due diligence, the Company's geological staff have visited the project areas and are conducting a review of the results of recent reconnaissance drilling conducted by AMEC Consultants (Peru) for Apruimac Ferrum in two of the 21 Apurimac concessions in 2005. The results of this drilling have recently been made available to the Company.

The reconnaissance drilling has confirmed the presence of high-grade iron-ore to depths of 107 metres and 181 metres in the respective concessions. A total of 31 holes were drilled for a total of 2,667 metres.

In one concession (Opaban III), the intercepts of continuous mineralisation along the drill holes varied from 22.6 metres to 106.95 metres in length (mostly commencing at or near surface). The iron grades in the reconnaissance holes in this concession ranged from 58.65% to 64.54% Fe. The best intercept recorded in this concession was 64.54% Fe for 92.27 metres. The average of all intercepts in this concession including the included waste (intrusives and unmineralised remnants) was reported as 62.29% Fe.

In the other concession (Opaban I), the intercepts of continuous mineralisation along the drill holes varied from 29.5 metres to 132.3 metres in length (mostly commencing at or near surface). The iron grades for lump material (+6.3 millimetres) in the reconnaissance holes in this concession ranged from 45.64% (at the margin of the deposit) to 63.37% Fe (without using any cut-off grade). The best intercept recorded in this concession was 63.37% Fe for 87.9 metres of lump material and the reported average of all lump material intercepts in this concession including the included waste was 55% Fe.

Whilst the Company is encouraged by the high grade nature and thickness of mineralisation, the Company notes that only a small amount of reconnaissance drilling has so far been undertaken and has been limited to only 2 of the 27 Apurimac and Cuzco concessions.

2. NORTHERN TERRITORY PROJECT

2.1. Bigryli South (75% in ELA's 24879, 24927, 24928, 24929 and 24930)

The Company has a 75% interest in 5 exploration tenements located principally in the northern part of the Ngalia Basin in the Northern Territory (located approximately 390 kilometres north-west of Alice Springs). These tenements, having a total area of approximately 1,666 square kilometres, are adjacent to tenements surrounding the Bigrlyi Uranium Deposit (held by Energy Metals Limited – ASX Code: "EME") which has a stated JORC resource of 8.37 million pounds of U_3O_8 at a cut-off grade of 0.1%[1].

In particular, the Company's key NT uranium tenement (ELA 24879) lies approximately 5 kilometres south of EME's Bigrlyi uranium deposit and ELA's 24927, 24928 and 24929 also surround a number of EME's stated strategic uranium tenements in the Ngalia Basin (refer map below).

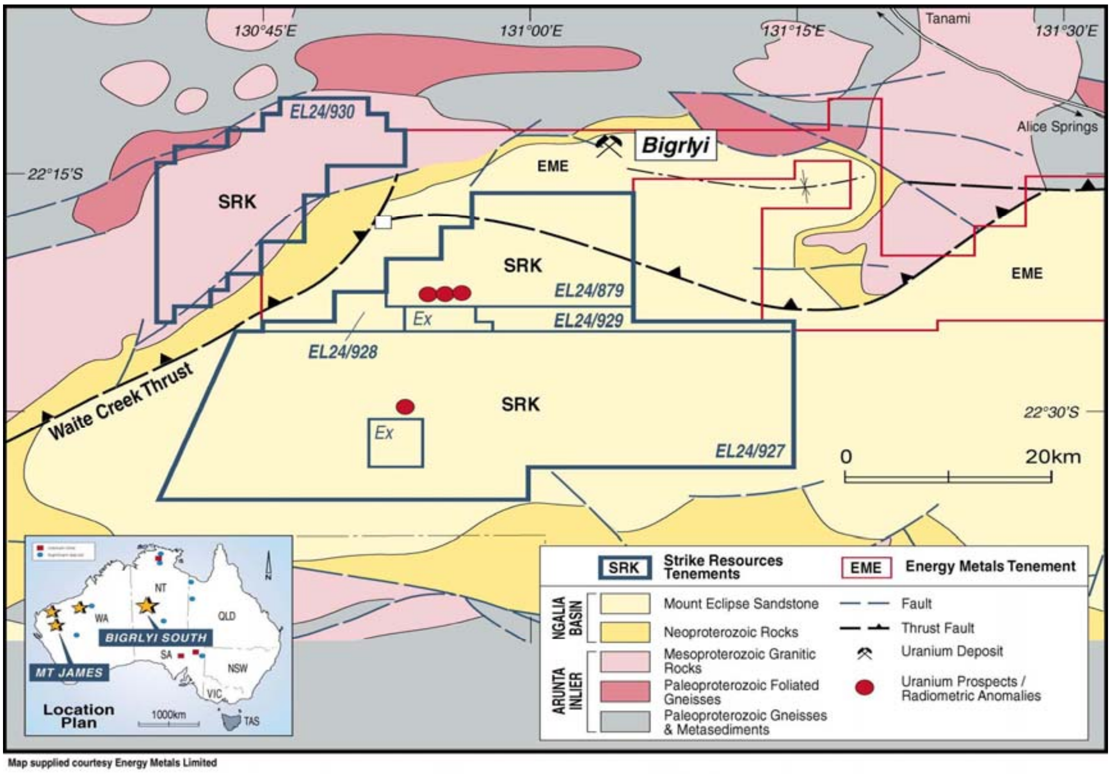
1 EME market Announcement "JORC Compliant Reporting of Resource Estimate for Bigrlyi" dated 25 July 2006

OVERVIEW OF PROJECTS

The Company's initial examination of the geology of ELA 24879 indicates that it may contain a similar geological environment as that hosting the Bigrlyi Uranium Deposit and has a potential for economic uranium mineralisation. The Bigrlyi Uranium Deposit occurs in arkosic sandstones in the lower part of the late Devonian-late Carboniferous Mt Eclipse Sandstone which is host to 20 regional uranium prospects and radiometric anomalies principally along the northern margin of the Ngalia basin.

The Bigrlyi Uranium Deposit is regarded as a typical "modified roll front deposit" where uranium bearing oxidizing fluids meet with reducing conditions in layers of predominantly carbonaceous matter in a permeable formation. The uranium bearing fluids are believed to have flowed from north to south at the time of formation of the Bigrlyi deposit and other prospects in the area. Regional geological setting indicates these uraniferous fluids probably have originated from granites of the underlying Arunta complex, and migrated southwards. Here, reaction with the reductant lithologies led to the precipitation of uranium mineralisation in the rocks of the Mount Eclipse Sandstone.

The Company considers that this regional uranium-bearing formation continues into ELA 24879.



STRIKE RESOURCES LIMITED
BIGRLYI SOUTH URANIUM PROJECT

All tenements which contain the lower Mt Eclipse Sandstone can be regarded as prospective for economic uranium mineralisation.

In particular the twin conditions of a pre-existing north to south flow regime (with ELA 24879 lying in the path of the movement of these fluids and to the south) and the nature of permeable strata interlayered with carbonaceous matter may occur in ELA 24879. Further, low angle thrust faults are postulated as additional primary fluid conduits into the Mt Eclipse Sandstone. These lines of evidence support the view that ELA 24879 has potential to host economic uranium mineralisation.

The objection periods for ELA's 24979, 24928, 24929 and 24830 expired in June/July 2006 without any objections lodged and such tenements are expected to be granted shortly.

The Company proposes, upon grant of these tenements, to explore for uranium mineralisation using detailed structural analysis and modern exploration methods.

OVERVIEW OF PROJECTS

3. WESTERN AUSTRALIA PROJECTS

3.1. Mt James (Gascoyne Region) (75% in EL 09/1253; 70% in EL 09/1245 and 100% in EL 09/1257 and ELA 09/1258)

EL 09/1253 and EL 09/1245 cover ground previously explored by AGIP Nucleare (Australia) Pty Ltd (**AGIP**), (a subsidiary of Italian multi-national energy group ENI) where 0.14% U (equivalent to 0.17% U_3O_8) as uraninite in a diamond drill hole was discovered by AGIP in the 1970s.

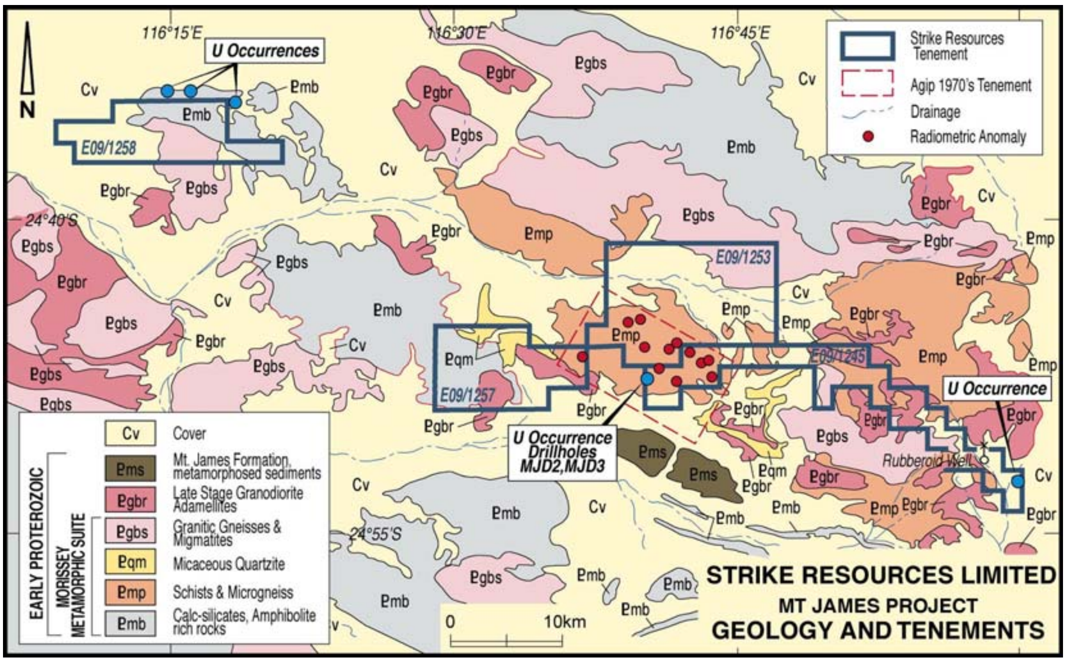
The Company has determined that AGIP conducted significant exploration activity for uranium in the Gascoyne region in the 1970s. This activity included an airborne radiometric survey which identified a number of radiometric anomalies leading to drilling occurring on a number of those anomalies.

Temporary Reserve TR 5963H was applied for by AGIP and appears to have been the main focus of AGIP's exploration activities in the Gascoyne region during the 1970s. The Company has secured rights to a large portion of the area previously comprising TR 5963H including areas where AGIP conducted trenching and drilling for uranium and where AGIP's reports show that it intersected carnotite mineralisation in shallow trenches and up to 1400 ppm U over 0.2m from 69.45 metres in hole MJD3 (0.14% U or 0.17% U_3O_8) as uraninite in a diamond drill hole in EL 09/1245. Lower grade uraninite mineralisation was also intersected in percussion drill holes nearby.

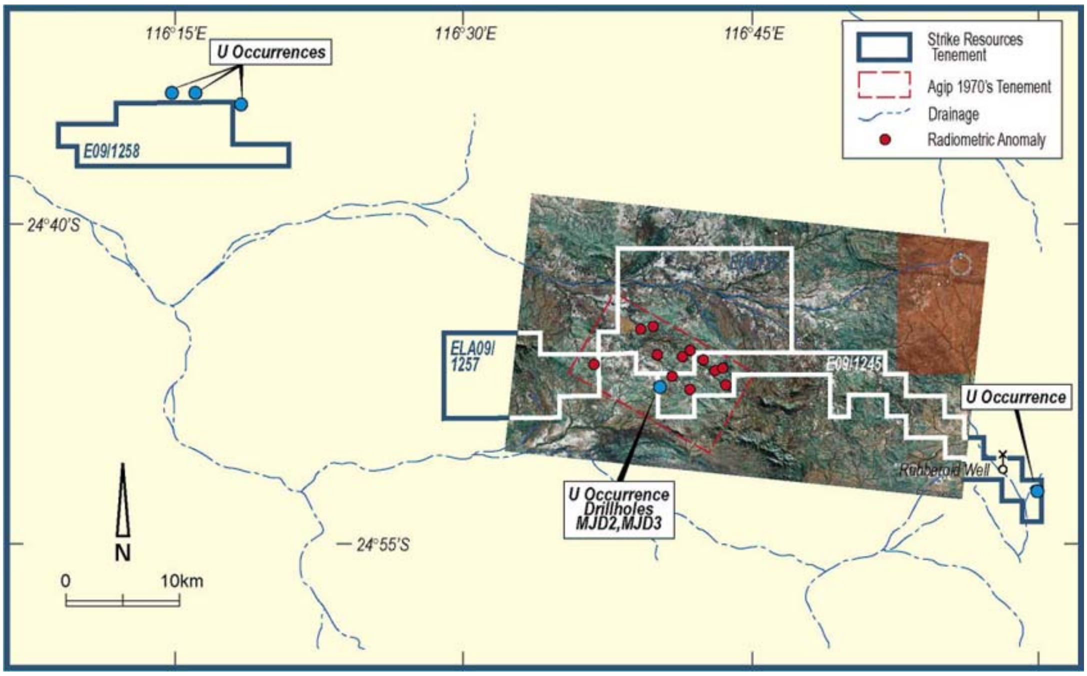
A summary of the diamond drilling results in two of the better holes referred to above are as follows:

Hole	From (m)	To (m)	U ppm	%U	Equivalent of %U_3O_8
MJD 3	69.10	69.25	100	0.0100%	0.0118%
MJD 3	69.25	69.45	520	0.0520%	0.0613%
MJD 3	69.45	69.65	1,450	0.1450%	0.1709%
MJD 3	69.65	70.00	24	0.0024%	0.0028%
MJD 3	89.30	89.50	105	0.0105%	0.0124%
MJD 3	90.60	90.80	260	0.0260%	0.0306%
MJD 3	91.80	92.10	430	0.0430%	0.0507%
MJD 2	108.30	108.60	10	0.0010%	0.0012%
MJD 2	108.60	108.90	1,200	0.1200%	0.1414%
MJD 2	108.90	109.25	75	0.0075%	0.0088%
MJD 2	109.25	109.55	220	0.0220%	0.0259%
MJD 2	109.55	109.90	140	0.0140%	0.0165%

Note: 32.5 (ppm) U = Equivalent 38.3 (ppm) U_3O_8



OVERVIEW OF PROJECTS



The presence of primary uraninite mineralisation in drill holes in this area (coupled with untested anomalies and with a broader pattern of a large number of uranium occurrences in the duricrust in the district) demonstrates the potential of the Company's interest in EL 09/1253 and EL 09/1245 as being prospective for vein type high-grade mineralisation associated with pegmatites in granitic rocks as well as carnotite mineralisation at shallow depth in the duricrust.

Available records show that AGIP investigated only a handful of the identified radiometric anomalies. The Company's initial investigations reveal that in the Mt James EL 09/1253 tenement alone, eight significant radiometric anomalies remain untested.

The grant of Mt James EL's 09/1253 and 09/1245 will now allow the Company to conduct exploration to expand on the works previously conducted by AGIP. The Company believes that on the basis of previously encountered uranium mineralisation (including carnotite at shallow depth and uraninite at depth) and identified radiometric anomalies, that these tenements offer potential for both near surface secondary mineralisation in the saprolite zone as well as deeper primary vein-type mineralisation in pegmatite zones at depth.

The exploration strategy of the Company will now be to follow up the known uranium intersections and untested anomalies with confirmatory ground surveys and RAB drilling.

The Company's other tenement interests in the area, EL 09/1257 and ELA 09/1258 in the Injinu Hills and the Mortimer Hills areas, southwest and west respectively from EL 09/1253 and EL 09/1245 are covered with large areas of duricrust and known to host near surface uranium mineralisation as carnotite within adjacent ground. No detailed follow-up work was done in these areas.

The Company proposes to explore for uranium mineralisation on the granted tenements using detailed structural analysis and modern exploration methods. In the first instance the focus will be around the known drill intersections that encountered uranium mineralisation and the known but untested anomalies identified by AGIP. The Company will also review the possibility of mineable resources of carnotite at shallow depth in the deeply weathered saprolite zone in the duricrust.

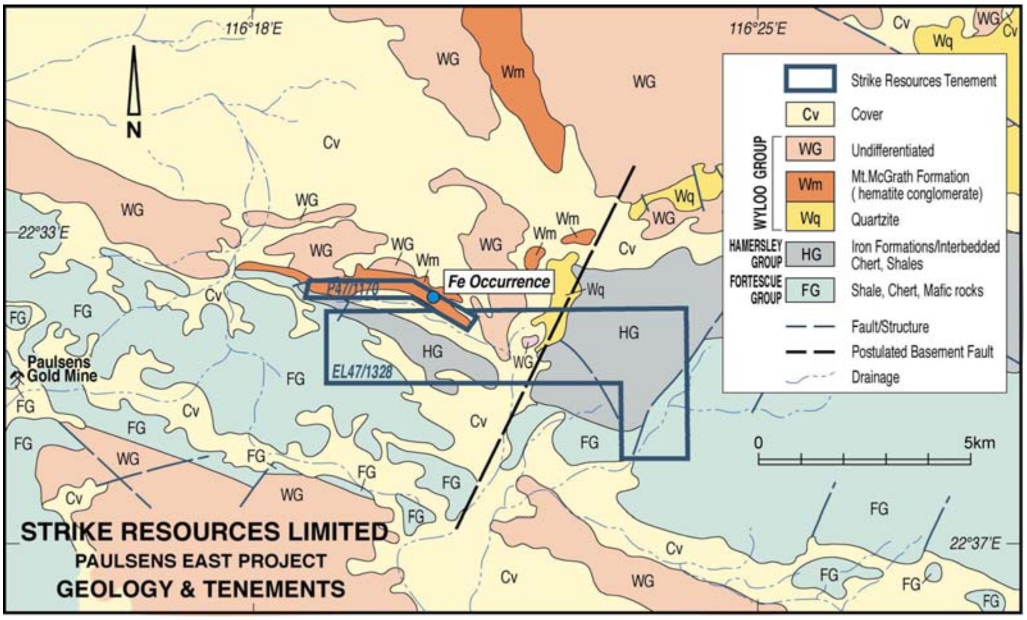
On the basis of data available from previous work, the number of radiometric anomalies, drill intersections within the said tenements and the general geological setting and potential for uranium mineralisation, the Company believes these Gascoyne tenements will, upon grant, become a key focus of its uranium exploration activities in Western Australia.

OVERVIEW OF PROJECTS

3.2. Paulsens East (West Pilbara Region) (75% in ELA 47/1328 and PL 47/1170)

The Paulsens East tenements cover a total area of 19.64 square kilometres. The tenements are located approximately 140 kilometres west of Tom Price (close to bitumised road) and eight kilometers east-northeast of the Paulsens Gold mine in the northwest of Western Australia.

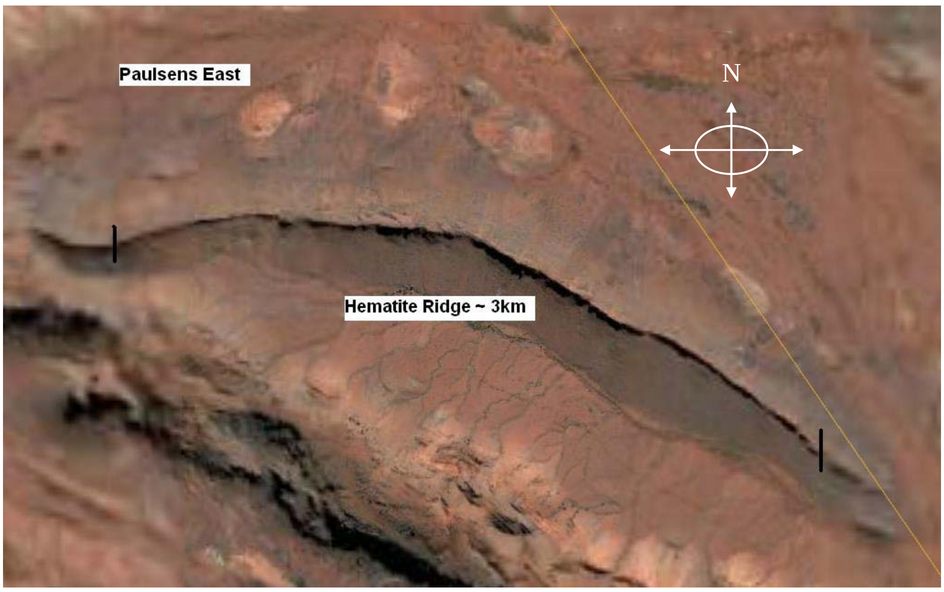
A map outlining these tenements and the area of the high grade hematite conglomerate mineralisation is shown below.



The Company has recently conducted mapping and sampling at PL 47/1170 which has confirmed the presence of high grade hematite mineralisation.

This mineralisation occurs as a ridge rising up to approximately 60 metres above the valley floor, extends for a strike distance of approximately 3,000 metres and varies in width from 6 to 12 metres in a single and continuous outcrop. The mineralisation occurs as a hematite conglomerate in hematite matrix.

The following aerial view and ground photographs illustrate the nature of this occurrence.



Aerial View of Hematite Ridge at Paulsens East

OVERVIEW OF PROJECTS

Profile view: A section of Hematite Ridge

Close up view of hematite conglomerate in hematite matrix

OVERVIEW OF PROJECTS

Company geologists sampled the outcrop at various points along the length of the ridge and the following table summarises the results of such sampling, which indicates the presence of high grade direct shipping ore.

Surface Samples of Hematite Conglomerate and Mineralised Iron Formation (June 2006)

Sample	Fe	SiO2	Al2O3	TiO2	MnO	CaO	P	S
UNITS	%	%	%	%	%	%	%	%
PE3001001	65.22	2.49	1.60	0.11	0.01	0.03	0.093	0.032
PE3002001	62.59	4.44	3.39	0.24	0.02	0.04	0.087	0.023
PE3003001	64.35	3.17	2.47	0.14	0.02	0.02	0.085	0.015
PE3003002	66.60	2.06	1.53	0.07	0.02	0.03	0.058	0.025
PE3003003	63.54	3.10	2.62	0.15	0.02	0.03	0.181	0.020
PE3003004	65.42	2.48	2.10	0.14	0.02	0.02	0.077	0.013
PE004001	65.36	2.32	1.57	0.10	0.02	0.03	0.139	0.029
PE3005001	65.66	2.29	1.58	0.11	0.03	0.05	0.101	0.054
PE3005002	67.05	1.51	1.28	0.09	0.02	0.02	0.069	0.010
PE3005003	66.01	2.24	1.36	0.09	0.02	0.02	0.103	0.024
PE3006001	65.09	2.30	1.89	0.12	0.01	0.02	0.110	0.019
PE3006002	63.26	3.40	2.59	0.11	0.08	0.06	0.107	0.065
PE3007003	65.94	1.93	1.60	0.11	0.02	0.05	0.095	0.026
PE3007004	65.30	2.84	2.03	0.10	0.03	0.06	0.056	0.027
PE3008001	64.83	2.61	2.24	0.12	0.03	0.03	0.133	0.021
PE3009001	66.57	2.06	1.45	0.12	0.08	0.04	0.059	0.053
PE3012001	66.75	2.08	0.90	0.08	0.02	0.11	0.089	0.088
PE3007001A	64.96	2.86	2.17	0.13	0.03	0.06	0.092	0.023
PE003005	66.42	1.92	1.60	0.10	0.04	0.03	0.066	0.016

The Company is encouraged by the presence of such high grade mineralisation along an approximate 3 kilometres strike length. The mineralisation extends to a height of up to approximately 60 metres above the valley floor and the Company believes this mineralisation extends at depth. Accordingly the Company proposes to drill the area along the length of the ridge to determine its extent at depth.

In the first instance the Company will target a mineralisation depth of approximately 50 metres below the valley floor which if proven successful will significantly enhance the possibility for a commercially viable mining operation.

The Company also notes that the mineralisation occurs as a conglomerate, the source of which is likely to be close by.

The presence of a regional fault lying to the east of the ridge between it and a full sequence of Hamersley Group iron formations and the existence of cover rocks of the Wyloo Group indicates the potential for the source material occurring in ELA 47/1328 being the adjoining tenement owned by the Company.

The potential source material (if located) is likely to significantly enhance the extent of iron mineralisation by several orders of magnitude.

The Company will, upon grant of ELA 47/1328, conduct detailed structural mapping and sampling to establish the relationship between the two tenement areas and the possible location of the source material.

Due to the presence of a north-northeast tectonic basement fault crossing through the middle of ELA 47/1328, there is the additional potential for epithermal gold mineralisation (similar to the Paulsens Gold Mine 10 kilometres to the west) in the vicinity of this fault.

OVERVIEW OF PROJECTS

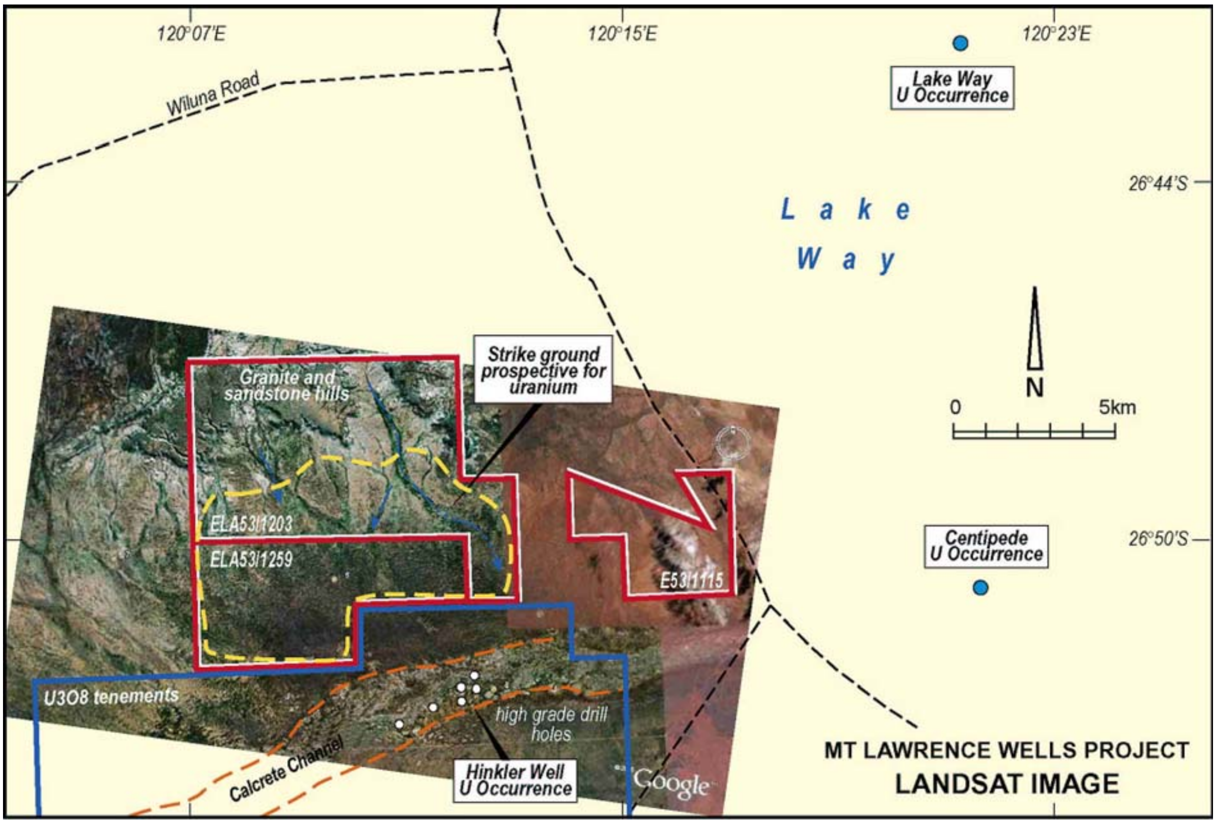
3.3. Mt Lawrence Wells (East Murchison Region) (85% in EL 53/1115; 100% in EL 53/1203 and ELA 53/1259)

These exploration licences are located 25 kilometres south of Wiluna and north of a palaeo drainage that hosts the Hinkler Well, Centipede and Millipede uranium prospects.

The project area is located immediately north of the Hinkler Well tenements of ASX listed U3O8 Limited where U3O8 Limited has recently announced uranium mineralisation in calcrete extending for approximately 20 kilometres. The mineralisation extends along an east west palaeo channel. Part of this calcrete channel and also the source of the gravels that cover the northern extent of the channel extend into the Company's tenements.

The Company's geologist believes the granite and the Proterozoic sandstone hills that drain into Hinkler Well palaeo channel and are situated in EL 53/1203 and ELA 53/1259, are the source for uranium mineralisation in the Hinkler Well deposit.

The Company owns 100% of two contiguous tenements north of the Hinkler Well deposit (EL 53/1203 and ELA 53/1259) and is earning an 85% interest in another (EL 53/1115).



The alluvial wash discharging into the palaeo drainage extends upstream into the Dawsons Well and Mt Wilkinson tenements for several kilometres. The nearby Lake Way uranium prospect consisting of carnotite as coatings and in bedding plain partings of rock fragments in alluvial gravels contains a JORC Inferred Mineral Resource of 8.51 million tonnes of ore at 0.054% U_3O_8 or 4,600 tonnes of contained U_3O_8.[2]

3.4. Canning Well (Pilbara Region) (75% in EL 46/629 and 63.75% in ELA 46/585)

The Company has a 75% interest in granted Canning Well Exploration Licence EL 46/629 and Little Sandy Desert Exploration Licence application ELA 46/585 (in the later case, to acquire 75% of Hume Mining NL's 85% interest therein, excluding manganese mineral rights which are retained by Giralia Resources NL) in the East Pilbara region.

2 Nova Energy Limited (NEL) Market Announcement "JORC Compliant Inferred Resource Upgraded to 9,000 U_3O_8" dated 23 March 2006

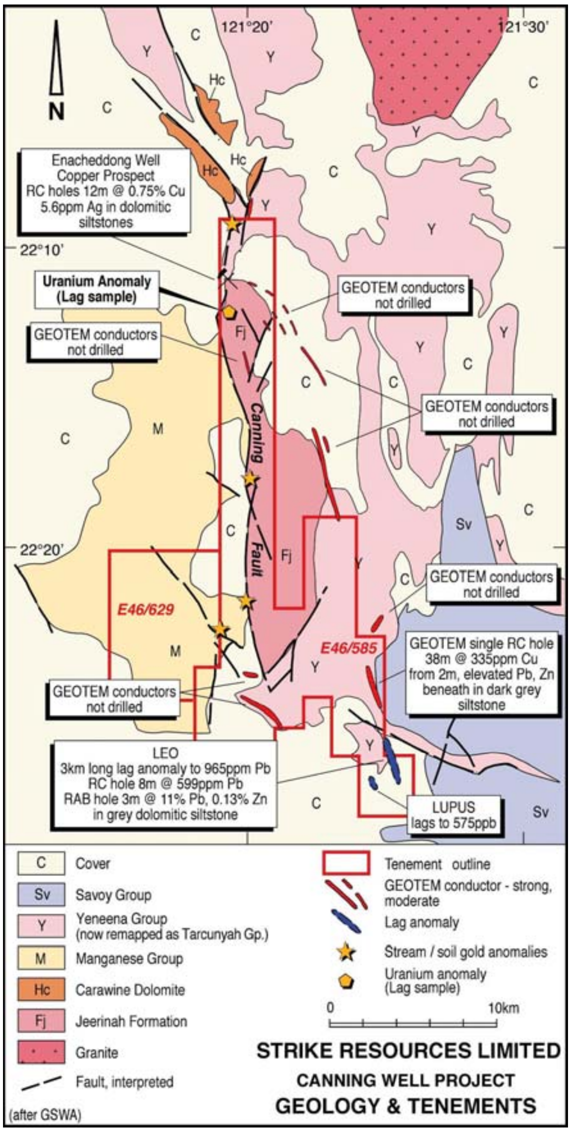
OVERVIEW OF PROJECTS

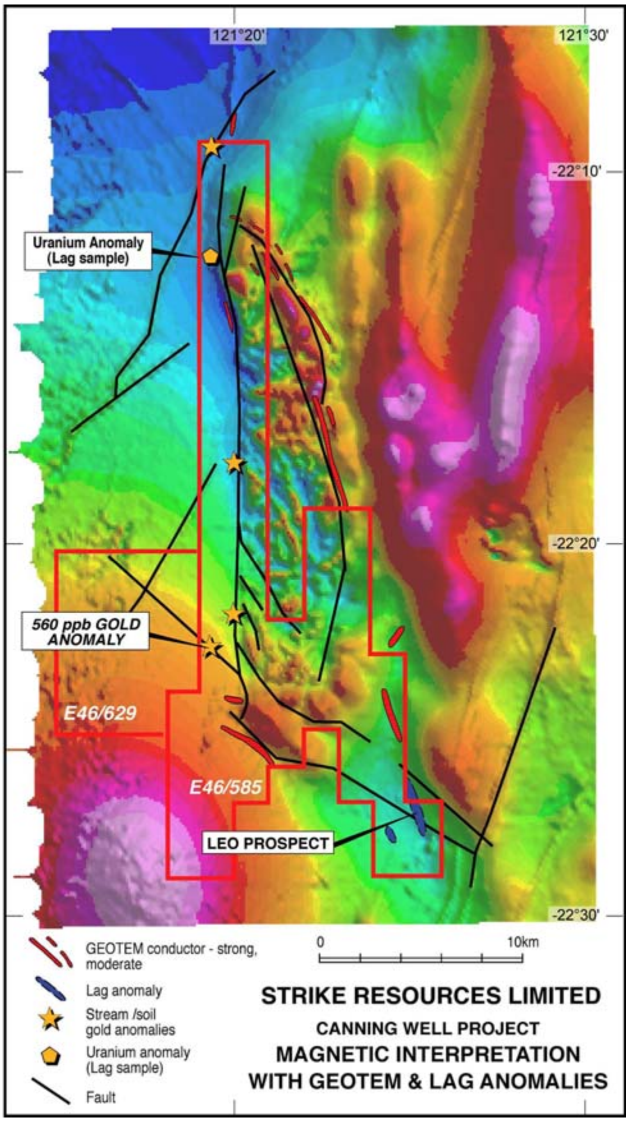
The Company's initial due diligence has indicated that uranium anomalies of up to 11 times the background were recorded in the project area in lag samples by previous explorers but were never followed up.

The project area is located approximately 80 kilometres west of the Kintyre uranium deposit and covers approximately 20 kilometres of the Canning Fault and associated splay and intersecting faults which bring together rocks of the Archaean Fortescue Group in juxtaposition with Proterozoic rocks of the Manganese Groups, the Tacunyah Group, the Yeneena Supergroup and the Savory Group.

Several major unconformities including Archaean to Proterozoic and within the Proterozoic rocks occur in close physical proximity to each other. The sandy facies of the Proterozoic rocks, which are wide-spread have been previously explored for copper and unconformity-type uranium mineralisation in the area of these two tenements.

Factors including significant uranium anomalies, the nature of unconformities in the Middle Proterozoic, the presence of sandy and carbonaceous rocks, suitable source basement rocks and the presence of regional faults are favourable for unconformity-type uranium mineralisation.





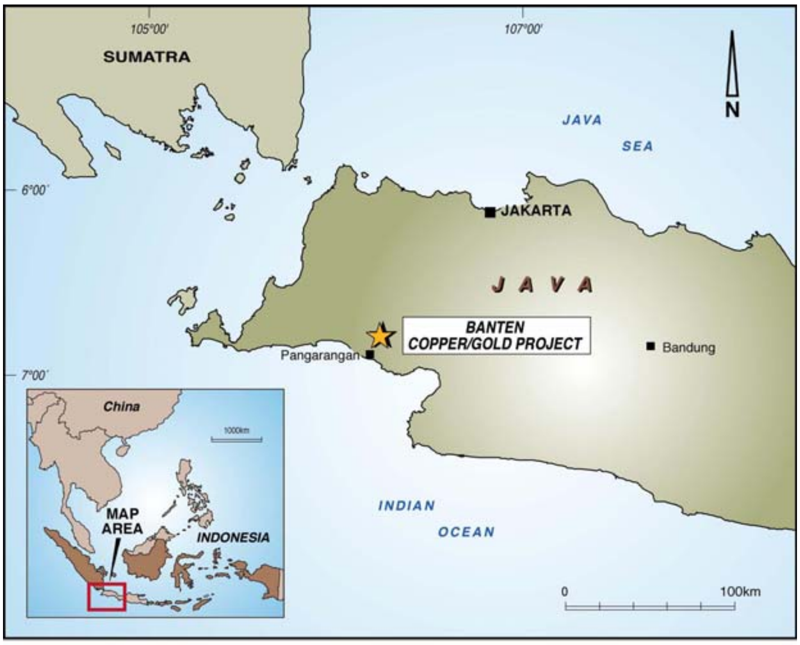
OVERVIEW OF PROJECTS

4. WEST JAVA (INDONESIA) BANTEN COPPER/GOLD PROJECT

The total area of the concession is 5,601 hectares. It is located approximately 100 kilometres south-west of Jakarta and is accessible by bitumen road from Jakarta via Serang. The concession is located close to the western tip of the island of West Java.

The Company has identified epithermal gold vein targets and potential for gold stock work systems in the Eocene Bayah Formation and Oligocene granodiorite. In parts of the concession area from where the gold system has been largely eroded, the underlying granodiorite offers a target for porphyry copper mineralisation. In addition, in the overlying Chikoto Formation, volcanic tuffs and breccias may contain rich pods of hydrothermal lead and zinc mineralisation.

During a field visit, the Company's geologists noted extensive argillic and silicic alterations and several small gold workings, some of which are currently worked by the family members of the owner of the concession.



STRIKE RESOURCES LIMITED
WEST JAVA BANTEN COPPER/GOLD PROJECT
LOCATION PLAN

Historical rock chip sampling during 2001 and 2002 returned the following best results from the area:

Sample	Au	Zn	Pb
UNITS	g/t	%	%
AD100704	38.60	-	-
AG100715	15.30	-	-
AD100705	8.85	-	-
AG100591	7.04	-	-
AG100586	-	1.99%	5.06%
AG100598	-	2.70%	-
G10126	62.40	-	-
G10124	25.30	-	-
G10106	12.10	-	-
G10120	6.21	-	-
G10129	4.14	-	-
G10117	-	1.70%	-

Source : Reports filed by PT Suda Miskin with the Indonesian Mines Department.

The information in this Overview of Projects section that relates to Exploration Results, Mineral Resources or Ore Reserves has been compiled by Mr Hem Shanker Madan who is a Member of The Australian Institute of Mining and Metallurgy. Mr Madan is the Managing Director of the Company. Mr Madan has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking, to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Mineral Resources and Ore Reserves (the JORC Code)." Mr Madan consents to the inclusion in this section of the matters based on his information in the form and context in which it appears.

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 year ended 30 June 2006 (**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 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 year. Controlled entities were:

(1) Strike Operations Pty Ltd ABN 12 102 978 370 (formerly Fast Scout Operations Pty Ltd and Virtual Web Pty Ltd) (**SOPL**), a wholly owned subsidiary incorporated in Western Australia;

(2) PT Indo Batubara, a company registered in Indonesia on 8 December 2005 in which SOPL is the 100% beneficial owner.

PRINCIPAL ACTIVITIES

The principal activities of the Consolidated Entity during the financial year were:

- exploration and evaluation of its resource projects in Australia, Peru and Indonesia;
- the pursuit of appropriate resource projects for investment, evaluation and development;
- the pursuit of Internet technologies; and
- the management of its net assets/investments.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Under the Listing Rules of the ASX, the Company's shares were suspended from quotation on ASX on the eve of the Annual General Meeting (**AGM**) held on 22 December 2005 where shareholder approval was obtained, 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.

As a consequence of the Company's change of activities, the Company has ceased development and active marketing of its Virtual Web Internet Filtering and Monitoring Solution.

The Company's suspension continued until the Company was able to comply with the re-admission requirements under the ASX Listing Rules. Further to this process, the Company issued a prospectus on 23 December 2005 and completed a $1.5 million capital raising on 3 February 2006 (**Prospectus Share Offer**).

The Company was reinstated to ASX quotation on 23 February 2006 after the completion of the Prospectus Share Offer and the UOG[3] and Hume[4] Agreements and re-compliance with the ASX Listing Rules.

There were no other material changes in the state of affairs of the Consolidated Entity during the financial year.

3 An agreement between the Company and Uranium Oil and Gas Limited (**UOG**) dated 3 October 2005 for the acquisition of a 70% interest in EL 09/1245 (Mt James Project tenement) in consideration for the issue of 116,667 shares to UOG, being more particularly described in Section 13.2 of the Prospectus Share Offer

4 An agreement between the Company and Hume Mining NL (**Hume**) dated 15 September 2005 for the acquisition of a 75% interest in the Bigryli South, Paulsen East, Canning Well, Mt James (EL 09/1253) project tenements, in consideration for the issue of 1,666,667 shares to Hume, being more particularly described in Section 13.1 of the Prospectus Share Offer

DIRECTORS' REPORT

OPERATING RESULTS

Consolidated	2006 $	2005 $
Total revenues	74,912	52,295
Total expenses	(2,283,922)	(1,751,242)
Loss before tax	(2,209,010)	(1,698,947)
Income tax	-	-
Loss after income tax	(2, 209,010)	(1,698,947)

Revenues include:

(1) $49,732 interest received (2005: $7,257);

(2) $5,895 sales revenue (2005: $27,411);

(3) $19,285 dividend income (2005: $17,627).

Expenses include:

(1) $527,552 resource project acquisition costs (2005: nil);

(2) $799,696 exploration and evaluation expenditure (2005: nil);

(3) $254,321 personnel costs (2005: $220,450);

(4) $87,583 net loss on disposal of share investments (2005: $31,507);

(5) $(96,644) provision for diminution of investments (2005: $54,873);

(6) $52,795 professional fees (2005: $345,882).

The Consolidated Entity expensed nil losses attributable to its Associate, Altera Capital Limited (**AEA**) (2005: $348,301 loss).

FINANCIAL POSITION

Consolidated	2006 $	2005 $
Investments in Associates	-	147,425
Other investments	475,287	376,750
Cash	1,309,813	54,197
Trade and other receivables	43,653	169,959
Internet technologies and other intangibles	-	-
Other assets	52,230	47,309
Gross assets	1,880,983	795,640
Liabilities	(178,962)	(566,601)
Net assets	1,702,021	229,039
Issued capital	19,848,109	16,414,372
Reserves	248,255	-
Accumulated losses	(18,394,343)	(16,185,333)
Total equity	1,702,021	229,039

DIRECTORS' REPORT

The Company has accounted for its 32.25% interest in ASX listed (but currently suspended) Altera Capital Limited (**Altera Capital or AEA**) and its 27.82% in ASX listed (but currently suspended) Sofcom Limited (**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. At Balance Date, the Company has accounted for its shareholding in these companies without reflecting any potential "control premium" upon a possible sale of such shareholdings.

On 25 May 2006, the Company entered into a share sale agreement with a syndicate of investors to dispose of 20,002,860 shares (27.8%) in AEA in consideration for $65,151 cash. On 3 August 2006, AEA shareholders approved the sale and on 8 August 2006, the sale was completed with the Company also receiving $34,573 from AEA being the full repayment of a loan advanced to AEA during the financial year.

CAPITAL RAISING

The Company notes that further capital will need to be raised to fund its exploration and evaluation commitments. In the meantime, the Company will evaluate and advance its current projects and continue to investigate new opportunities, using its existing cash reserves.

DIVIDENDS

No dividends have been paid or declared during the financial year. The Company is not in a position to declare a dividend in respect of the financial year.

SECURITIES IN THE COMPANY

1. Current Securities

The Company has the following total securities on issue as at 14 August 2006:

	Listed on ASX	Not Listed on ASX / Subject to Escrow	Total
Fully paid ordinary shares	46,349,024	1,783,334 [5]	48,132,358
$0.20 (30 June 2008) Options	23,072,484	-	23,072,484
$0.20 (9 February 2011) Hume Options	-	1,833,333 [6]	1,833,333
$0.30 (9 February 2011) Hume Options	-	1,666,667 [6]	1,666,667
$0.96 (21 July 2011) Directors' Options	-	4,600,000	4,600,000

5 116,667 shares escrowed until 23 December 2006; 1,666,667 shares escrowed until 9 February 2007.

6 Hume Options escrowed until 9 February 2007.

DIRECTORS' REPORT

2. Summary of Share Capital Changes

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

Date	Description	Issue Price	No. Shares	Value of Issue	Running Balance of Issued Share Capital
30/06/2005					81,593,281
19/08/2005	Issue to Data Base Systems Limited (**DBS**) 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	$0.100	2,290,000	$229,000	104,849,095
23/12/2005	Placement issue to sophisticated and professional investors	$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					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)	$0.20	7,500,000	$1,500,000	45,803,012
9/02/2006	Issue under Hume Agreement / Acquisition costs under Hume Agreement	$0.20	1,666,667	$333,333	47,469,679
19/05/2006	Conversion of options	$0.20	234,104	$46,820.80	47,703,783
23/05/2006	Conversion of options	$0.20	21,667	$4,333.40	47,725,450
6/06/2006	Conversion of options	$0.20	1,417	$283.40	47,726,867
8/06/2006	Conversion of options	$0.20	100,000	$20,000.00	47,826,867
12/06/2006	Conversion of options	$0.20	5,000	$1,000.00	47,831,867
16/06/2006	Conversion of options	$0.20	3,834	$766.80	47,835,701
30/06/2006					**47,835,701**
3/07/2006	Conversion of options	$0.20	5,000	$1,000.00	47,840,701
13/07/2006	Conversion of options	$0.20	28,917	$5,783.40	47,869,618
19/07/2006	Conversion of options	$0.20	30,000	$6,000.00	47,899,618
27/07/2006	Conversion of options	$0.20	97,034	$19,406.80	47,996,652
1/08/2006	Conversion of options	$0.20	539	$107.80	47,997,191
2/08/2006	Conversion of options	$0.20	80,000	$16,000.00	48,077,191
8/08/2006	Conversion of options	$0.20	55,167	$11,033.40	48,132,358
14/08/2006					**48,132,358**

DIRECTORS' REPORT

3. Options

(a) Hume Unlisted Options

Pursuant to completion of 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**).[7]

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

(b) Listed $0.20 (30 June 2008) Options

On 21 April 2006, the Company allotted and issued 23,735,163 options, each to acquire one fully paid ordinary share in the Company at an exercise price of 20 cents with each such option expiring at 5:00pm (Perth time) on 30 June 2008, pursuant to applications received under a non-renounceable one for two rights issue Prospectus dated 20 March 2006 which closed on 18 April 2006 (**Prospectus Option Offer**).

The options issue raised approximately $237,325 (before expenses).

These options are traded under ASX Code: **SRKO**.

During the year ending 30 June 2006, 366,022 options were exercised and converted into shares raising $73,204.40.

Since the Balance Date (to 14 August 2006), a further 296,657 options have been exercised raising $59,331.

(c) Unlisted $0.96 (21 July 2011) Directors' Options

On 14 July 2006, shareholders approved the issue of a total of 4,600,000 options to its four Directors (Messrs Stephenson, Madan, Khan and Ho). Please refer to the Remuneration Report below for further details on the terms and conditions of such options.

The Board has also agreed to issue to Mr William Johnson (who joined the Board as Non-Executive Director on 14 July 2006) 500,000 options at the same 96 cent exercise price and with the same vesting period (and otherwise on the same terms as the existing $0.96 (21 July 2011) Directors' Options on issue, subject to shareholder approval to be sought at the Company's 2006 AGM.

7 The terms and conditions of the Hume Options are outlined in Section 15.3 of the Prospectus Share Offer.

DIRECTORS' REPORT

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 comply with the re-admission requirements under the ASX Listing Rules. Further to this process, the Company issued a prospectus on 23 December 2005 and completed a $1.5 million capital raising 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, shareholders approved (inter alia) the following matters:

(a) For the Company to make a significant change to the nature and scale of its activities by becoming a mineral exploration and development company;

(b) 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 are converted into one (1) share (the **Share Conversion**);

(c) For the Company to change its name from "Fast Scout Limited" to "Strike Resources Limited" and for the Company's constitution to be modified accordingly; and

(d) Various share and option issues.

A copy of the Notice and Explanatory Statement for the 2005 AGM can be viewed and downloaded from the Company's website: www.strikeresources.com.au.

3. Apurimac Ferrum Peruvian Iron-Ore Agreement

By agreement dated 2 July 2006 between the Company and Peruvian companies, Apurimac Ferrum S.A (**AF**), Minera los Andes y el Pacifico S.A. (**MAPSA**) and D&C Group S.A.C (**D&C**), the Company has secured the right to earn a 51% (or greater) interest in the Apurimac Project or the Cuzco Project or both (at the Company's election) through a progressive investment in AF (which will hold the projects) within a 5 year period.

Terms Of Agreement

The agreement is subject to completion of satisfactory due diligence by the Company on or before 15 September 2006. After completion of satisfactory due diligence, the Company will appoint 3 out of 5 directors (including the President) to the board of AF and will have control of operating budgets and mining activities on the projects.

The acquisition by the Company of a shareholding interest in AF has been structured on a staged basis as follows:

Stage 1 - Share Investment During Earn-In Period

The Company has the right to progressively earn an initial 9.62% shareholding in AF by investing US$5 million during a 5 year earn-in period (**Earn-In Period**) with a minimum investment commitment of US$1.4 million spread over 4 tranches during the first 12 months.

The parties have committed AF to conduct an initial drilling programme of 1,500 metres on the Apurimac Project and 1,500 metres on the Cuzco Project within 12 months.

Stage 2 – Share Acquisition from D&C and MAPSA

D&C and MAPSA have agreed to equally sell to the Company, shares held by them in AF equivalent to a total of 2.88% of AF's issued capital for a US$1.5 million consideration. This sale will occur in two tranches with one-third to be sold no later than one year after the commencement of the Earn-In Period and the balance to be sold no later than two years after the commencement of the Earn-In Period.

Accordingly, after the completion of Stages 1 and 2, the Company shall hold a total of 12.5% of AF.

Stage 3 - Working Capital Loan During Earn-In Period

If further funds are required by AF (pre exercise of Options under Stage 4), the Company may provide a loan to AF (capped at US$5 million), repayable within 12 months or convertible into equity in AF by the Company in accordance with an agreed dilution formula. For example, if the full US$5 million loan is converted, the Company will increase its AF shareholding from 12.5% (post Stage 1 and 2) to 22.2% (post loan conversion/Stage 3).

Stage 4 - Exercise of Options

During the Earn-In Period, the Company shall have the following Options to acquire an additional 38.5% shareholding interest in AF, taking its shareholding interest in AF to 51% (or greater if D&C and/or MAPSA are further diluted as a consequence of the Stage 3 loan being converted into equity in AF):

Option 1: for the Apurimac Project tenements, the Company may elect to pay US$8.625 million to each of D&C and MAPSA; and/or

Option 2: for the Cuzco Project tenements, the Company may elect to pay US$8.625 million to each of D&C MAPSA.

DIRECTORS' REPORT

If the Company elects to exercise one but not both Options, then the tenements corresponding to the Option/Project that was not exercised by the Company is transferred into a new Peruvian incorporated company in which the shareholding interests shall be the same as the shareholding interests of the parties in AF immediately prior to the exercise of the Option.

Further Working Capital

If the Company exercises both Options, each of D&C and MAPSA have agreed to provide loan/equity funds of US$5 million to AF or a collective total of US$10 million.

After Stage 1 and after the Company has exercised one or both of the Options under Stage 4, if further funds are required by AF each party (the Company, MAPSA and D&C) shall contribute its proportionate share of such funding according to its shareholding interest in AF at such time or otherwise such party shall be diluted in accordance with an agreed dilution formula.

Project Plan

The parties have agreed that during and after the Earn-In Period, the Board of AF shall have absolute control of any and all mining activities to be performed by AF and that AF shall apply its exploration expenditure towards (inter alia) the following objectives:

(a) The conduct of exploration works to define a minimum JORC-compliant Inferred iron-ore resource of 100 million tonnes;

(b) Complete a feasibility study for a Sponge Iron plant;

(c) The conduct of pre-feasibility and feasibility studies for mining of ore;

(d) The conduct of transportation studies;

(e) The conduct of port and other infrastructure studies;

(f) The conduct of mine production studies;

(g) The establishment of trial mining and transportation pilot programmes;

(h) The conduct of financial and technical studies on proposed production models; and

(i) The conduct of marketing studies for proposed production models.

The Company recognises that considerable work needs to be undertaken, both at the due diligence stage and at the exploration and development stages to confirm and commercially exploit deposits of such potential magnitude.

4. West Java Banten (Indonesia) Copper/Gold Project

By a cooperation agreement dated 16 March 2005 between SOPL, Indo Coal and PT Suda Miskin (**Suda Miskin**), Indo Coal has acquired the right to exclusively conduct general survey activities, explore for, exploit, mine and sell gold and any other minerals in the concession area (the **West Java Gold Agreement**) (**West Java Copper/Gold Project**).

Under the terms of the West Java Agreement, the Company has paid US$35,000 (after exercising due diligence) to Suda Miskin and has the following future payment and profit sharing obligations to Suda Miskin:

(a) Staged cash payments totalling US$50,000 over an 18 month period; and

(b) A 19% share of after tax net profits from production.

DIRECTORS' REPORT

5. KJC-KJM Kalimantan Coal Agreement

By a cooperation agreement dated 24 November 2005 between Strike Operations Pty Limited (**SOPL**) (a wholly owned subsidiary of the Company), PT Indo Batubara (**Indo Coal**) (100% beneficially owned by SOPL), PT Kaltim Jaya Coal (**KJC**) and Pt Kaltim Jaya Mineral (**KJM**), Indo Coal had the right to exclusively conduct general survey activities, explore for, exploit, mine and sell all coal in the concession area covered by KP2 (the **Kalimantan Coal Agreement**) (**Kalimantan Coal Project**). The KP2 concession is located 65 kilometres southwest of Balikpapan, the capital city of Kalimantan.

The Company had conducted approximately 4,000 metres of preliminary core and open-hole drilling on this coastal concession as part of its due diligence. This drilling had indicated the presence of six coal seams of between one and five metres thickness.

Whilst the drilling work had confirmed the potential for a resource in line with previous estimations as to deposit size and calorific value, a review of the laboratory analysis had revealed a higher than expected total moisture content in the coal samples. This total moisture content effects the marketability, stockpiling and handling of such coal and can have a significant impact on bottom line mine profitability.

The Company believed that it therefore needed further time to conduct due diligence investigations into handling and stockpiling and their impact on the profitability of mining the coal. The Company had therefore sought an extension of the due diligence period for a further 3.5 months from 15 July to 30 November 2006.

The concession holders did not grant the extension to 30 November 2006 sought by the Company and accordingly, the Company has determined not to proceed with this coal project and there will be no further payments required to be made under the KJC-KJM Kalimantan Coal Agreement.

As due diligence has not been declared, the Company will not be remunerating Sinarco Resources Pte Ltd (**Sinarco**) for the introduction of the KJC-KJM Kalimantan Coal Agreement concession to the Company (for which shareholder approval had been sought at the 2005 AGM and the 14 July 2006 general meeting).

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

On 19 August 2005, the Company issued 20,965,814 new shares (equivalent to 6,980,607 shares on a post one for three Share Conversion basis) 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 a portal classification agreement with DBS.

A copy of the 22 July 2005 general meeting documentation can be viewed and downloaded from the Company's website: www.strikeresources.com.au.

7. Virtual Web Internet Filtering and Monitoring Solution

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

DIRECTORS' REPORT

FUTURE DEVELOPMENTS

In the opinion of the Directors, it may prejudice the interests of the Consolidated Entity to provide additional information (beyond that reported in this Directors' Report) in relation to future developments and business strategies and operations of the Consolidated Entity and the expected results of those operations in subsequent financial years.

ENVIRONMENTAL REGULATION AND PERFORMANCE

In the course of its mineral exploration and evaluation activities, the Consolidated Entity adheres to environmental regulations imposed upon it by various authorities. The Company has complied with all environment requirements up to the date of this report. No reportable environmental breaches occurred during the financial year.

DIRECTORS AND COMPANY SECRETARY

On 26 September 2005, Mr 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. Mr Azhar Chaudhri and Mr Yaqoob Khan resigned as directors on the same date. 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, Dr 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 AGM for Company's change of activities to that of a mineral exploration and development company.

On 14 July 2006, Mr William Johnson was appointed to the Board as Non-Executive Director. Mr Johnson is Executive Chairman of Orion Equities Limited, a significant shareholder in the Company. In addition to having provided valuable strategic and commercial input to the Company since its re-listing on 23 February 2006, Mr Johnson recently played a pivotal role in the successful re-negotiation of the Company's major iron-ore venture in Peru.

Mr Farooq Khan and Mr Victor Ho remain Executive Directors.

DIRECTORS' REPORT

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

John Stephenson	—	**Non-Executive Chairman**
Appointed	—	26 October 2005
Qualifications	—	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.
Experience	—	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.
Special Responsibilities	—	Non-Executive Chairman of the Board
Relevant interest in shares	—	Shares – 50,000 Listed $0.20 (30 June 2008) options – 148,000 Unlisted $0.96 (21 July 2011) directors' options – 800,000
Other current directorships in listed entities	—	None
Former directorships in other listed entities in past 3 years	—	None

H. Shanker Madan	—	**Managing Director**
Appointed	—	26 September 2005
Qualifications	—	Honours and Masters Science degrees in Applied Geology
Experience	—	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.
Special Responsibilities	—	Managing Director
Relevant interest in shares	—	Shares - 333,333 Listed $0.20 (30 June 2008) options – 166,667 Unlisted $0.96 (21 July 2011) directors' options – 1,800,000
Other current directorships in listed entities	—	None
Former directorships in other listed entities in past 3 years	—	None

DIRECTORS' REPORT

Farooq Khan	—	**Executive Director**
Appointed	—	9 September 1999; retiring by rotation and standing for re-election at 2006 AGM
Qualifications	—	BJuris , LLB. (*Western Australia*)
Experience	—	Mr Khan is a qualified lawyer having previously practiced 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
Special Responsibilities	—	Executive Director
Relevant interest in shares	—	Shares - 353,340 (directly) and 2,029,610 (indirectly[8]) Listed $0.20 (30 June 2008) options – 176,670 (directly) and 1,014,806 (indirectly[8]) Unlisted $0.20 (9 February 2011) Hume Options – 1,833,333 (indirectly[9]) Unlisted $0.30 (9 February 2011) Hume Options - 1,666,667 (indirectly[9]) Unlisted $0.96 (21 July 2011) directors' options – 1,400,000 (directly)
Other current directorships in listed entities	—	Current Chairman and Managing Director of: (1) Queste Communications Limited (since 10 March 1998) Current Chairman of: (2) Bentley International Limited (director since 2 December 2003) (3) Scarborough Equities Limited (since 29 November 2004)
Former directorships in other listed entities in past 3 years	—	(1) Altera Capital Limited (26 November 2001 to 18 October 2005) (2) Sofcom Limited (since 3 July 2002 to 18 October 2005)

Victor P. H. Ho	—	**Executive Director and Company Secretary**
Appointed	—	Secretary since 9 March 2000 and Director since 12 October 2000
Qualifications	—	BCom, LLB (*Western Australia*)
Experience	—	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.
Special Responsibilities	—	Executive Director and Company Secretary
Relevant interest in shares	—	Shares - 16,667 Listed $0.20 (30 June 2008) options – 184,334 Unlisted $0.96 (21 July 2011) directors' options – 600,000
Other positions held in listed entities	—	Current Executive Director and Company Secretary of: (1) Orion Equities Limited (Secretary since 2 August 2000 and Director since 4 July 2003); (2) Sofcom Limited (Director since 3 July 2002 and Secretary since 23 July 2003). Current Company Secretary of: (3) Queste Communications Limited (since 30 August 2000); (4) Bentley International Limited (since 5 February 2004); (5) Scarborough Equities Limited (since 29 November 2004).
Former directorships in other listed entities in past 3 years	—	Altera Capital Limited (26 November 2001 to 8 August 2006)

8. Held by Orion Equities Limited (**OEQ**) and Hume Mining NL (**Hume**) (a subsidiary of OEQ); Queste Communications Limited (**QUE**) is deemed to be a controlling shareholder of OEQ; Mr Farooq Khan (and associated companies) is deemed to have a deemed relevant interest in the securities in which QUE has a relevant interest, by reason of having >20% voting power in QUE.

9. Held by Hume

DIRECTORS' REPORT

William M. Johnson	—	**Non-Executive Director**
Appointed	—	Appointed by the Board on 14 July 2006; standing for re-election at 2006 AGM
Qualifications	—	MA (Oxon), MBA
Experience	—	Mr Johnson commenced his career in resource exploration and has most recently held senior management and executive roles in a number of public companies in Australia, New Zealand and Asia. Mr Johnson brings a considerable depth of experience in business strategy, investment analysis, finance and execution. Mr Johnson is Executive Chairman of Orion Equities Limited, a significant shareholder in Strike Resources Limited.
Special Responsibilities	—	None
Relevant interest in securities	—	Nil shares 88,000 Options (listed $0.20 (30 June 2008) options)
Other current directorships in listed entities	—	Current Director of: (1) Orion Equities Limited (since 28 February 2003); (2) Scarborough Equities Limited (since 29 November 2004); (3) Sofcom Limited (since 18 October 2005).
Former directorships in other listed entities in past 3 years	—	Altera Capital Limited (since 18 October 2005 to 8 August 2006)

Azhar Chaudhri	—	**Former Executive Director**
Period of Service	—	9 September 1999 - 26 September 2005

Yaqoob Khan	—	**Former Executive Director**
Period of Service		9 September 1999 - 26 September 2005

DIRECTORS' MEETINGS

The following table sets out the numbers of meetings of the Company's Directors held during the financial year (including Directors' circulatory resolutions), and the numbers of meetings attended by each Director of the Company:

Name of Director	Meetings Attended	Maximum Possible Meetings
John Stephenson	17	17
H. Shanker Madan	19	19
Farooq Khan	21	21
Victor Ho	20	20
Azhar Chaudhri	1	2
Yaqoob Khan	2	2

There were no meetings of committees of the Board.

Board Committees

During the financial year and as at the date of this Directors' Report, the Company did not have separate designated Audit or Remuneration Committees. In the opinion of the Directors, in view of the size of the Board and nature and scale of the Consolidated Entity's activities, matters typically dealt with by an Audit or Remuneration Committee are dealt with by the full Board.

DIRECTORS' REPORT

REMUNERATION REPORT

This report details the nature and amount of remuneration for each Director of the Company and Executive Officer of the Consolidated Entity.

(1) Remuneration Policy

The Board determines the remuneration structure of all Directors and Executive Officers having regard to the Consolidated Entity's nature, scale and scope of operations and other relevant factors, including the frequency of Board meetings, length of service, particular experience and qualifications.

The Executive and Non-Executive Directors of the Company are paid a fixed amount per annum plus employer superannuation contributions (for Australian resident directors only). The Non-Executive Directors of the Company are paid a maximum aggregate base remuneration of $75,000 per annum inclusive of employer superannuation contributions where applicable, to be divided as the Board determines appropriate.

Pursuant to the Company's Constitution, each Director is also entitled to receive:

(1) Payment for the performance of extra services or the undertaking of any executive or other work for the Company beyond his or her general duties.

(2) Payment for travelling and other expenses properly incurred by a Director in attending meetings of the Company or the Board or in connection with the Company's business.

The Company does not presently have formal service agreements or employment contracts with Directors.

The Company does not presently provide retirement benefits or incentive/performance based benefits to Directors (save for the options over unlisted shares granted to Directors described below).

The Company has not had during the financial year and does not currently have a directors' and officers' liability insurance policy which covers all Directors and officers of the Company and its wholly-owned subsidiaries. However, the Company is investigating obtaining such policy.

On 14 July 2006, shareholders approved the issue of a total of 4,600,000 options to its four Directors (Messrs Stephenson, Madan, Khan and Ho). The terms of such $0.96 (21 July 2011) Directors' Options are described below.

The reasons for the options issue to the Directors were as follows:

- The number of options issued to the Directors was determined having regard to the modest level of Directors' salaries/fees being received by the Directors and is a cash free, effective and efficient way of providing an appropriate level of Directors' remuneration as well as providing ongoing equity based incentives for the Directors to remain with the Company with a view to improving the future growth of the Company.
- The options issue was designed to recognise and reward Directors' past services and contributions to the Company, particularly through the recent change of activities and re-admission of the Company to ASX as a mineral exploration and development company, and to act as an incentive for such Directors to continue to strive to achieve the Company's goals with the aim of enhancing shareholder value.
- Based on the option exercise price and the rate at which the options vest, the exercise of such options by the Directors is only likely to occur if there is sustained upward movement in the Company's share price –. *the Company's share price as at the date of the meeting documentation on 31 May 2006 was 51 cents.*
- The options (as structured) provides an equity holding opportunity for each Director which is linked to the Company's share price performance.
- As a relatively junior exploration company with much of its available funds dedicated or committed to its resource projects (and also in seeking opportunities in relation to the same) and in financing its day to day working capital requirements, the Company is not always in a position to maintain competitive cash salary ranges for its Directors within the industry in which it operates.

DIRECTORS' REPORT

(2) Details of Remuneration of Directors

Details of the nature and amount of each element of remuneration of each Director of the Company paid or payable by the Consolidated Entity during the financial year are as follows:

Name of Director	Office Held	Salary $	Fees $	Superannuation $	Other Benefits $	Total $
John Stephenson	Chairman (appointed 26 October 2005)	-	17,192	1,547	-	18,739
H. Shanker Madan	Managing Director (appointed 26 September 2005)	31,846	8,500 [10]	53,174	-	93,520
Farooq Khan	Executive Director	74,000	-	6,660	-	80,660
Victor Ho	Executive Director and Company Secretary	30,000	-	2,700	-	32,700
Azhar Chaudhri	Executive Director (resigned 26 September 2005)	11,925	-	-	-	11,925
Yaqoob Khan	Executive Director (resigned 26 September 2005)	3,577	-	-	-	3,577

The current level of Directors' salaries/fees being received by the Board is as follows:

	Office Held	Gross salary/fees and employer superannuation per annum
John Stephenson	Non-Executive Chairman	$26,160
H. Shanker Madan	Managing Director	$130,800
Farooq Khan	Executive Director	$65,400
Victor Ho	Executive Director and Company Secretary	$33,790
William Johnson (appointed 14 July 2006)	Non-Executive Director	$16,350

(3) No Executive Officers

The Company did not have any Executive Officers (other than Executive Directors) during the financial year.

(4) Unlisted $0.96 (21 July 2011) Directors' Options

On 14 July 2006, shareholders approved the issue of a total of 4,600,000 options to its four Directors (Messrs Stephenson, Madan, Khan and Ho).

Please refer to the Directors and Company Secretary section of this report for details of the number of such options issued to each relevant Director.

Such options were granted on 21 July 2006 on the following terms, including:

(a) at an exercise price of 96 cents (being 133% of the volume weighted average share price of the Company's shares on ASX in the 5 trading days leading up to and including the date of the general meeting);

(b) after they have vested, each option is exercisable at any time on or before 5 years from the date of issue (21 July 2011) (**Option Expiry Date**);

10 Mr Madan provided geological consulting services to the Company prior to his joining the Board

DIRECTORS' REPORT

(c) the options will vest as follows:

(i) 30% of the options issued to each Director will vest at the date of issue of the options (which options may therefore be exercised at any time prior to the Option Expiry Date);

(ii) 30% of the options issued to each Director will vest at the date being 12 months after their date of issue (which options may therefore be exercised at any time thereafter and prior to the Option Expiry Date); and

(iii) 40% of the options issued to each Director will vest at the date being 24 months after their date of issue (which options may therefore be exercised at any time thereafter and prior to the Option Expiry Date).

(d) otherwise on the terms and conditions set out in Annexure A to the Explanatory Statement accompanying the 14 July 2006 Notice of Meeting.

The Board has also agreed to issue to Mr William Johnson (who joined the Board as Non-Executive Director on 14 July 2006) 500,000 options at the same 96 cent exercise price and with the same vesting period (and otherwise on the same terms as $0.96 (21 July 2011) Directors' Options), subject to shareholder approval to be sought at the Company's 2006 AGM.

(5) Directors' Deeds

In addition to the rights of indemnity provided under the Company's Constitution (to the extent permitted by the Corporations Act), the Company has also entered into a deed with each of the Directors to regulate certain matters between the Company and each Director, both during the time the Director holds office and after the Director ceases to be an officer of the Company, including the following matters:

(i) The Company's obligation to indemnify a Director for liabilities or legal costs incurred as an officer of the Company (to the extent permitted by the Corporations Act);

(ii) Subject to the terms of the deed and the Corporations Act, the Company may advance monies to the Director to meet any costs or expenses of the Director incurred in circumstances relating to the indemnities provided under the deed and prior to the outcome of any legal proceedings brought against the Director; and

Such deeds (in respect of Messrs Stephenson, Madan, Khan and Ho) were approved by shareholders at the 2005 AGM. Approval will be sought at the 2006 AGM for the Company to enter into a deed with Mr Johnson (who was appointed a director on 14 July 2006) on the same terms.

(6) Other Directors' Benefits

No Director of the Company has, since the end of the previous financial year, received or become entitled to receive a benefit, other than the remuneration benefits as disclosed above, by reason of a contract made by the Company or a related entity with the Director or with a firm of which he is a member, or with a Company in which he has a substantial interest.

AUDITOR

Details of the amounts paid or payable to the auditor for audit and non-audit services provided during the financial year are set our below:

Audit & Review Fees $	Fees for Other Services $	Total $
14,111	2,015	16,126

DIRECTORS' REPORT

The Board is satisfied that the provision of non audit services by the auditor during the year is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001.* The Board is satisfied that the nature of the non-audit services disclosed above did not compromise the general principles relating to auditor independence as set out in the Institute of Chartered Accountants in Australia and CPA Australia's Professional Statement F1: Professional Independence, including reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Company, acting as advocate for the Company or jointly sharing economic risk and rewards.

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 33. This relates to the Audit Report, where the Auditors state that they have issued an independence declaration.

EVENTS SUBSEQUENT TO BALANCE DATE

The Directors are not aware of any matters or circumstances at the date of this Directors' Report, other than those referred to in this Directors' Report (in particular, in Review of Operations) or the financial statements or notes thereto (in particular Subsequent Events Note 28), that have significantly affected or may significantly affect the operations, the results of operations or the state of affairs of the Company and Consolidated Entity in subsequent financial years.

Signed for and on behalf of the Directors in accordance with a resolution of the Board.

Shanker Madan
Managing Director

Victor Ho
Company Secretary

Perth, Western Australia

16 August 2006

Stantons International
ABN 41 103 088 697
LEVEL 1, 1 HAVELOCK STREET
WEST PERTH WA 6005, AUSTRALIA
PH: 61 8 9481 3188 • FAX: 61 8 9321 1204
www.stantons.com.au

16 August 2006

Board of Directors
Strike Resources Limited
Level 14 The Forrest Centre
221 St. Georges Terrace
PERTH WA 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 of the financial statements of Strike Resources Limited for the year ended 30 June 2006, 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; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

Stantons International
(Authorised Audit Company)

John Van Dieren
Director

INCOME STATEMENT
for the year ended 30 June 2006

		Consolidated Entity		Company	
		2006	2005	2006	2005
	Note	$	$	$	$
Sales revenue	2, 6	28	1,344	28	1,344
Cost of sales	2, 6	(10,359)	(133,449)	(10,359)	(129,013)
Gross Profit		(10,331)	(132,105)	(10,331)	(127,669)
Other revenue from operating activities	2	49,732	7,257	49,525	7,257
Non-operating revenue	2	19,285	17,627	19,285	17,627
Classification works costs	2, 6	-	4,435	-	-
Occupancy costs	2	(12,769)	(28,176)	(12,769)	(28,177)
Finance costs	2	(3,335)	(1,546)	(2,218)	(1,488)
Borrowing costs	2	(7,022)	(2,179)	(5,522)	(2,179)
Corporate costs					
- Write back of previous diminution in value / (diminution in value) of share investments	2	96,644	(54,873)	93,992	(400,523)
- Provision/(write back) for non recovery of subsidiary and associate loans	2	-	-	(795,715)	(1,896)
- Write back of classification works previously written down	2, 6	-	-	-	-
- Resource projects:					
Acquisition costs	2	(527,552)	-	(412,413)	-
Exploration and evaluation	2	(799,696)	-	(179,681)	-
- Loss on sale of share investments	2	(87,583)	(31,507)	(87,583)	(31,507)
- Other	2	(526,358)	(682,047)	(496,112)	(679,690)
Administration costs	2	(39,289)	(63,078)	(39,289)	(63,078)
Equity share of Associate net losses	2	-	(348,301)	-	-
Loss before income tax expense		(1,848,274)	(1,314,493)	(1,878,831)	(1,311,323)
Income tax expense		-	-	-	-
Loss from continuing operations		(1,848,274)	(1,314,493)	(1,878,831)	(1,311,323)
Profit (Loss) from discontinued operations	6	(360,736)	(384,454)	(361,932)	(370,456)
Loss for the year		(2,209,010)	(1,698,947)	(2,240,763)	(1,681,779)
Basic loss (cents per share)	8	(5.64)	(6.25)	(5.72)	(6.18)
Diluted loss (cents per share)	8	(3.34)	(6.25)	(3.39)	(6.18)

The accompanying notes form part of this financial report

BALANCE SHEET
as at 30 June 2006

		Consolidated Entity		Company	
		2006	2005	2006	2005
	Note	$	$	$	$
CURRENT ASSETS					
Cash and cash equivalents	9	1,309,813	54,197	1,275,224	50,956
Trade and other receivables	10	43,653	169,459	42,195	166,623
Other	11	492	-	492	-
TOTAL CURRENT ASSETS		1,353,958	223,656	1,317,911	217,579
NON CURRENT ASSETS					
Receivables	12	-	500	-	500
Property, plant and equipment	13	51,738	47,309	51,738	47,309
Other financial assets	14	475,287	376,750	475,387	526,927
Investments accounted for using equity method	15	-	147,425	-	-
Internet technologies	16	-	-	-	-
Resource projects	17	-	-	-	-
TOTAL NON CURRENT ASSETS		527,025	571,984	527,125	574,736
TOTAL ASSETS		1,880,983	795,640	1,845,036	792,315
CURRENT LIABILITIES					
Trade and other payables	18	136,470	544,869	136,470	544,869
Short term provisions	19	42,492	21,732	42,492	21,732
TOTAL CURRENT LIABILITIES		178,962	566,601	178,962	566,601
TOTAL LIABILITIES		178,962	566,601	178,962	566,601
NET ASSETS		1,702,021	229,039	1,666,074	225,714
EQUITY					
Issued capital	20	19,848,109	16,414,372	19,848,109	16,414,372
Reserves	21	248,255	-	247,386	-
Accumulated losses	22	(18,394,343)	(16,185,333)	(18,429,421)	(16,188,658)
TOTAL EQUITY		1,702,021	229,039	1,666,074	225,714

The accompanying notes form part of this financial report

STATEMENT OF CHANGES IN EQUITY
for the year ended 30 June 2006

	Number of Shares	Issued Capital $	Accumulated Losses $	Reserves $	Total $
Consolidated Entity					
At 1 July 2004	81,593,281	16,414,372	(14,486,386)	-	1,927,986
Loss for the year		-	(1,698,947)	-	(1,698,947)
At 30 June 2005	81,593,281	16,414,372	(16,185,333)	-	229,039
At 1 July 2005	81,593,281	16,414,372	(16,185,333)	-	229,039
Loss for the year		-	(2,209,010)	-	(2,209,010)
Foreign currency translation differences		-	-	869	869
Options reserve		-	-	247,386	247,386
Settlement of Portal Classification Agreement	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
Acquisition of resource project	350,000	28,000	-	-	28,000
1 for 3 share conversion	(76,606,083)	-	-	-	-
Share offer	7,500,000	1,500,000	-	-	1,500,000
Share offer expenses	-	(120,116)	-	-	(120,116)
Acquisition of resource projects	1,666,667	333,333	-	-	333,333
Option conversions ($0.20 (30 June 2008))	366,022	73,204	-	-	73,204
At 30 June 2006	47,835,701	19,848,109	(18,394,343)	248,255	1,702,021
Company					
At 1 July 2004	81,593,281	16,414,372	(14,506,879)	-	1,907,493
Loss for the year		-	(1,681,779)	-	(1,681,779)
At 30 June 2005	81,593,281	16,414,372	(16,188,658)	-	225,714
At 1 July 2005	81,593,281	16,414,372	(16,188,658)	-	225,714
Loss for the year	-	-	(2,240,763)	-	(2,240,763)
Options reserve	-	-	-	247,386	247,386
Settlement of Portal Classification Agreement	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
Acquisition of resource project	350,000	28,000	-	-	28,000
1 for 3 share conversion	(76,606,083)	-	-	-	-
Share offer	7,500,000	1,500,000	-	-	1,500,000
Share offer expenses	-	(120,116)	-	-	(120,116)
Acquisition of resource projects	1,666,667	333,333	-	-	333,333
Option conversions ($0.20 (30 June 2008))	366,022	73,204	-	-	73,204
At 30 June 2006	47,835,701	19,848,109	(18,429,421)	247,386	1,666,074

The accompanying notes form part of this financial report

CASH FLOW STATEMENT
for the year ended 30 June 2006

	Note	Consolidated Entity 2006 $	Consolidated Entity 2005 $	Company 2006 $	Company 2005 $
CASH FLOWS FROM OPERATING ACTIVITIES	9 a				
Receipts from customers		8,235	39,879	28	1,344
Payments to suppliers and employees		(786,029)	(695,280)	(1,549,405)	(656,024)
Payments for exploration and evaluation expenditure		(827,907)	-	(203,234)	-
Payments for acquisition of resource projects		(164,996)	-	(49,857)	-
Dividends received		19,286	25,772	19,286	25,772
Interest received		49,733	7,257	49,525	7,257
Interest paid		(7,022)	(205)	(5,522)	(205)
NET CASH OUTFLOW FROM OPERATING ACTIVITIES		(1,708,700)	(622,577)	(1,739,179)	(621,856)
CASH FLOWS FROM INVESTING ACTIVITIES					
Payments for plant and equipment		(16,583)	(1,370)	(16,583)	(1,370)
Payments for Internet Technologies		(142,189)	(104,684)	(142,189)	(104,684)
Payments for share investments		-	(346,001)	-	(346,001)
Receipts from return of capital		7,318	-	7,318	-
Proceeds from sale of investments		209,715	441,979	209,715	441,979
NET CASH IN/(OUT)FLOW FROM INVESTING ACTIVITIES		58,261	(10,076)	58,261	(10,076)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from borrowings		150,000	-	150,000	-
Repayment for borrowings		(150,000)	-	(150,000)	-
Proceeds from share issues and options		3,025,373	-	3,025,373	-
Payment for share issue cost		(120,116)	-	(120,116)	-
Payment for unmarketable parcels		(71)	-	(71)	-
NET CASH INFLOW FROM FINANCING ACTIVITIES		2,905,186	-	2,905,186	-
NET DECREASE IN CASH AND CASH EQUIVALENTS HELD		1,254,747	(632,653)	1,224,268	(631,932)
Cash and cash equivalents at beginning of the year		54,197	686,850	50,956	682,888
Effect of exchange rate changes on cash		869	-	-	-
CASH AND CASH EQUIVALENTS AT END OF YEAR	9	1,309,813	54,197	1,275,224	50,956

The accompanying notes form part of this financial report

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2006

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The financial report (comprising the financial statements and notes thereto) is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Urgent Issues Group Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

The financial report includes separate financial statements for Strike Resources Limited as an individual parent entity (the **Company**) and the consolidated entity consisting of Strike Resources Limited and its subsidiaries. Strike Resources Limited is a company limited by shares, incorporated and domiciled in Australia.

The financial report complies with all Australian equivalents to International Financial Reporting Standards (**AIFRS**) in their entirety.

The following is a summary of the material accounting policies adopted by the consolidated entity in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

Basis of Preparation

First-time Adoption of Australian Equivalents to International Financial Reporting Standards (AIFRS)

The consolidated entity and the Company have prepared financial statements in accordance with AIFRS from 1 July 2005. In accordance with the requirements of AASB 1: First-time Adoption of Australian Equivalents to International Financial Reporting Standards, adjustments to the Company and the consolidated entity's accounts resulting from the introduction of AIFRS have been applied retrospectively to 2005 comparative figures excluding cases where optional exemptions available under AASB 1 have been applied.

The accounting policies set out below have been consistently applied to all years presented. The parent and consolidated entities have however elected to adopt the exemptions available under AASB 1 relating to *AASB 132: Financial Instruments: Disclosure and Presentation*, and *AASB 139: Financial Instruments: Recognition and Measurement*.

The financial report has been prepared on the going concern basis, which contemplates continuity of normal business activities and realisation of assets and settlement of liabilities in the ordinary course of business. The going concern of the consolidated entity is dependant upon it maintaining sufficient funds for its operations and commitments. The directors continue to monitor the ongoing funding requirements of the consolidated entity. The directors are confident that sufficient funding can be secured if required to enable the consolidated entity to continue as a going concern and as such are of the opinion that the financial report has been appropriately prepared on a going concern basis.

Reconciliations of the transition from previous Australian GAAP to AIFRS have not been included as it is no impact to the report.

Reporting Basis and Conventions

The financial report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of financial assets and financial liabilities for which the fair value basis of accounting has been applied.

Statement of Compliance

The financial report complies with Australian Accounting Standards, which includes AIFRS. Compliance with AIFRS ensures that the financial report complies with International Financial Reporting Standards (**IFRS**).

Except for the revised *AASB 119 Employee Benefits* (issued December 2005), Australian Accounting Standards that have recently been issued or amended but are not yet effective have not been adopted for the annual reporting period ending 30 June 2006:

AASB Amendment	Affected Standard(s)	Nature of change to accounting policy	Application date of standard	Application date for Group
2005-1	AASB 139: *Financial Instruments: Recognition and Measurement*	No change to accounting policy required. Therefore no impact	1 Jan 06	1 Jul 06
2005-5	AASB 1: *First-time adoption of AIFRS,* AASB 139: *Financial Instruments: Recognition and Measurement*	No change to accounting policy required. Therefore no impact	1 Jan 06	1 Jul 06
2005-10	AASB 132: *Financial Instruments: Disclosure and Presentation,* AASB *101: Presentation of Financial Statements,* AASB 114: *Segment Reporting,* AASB *133: Earnings per Share,* AASB 139:*Financial Instruments: Recognition and Measurement,* AASB 1: *First-time adoption of AIFRS,* AASB 4: *Insurance Contracts*	No change to accounting policy required. Therefore no impact	1 Jan 07	1 Jul 07
New standard	AASB 7 *Financial Instruments: Disclosures*	No change to accounting policy required. Therefore no impact	1 Jan 07	1 Jul 07

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2006

1.1. Principles of Consolidation

A controlled entity is any entity the Company has the power to control the financial and operating policies of so as to obtain benefits from its activities. A list of controlled entities is contained in note 14 to the financial statements. All controlled entities have a June financial year-end. All inter-company balances and transactions between entities in the consolidated 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 Company.

1.2. Investments in Associates

Investments in associates are accounted for in the consolidated financial statements using the equity method. Under this method, the consolidated entity's share of the post-acquisition profits or losses of associates is recognised in the consolidated income statement, and its share of post-acquisition movements in reserves is recognised in consolidated reserves. The cumulative post-acquisition movements are adjusted against the cost of the investment. Associates are those entities over which the consolidated entity exercises significant influence, but not control. A list of associates is contained in note 15 to the financial statements. All controlled entities have a June financial year-end.

1.3. Mineral Exploration and Evaluation Expenditure

Exploration, evaluation and development expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence or otherwise of economically recoverable reserves. Accumulated costs in relation to an abandoned area 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". Any impairment loss is to be recognised as an expense. 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. The directors have expensed all exploration, evaluation and development expenditure incurred during the financial year.

1.4. Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment and is subject to risks and returns that are different from those of segments operating in other economic environments. The consolidated entity's segment reporting is contained in note 24 of the notes to the financial statements.

1.5. Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the consolidated entity and the revenue can be reliably measured. All revenue is stated net of the amount of goods and services tax (**GST**). The following specific recognition criteria must also be met before revenue is recognised:

(a) **Sale of Goods and Disposal of Assets**
Revenue from the sale of goods and disposal of other assets is recognised when the consolidated entity has passed control of the goods or other assets to the buyer.

(b) **Contributions of Assets**
Revenue arising from the contribution of assets is recognised when the consolidated entity gains control of the asset or the right to receive the contribution.

(c) **Interest Revenue**
Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

(d) **Dividend Revenue**
Dividend revenue is recognised when the right to receive a dividend has been established. The consolidated entity brings dividend revenue to account on the applicable ex-dividend entitlement date.

(e) **Other Revenues**
Other revenues are recognised on a receipts basis.

1.6. Foreign Currency Transaction and Balances

Functional and presentation currency
The functional currency of each entity within the consolidated entity 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.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2006

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. 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 differences 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.

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:
(a) assets and liabilities are translated at year-end exchange rates prevailing at that reporting date;
(b) income and expenses are translated at average exchange rates for the period; and
(c) retained earnings 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 consolidated entity'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.

1.7. Income Tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the notional income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses (if applicable).

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses. The amount of deferred tax assets 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 consolidated 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.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

1.8. Goods and Services Tax ("GST")

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST. Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

1.9. Employee Benefits

Provision is made for the company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. Employer superannuation contributions are made by the consolidated entity in accordance with statutory obligations and are charged as an expense when incurred.

1.10. Director/Employee Options

The fair value of options granted by the Company to directors and employees is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the directors/employees become unconditionally entitled to the options. The fair value at grant date is determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the vesting criteria, the unlisted nature of the option, the share price at grant date and the expected price volatility of the underlying shares in the Company, and the risk-free interest rate for the term of the option. Upon the exercise of options, the balance of the reserve relating to those options is transferred to share capital.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2006

1.11. 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 (if any) are shown within short-term borrowings in current liabilities on the balance sheet.

1.12. 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 when considered non-recoverable.

1.13. Investments and Other Financial Assets

Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

Financial assets at fair value through profit and loss - A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management and within the requirements of AASB 139: *Recognition and Measurement of Financial Instruments*. Realised and unrealised gains and losses arising from changes in the fair value of these assets are included in the income statement in the period in which they arise.

Loans and receivables - Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

Held-to-maturity investments - These investments have fixed maturities, and it is the consolidated entity's intention to hold these investments to maturity. Any held-to-maturity investments held by the consolidated entity are stated at amortised cost using the effective interest rate method.

Available-for-sale financial assets - Available-for-sale financial assets include any financial assets not included in the above categories. Available-for-sale financial assets are reflected at fair value. Unrealised gains and losses arising from changes in fair value are taken directly to equity.

Financial liabilities - Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

At each reporting date, the consolidated entity assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the income statement.

1.14. Fair Value Estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes. The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the consolidated entity is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price.

The fair value of financial instruments that are not traded in an active market (for example over-the-counter derivatives) is determined using valuation techniques. The consolidated entity may use a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the consolidated entity for similar financial instruments.

1.15. Property, Plant and Equipment

All property, plant and equipment is stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. 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 been discounted to their present value in determining recoverable amount.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Consolidated Entity and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2006

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

Class of Fixed Asset	Depreciation Rate	Depreciation Method
Plant and Equipment	15-40%	Diminishing Value
Leasehold Improvements	15%	Diminishing Value

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. 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 carrying amount. These are included in the income statement.

1.16. Impairment of Assets

At each reporting date, the consolidated entity 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 consolidated entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

1.17. Payables

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

1.18. Issued Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business, are included in the cost of the acquisition as part of the purchase consideration.

1.19. 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.

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.

1.20. 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.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2006

2. LOSS FOR THE YEAR

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

	Consolidated Entity		Company	
	2006	2005	2006	2005
(a) Revenue	$	$	$	$
Operating revenue				
Sales revenue	5,895	27,411	28	1,344
Interest received - other	49,732	7,257	49,525	7,257
	55,627	34,668	49,553	8,601
(b) Non-operating revenue				
Dividends from shares	19,285	17,627	19,285	17,627
	19,285	17,627	19,285	17,627
Total revenue	74,912	52,295	68,838	26,228
(c) Expenses				
Cost of sales	14,995	139,948	10,765	99,882
Operating expenses				
Classification and development works	3,700,119	1,747,639	3,699,678	1,747,639
Occupancy costs	12,769	28,176	12,769	28,177
Finance costs	3,335	1,546	2,218	1,488
Borrowing costs - interest paid	7,022	2,179	5,522	2,179
Administration costs				
Communications	10,488	12,809	10,488	12,809
Consultancy fees	28,801	50,269	28,801	50,269
Corporate costs				
Costs related to share investments	-	30,068	-	30,068
Exploration and evaluation	799,696	-	179,681	-
Acquisition of resource projects	527,552	-	412,413	-
Professional fees	52,795	345,882	29,910	345,882
Loss on share investments sold	87,583	31,507	87,583	31,507
Depreciation	12,517	15,947	12,517	15,947
Personnel costs	254,321	220,450	254,321	220,450
Provision for employee benefits	20,760	6,422	20,760	6,422
Provision for diminution - share investments	(96,644)	54,873	(93,992)	400,523
Provision/(write back) for non recovery of subsidiary and associate loans	-	-	795,715	1,896
Write back of previous amortisation of Internet Technologies	(3,338,152)	(1,348,052)	(3,338,152)	(1,348,052)
Write down intangibles	-	2,070	-	-
Write off obsolete assets	4,392	-	4,392	-
Other corporate expense	181,573	61,208	174,212	60,921
Equity share of Associate's losses	-	348,301	-	-
	2,283,922	1,751,242	2,309,601	1,708,007

3. SALE OF ASSETS

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

(a) Net Loss on sale of shares	87,583	31,507	87,583	31,507

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2006

	Consolidated Entity		Company	
	2006	2005	2006	2005
4. INCOME TAX EXPENSE	$	$	$	$
(a) The prima facie income tax on profit/ (loss) before income tax is reconciled to the income tax provided in the accounts as follows:				
Loss before income tax	(2,209,010)	(1,698,947)	(2,240,763)	(1,681,779)
Prima facie tax payable on loss before income tax at 30% (2005:30%)	(662,703)	(509,684)	(672,229)	(504,534)
Tax effect of permanent differences				
Write back of previous amortisation of Internet Technology	(1,001,446)	(404,416)	(1,001,446)	(404,416)
Assessable income	2,480	2,266	2,480	2,266
Other non deductible expenses	83,211	(38,516)	83,211	(38,516)
Equity share of Associate's losses	-	104,490	-	-
Tax effect of temporary differences				
Provision for diminution - share investments	(28,993)	16,462	(28,198)	120,157
Provision/(write back) for non recovery of subsidiary and associate loans	-	-	238,715	569
Provision for employee entitlements	6,228	1,927	6,228	1,927
Other provisions	(5,100)	-	(5,100)	-
Software write off	689,420	-	689,420	-
Diminution of Altera Capital Ltd investment	-	-	308,762	-
Tax losses not brought to account as future income tax benefits	916,903	827,471	378,157	822,547
Income tax expense (benefit)	-	-	-	-
(b) Deferred Tax Asset (at 30%) not brought to account				
On Income Tax Account				
Provisions	16,420	16,420	17,548	16,420
Other	490,150	919,007	490,150	919,007
Carry forward tax losses	2,882,129	2,503,971	2,882,129	2,503,971
	3,388,699	3,439,398	3,389,827	3,439,398
On Capital Account				
Carry forward tax losses	9,452	9,452	9,452	9,452

The Deferred Tax Asset not brought to account for the 2006 year will only be obtained if:

(i) the Company derives future assessable income of a nature and of an amount sufficient to enable the benefit to be realised;

(ii) the Company continues to comply with the conditions for deductibility imposed by tax legislation; and

(iii) the Company is able to meet the continuity of ownership and/or continuity of business tests.

(c) Deferred Tax Liability (at 30%)

There were no deferred tax liabilities identified.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2006

5. DIRECTORS' AND EXECUTIVES' DISCLOSURE

(a) Details of key management personnel (consolidated)

Directors

John Stephenson	Non-Executive Chairman (Appointed Chairman on 26 October 2005)
H.Shanker Madan	Managing Director (Appointed on 26 September 2005)
Farooq Khan	Executive Director
Victor Ho	Executive Director & Company Secretary
Azhar Chaudhri	Executive Director (Resigned on 26 September 2005)
Yaqoob Khan	Executive Director (Resigned on 26 September 2005)

Executives

The Consolidated Entity does not have any key executives (other than Executive Directors).

(b) Compensation of key management personnel (consolidated)

		Short term	Post employment		
		Salaries & Fees	Superannuation	Other Benefits	Total
Directors		$	$	$	$
2006	John Stephenson	17,192	1,547	-	18,739
	Farooq Khan	74,000	6,660	-	80,660
	H.Shanker Madan	31,846	53,174	8,500	93,520
	Victor Ho	30,000	2,700	-	32,700
	Azhar Chaudhri	11,925	-	-	11,925
	Yaqoob Khan	3,577	-	-	3,577
		168,540	64,081	8,500	241,121

Mr Madan provided geological consulting services to the Company prior to his joining the Board at a cost of $8,500 (exclusive of GST) to the Company.

2005	Farooq Khan	100,000	9,000	-	109,000
	Victor Ho	30,000	2,700	-	32,700
	Azhar Chaudhri	50,000	-	-	50,000
	Yaqoob Khan	14,602	-	-	14,602
		194,602	11,700	-	206,302

(c) Shareholdings of key management personnel (consolidated)

Directors	Balance at 1 July 2005	Net Change	Balance at Resignation	Balance at Appointment	Adjusted for conversion	Net Change	Balance at 30 June 2006
John Stephenson				-	-	50,000	50,000
Farooq Khan	53,743,866				17,914,623	(5,616,812)	12,297,811
H.Shanker Madan				1,000,000	333,333	-	333,333
Victor Ho	75,000				25,000	-	25,000
Azhar Chaudhri	52,774,221	(200,000)	52,574,221				
Yaqoob Khan	53,743,866	80,000	54,543,866				

The disclosures of equity holdings in (c) above and (d) below are in accordance with the accounting standards which requires a disclosure of direct and indirect holdings of spouses, relatives, spouses of relatives and entities under the control or significant influence of each of the same. There are instances of some overlap between the disclosed holdings in this regard.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2006

(d) Number of $0.20 (30 June 2008) options held by key management personnel (consolidated)

Directors	Balance at 1 July 2005	Issued under Prospectus	Net Change	Balance at 30 June 2006
John Stephenson	-	148,000	-	148,000
Farooq Khan	-	8,123,069	-	8,123,069
H.Shanker Madan	-	456,667	-	456,667
Victor Ho	-	188,501	-	188,501

On 21 April 2006, the Company allotted and issued 23,735,163 options, each to acquire one fully paid ordinary share in the Company at an exercise price of 20 cents with each such option expiring at 5:00pm (Perth time) on 30 June 2008, pursuant to applications received under a non-renounceable one for two rights issue prospectus dated 20 March 2006 which closed on 18 April 2006 (Prospectus Option Offer).

(e) Compensation policy

The Company's policy for determining the nature and amount of emoluments to directors of the Company is as follows: The Board determines the remuneration structure of all Directors and Executive Officers having regard to the Consolidated Entity's nature, scale and scope of operations and other relevant factors, including the frequency of Board meetings, length of service, particular experience and qualifications.

6. DISCONTINUED OPERATIONS

On 11 May 2006, the Directors decided to close down its Virtual Web Internet Filtering and Monitoring Solution operations. Financial information relating to the discontinued business from 1 July 2005 to the date of cessation is set out below.
In subsequent years, the consolidated entity may incur expenses for servicing existing clients until the expiry of their licences. The amount and volume of such service expenses is not expected to be material.

Financial information relating to the discontinued operations, which has been incorporated into the Income Statement, is as follows:	**Consolidated Entity**		**Company**	
	2006	**2005**	**2006**	**2005**
	$	**$**	**$**	**$**
Revenue	5,867	26,067	-	-
Expenses	(366,603)	(410,521)	(361,932)	(370,456)
(Profit) Loss before income tax	(360,736)	(384,454)	(361,932)	(370,456)
Income tax expense	-	-	-	-
(Profit) Loss after income tax	(360,736)	(384,454)	(361,932)	(370,456)
The carrying amounts of assets and liabilities of the operations at the date of cessation were:				
Total assets	-	-	-	-
Total liabilities	-	(206,311)	-	(206,311)
Net liabilities	-	(206,311)	-	(206,311)
The net cash flows of the businesses, which have been incorporated into the Cash Flows Statement, are as follows:				
Net cash outflow from operating activities	(7,020)	(3,436)	(43,316)	(3,436)
Net cash outflow from investing activities	(142,189)	(104,684)	(15,227)	(104,684)
Net decrease in cash from businesses	(149,209)	(108,120)	(58,543)	(108,120)

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2006

	Consolidated Entity		Company	
7. AUDITORS' REMUNERATION	**2006**	**2005**	**2006**	**2005**
Amounts received or due and receivable by the Consolidated Entity's auditors for:	**$**	**$**	**$**	**$**
Auditor of the parent entity				
Audit and review of financial reports	14,111	11,715	14,111	11,715
Other services - tax compliance	2,015	2,000	2,015	2,000
	16,126	13,715	16,126	13,715
8. LOSSES PER SHARE				
Basic loss per share (cents)	(5.64)	(6.25)	(5.72)	(6.18)
Diluted loss per share (cents)	(3.34)	(6.25)	(3.39)	(6.18)
Net Loss	(2,209,010)	(1,698,947)	(2,240,763)	(1,681,779)
Weighted average number of ordinary shares outstanding during the period used in calculation of basic earnings per share	39,197,665	27,197,760	39,197,665	27,197,760
Weighted average number of options outstanding	26,869,141	-	26,869,141	-
	66,066,806	27,197,760	66,066,806	27,197,760
9. CASH AND CASH EQUIVALENTS				
Cash at bank	1,299,813	54,197	1,265,224	50,956
Deposit at call	10,000	-	10,000	-
	1,309,813	54,197	1,275,224	50,956

(a) Reconciliation of Loss after Tax to Net Cash Flows from Operations

	Consolidated 2006	Consolidated 2005	Company 2006	Company 2005
Operating loss after tax	(2,209,010)	(1,698,947)	(2,240,763)	(1,681,779)
Non cashflows in loss from ordinary activities				
Depreciation - plant & equipment	12,517	15,947	12,517	15,947
Write off obsolete assets	4,392	-	4,392	-
Classification and development works	3,693,346	1,715,260	3,693,346	1,715,260
Loss/(Gain) on sale of investments	87,583	31,507	87,583	31,507
Provision for diminution - share investments	(96,644)	54,873	(93,992)	400,523
Provision/(write back) for non recovery of subsidiary and associate loans	-	-	795,715	-
Write back of previous amortisation of Internet Technologies	(3,338,152)	(1,348,052)	(3,338,152)	(1,348,052)
Write down intangibles	-	2,070	-	-
Equity share of Associate's losses	-	348,301	-	-
Acquisition of resource projects through issue of shares	361,333	-	361,333	-
Decrease/(Increase) in assets:				
Receivables	(32,778)	40,889	(829,871)	29,163
Prepayments	(492)	-	(492)	-
Increase/(Decrease) in liabilities:				
Trade creditors and accruals	(211,555)	209,153	(211,555)	209,153
Provisions	20,760	6,422	20,760	6,422
Net cash outflows from operating activities	(1,708,700)	(622,577)	(1,739,179)	(621,856)

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2006

(b) Disclosure of non-cash financing and investing activities

On 19 August 2005, the Company issued 20,965,814 shares (equivalent to 6,980,607 shares on a post one for three share conversion basis) at a deemed issue price of 2 cents per share (valuing the issue at $419,316) to Data Base Systems Limited (DBS) pursuant to shareholder approval on 22 July 2005 of a termination and settlement of a portal classification agreement between the Company and DBS.

On 23 December 2005, the Company issued 350,000 shares (equivalent to 116,667 shares on a post one for three share conversion basis) at a deemed issue price of 8 cents per share (valuing the issue at $28,000) to Uranium Oil and Gas Limited (UOG) pursuant to an agreement for the Company to acquire a tenement interest in Western Australia.

On 9 February 2006, the Company issued 1,666,667 shares (post share conversion) at an deemed issue price of 20 cents per share (valuing the issue at $333,333) to Hume Mining NL (Hume) as consideration pursuant to settlement of an agreement with Hume dated 15 September 2005 (as amended) for the acquisition by the Company of an interest in a suite of resource projects in the Northern Territory and Western Australia.

	Consolidated Entity		Company	
	2006	2005	2006	2005
10. TRADE AND OTHER RECEIVABLES				
Amounts receivable from	$	$	$	$
Trade debtors	-	2,340	-	-
Sundry debtors	2,187	413	2,187	413
Amounts owed by associate companies	34,323	-	34,323	-
Return of capital receivable	-	159,085	-	159,085
Goods and services tax recoverable	7,143	7,621	5,685	7,125
	43,653	169,459	42,195	166,623
11. OTHER CURRENT ASSETS				
Prepayment	492	-	492	-
12. NON CURRENT RECEIVABLES				
Amounts receivable from				
Bonds and guarantees	-	500	-	500
Amounts owed by controlled entities	-	-	817,703	21,988
Provision for doubtful debt	-	-	(817,703)	(21,988)
	-	500	-	500

13. PROPERTY, PLANT AND EQUIPMENT

	Plant and Equipment	Leasehold Improvements	Total
<u>2006 Consolidated and Company</u>	$	$	$
At 1 July 2005, net of accumulated depreciation and impairment	38,113	9,196	47,309
Additions	21,338	-	21,338
Depreciation expense	(11,138)	(1,379)	(12,517)
Disposal of obsolete assets	(22,435)	-	(22,435)
Reversal of disposed assets' accumulated depreciation	18,043	-	18,043
At 30 June 2006, net of accumulated depreciation and impairment	43,921	7,817	51,738
At 1 July 2005			
Cost or fair value	155,686	21,787	177,473
Accumulated depreciation and impairment	(117,573)	(12,591)	(130,164)
Net carrying amount	38,113	9,196	47,309
At 30 June 2006			
Cost or fair value	154,589	21,788	176,377
Accumulated depreciation and impairment	(110,668)	(13,971)	(124,639)
Net carrying amount	43,921	7,817	51,738

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2006

2005 Consolidated and Company	Plant and Equipment	Leasehold Improvements	Total
	$	$	$
At 1 July 2004, net of accumulated depreciation and impairment	51,067	10,819	61,886
Additions	1,370	-	1,370
Depreciation expense	(14,324)	(1,623)	(15,947)
At 30 June 2005, net of accumulated depreciation and impairment	38,113	9,196	47,309
At 1 July 2004			
Cost or fair value	154,316	21,788	176,104
Accumulated depreciation and impairment	(103,249)	(10,986)	(114,235)
Net carrying amount	51,067	10,802	61,869
At 30 June 2005			
Cost or fair value	155,686	21,787	177,473
Accumulated depreciation and impairment	(117,573)	(12,591)	(130,164)
Net carrying amount	38,113	9,196	47,309

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

14. OTHER NON-CURRENT FINANCIAL ASSETS

	Consolidated Entity		Company	
	2006	2005	2006	2005
Investments comprise:	$	$	$	$
Shares and options in listed companies	632,474	627,929	632,474	627,929
Shares in associated companies - at cost	-	-	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)
	475,287	376,750	475,387	526,927
Market value of investments at balance date				
Shares in listed companies	475,287	377,279	475,387	377,279

(a) **Investment in Controlled Entities**

	Percentage of Ownership	
	2006	2005
Strike Operations Pty Ltd (formerly Virtual Web Pty Ltd) (SOPL) Incorporated in Australia, on 28 November 2002.	100%	100%
PT Indo Batubara (100% beneficially owned by SOPL) Incorporated in Indonesia on 8 December 2005	100%	-

15. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Name of Associate Entity	Principal Activity	Ownership Interest	Consolidated Carrying Amount 2006	2005
			$	$
Altera Capital Ltd (AEA)	suspended from ASX	32.25%	-	147,425
Sofcom Ltd (SOF)	suspended from ASX	27.82%	-	-
			-	147,425

On 22 July 2005, the Company received, inter alia, a return of capital from AEA comprising an in-specie distribution of 11,694,539 shares in Sofcom Limited, which is the 27.82% holding reported above.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2006

	Consolidated Carrying Amount	
	2006	2005
Movement in carrying amounts	$	$
Equity accounted amount of investment at the beginning of the financial year	147,425	640,092
New investment during the year	23,003	-
Share of losses from ordinary activities before income tax expense	(20,352)	(348,301)
Return of capital receivable	(150,076)	(144,366)
Equity accounted amount of investment at the end of the financial year	-	147,425
Directors' valuation (as no "market value" due to Associate being suspended from ASX)	65,151	150,076
Share of associates' profits or losses		
Loss before income tax	(20,352)	(348,301)
Income tax expense	-	-
Loss after income tax	(20,352)	(348,301)

Summarised financial information of associates:	Consolidated Entity's share of			
2006	**Assets**	**Liabilities**	**Revenues**	**Profit (Loss)**
Altera Capital Ltd	7,116	(20,831)	6,171	10,967
Sofcom Ltd	30,556	(12,257)	181,949	(62,726)
	37,672	(33,087)	188,121	(51,760)
2005				
Altera Capital Ltd	399,323	(266,006)	1,168,102	(448,124)

On 8 August 2006, the Company disposed of its shareholding in AEA in consideration for $65,151 cash.

16. INTERNET TECHNOLOGIES

	Consolidated Entity		Company	
	2006	2005	2006	2005
	$	$	$	$
(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	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2006

	Consolidated Entity		Company	
	2006	2005	2006	2005
Summary of Portal Technology	$	$	$	$
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	-	-	-	-
Virtual Web development works				
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	-	-	-	-

On 19 August 2005, the Company issued 20,965,814 new shares (equivalent to 6,980,607 shares on a post one for three share conversion basis) at a deemed issue price of 2 cents per share (valuing the issue at $419,316) 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 a portal classification agreement with DBS. The cash settlement sum was repaid in full (with accrued interest at 7% per annum) on 11 January 2006. A copy of the 22 July 2005 general meeting documentation can be viewed and downloaded from the Company's website: www.strikeresources.com.au

17. EXPLORATION AND EVALUATION EXPENDITURE

Balance at the beginning of the year	-	-	-	-
Acquisition costs	527,552	-	412,413	-
Acquisitions cost expensed	(527,552)	-	(412,413)	-
Exploration and evaluation expenditure	799,696	-	179,681	-
Exploration and evaluation expenditure expensed	(799,696)	-	(179,681)	-
Balance at the end of the year	-	-	-	-

18. TRADE AND OTHER PAYABLES

Trade creditors	14,022	5,737	14,022	5,737
Other creditors and accruals	64,344	51,340	64,344	51,340
Amounts due to related parties	47,837	482,236	47,837	482,236
Options exercise monies held pending conversion to shares	4,783	-	4,783	-
Unmarketable parcel trust account	5,484	5,556	5,484	5,556
	136,470	544,869	136,470	544,869

19. PROVISIONS

Provision for employee entitlements	42,492	21,732	42,492	21,732
Number of employees (including Executive Directors and Officers) at Balance Date	5	4	5	4

20. ISSUED CAPITAL

Issued and Paid-Up Capital				
47,835,701 (2005: 81,593,281) fully paid ordinary shares	19,848,109	16,414,372	19,848,109	16,414,372

On 3 January 2006, the Company completed a one for three share Conversion (such that every three shares held in the Company was converted into one share). The share conversion reduced the issued share capital from 114,909,095 to 38,303,012 shares. Each fully paid ordinary share carries one vote per share and the right to participate in dividends.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2006

	Date of movement	Number of shares	Company 2006	Company 2005
Movement in Ordinary Share Capital			$	$
At 1 July 2004		81,593,281	16,414,372	16,414,372
At 1 July 2005		81,593,281	16,414,372	16,414,372
Settlement of Portal Classification Agreement	19-Aug-05	20,965,814	419,316	
Share placement	18-Oct-05	2,290,000	229,000	
Share placement	23-Dec-05	9,710,000	971,000	
Acquisition of resource project	23-Dec-05	350,000	28,000	
1 for 3 share conversion	03-Jan-06	(76,606,083)	-	
Share offer	03-Feb-06	7,500,000	1,500,000	
Acquisition of resource projects	09-Feb-06	1,666,667	333,333	
Option conversions ($0.20 30 June 2008)	30-Jun-06	366,022	73,204	
Share offer expenses			(120,116)	
At 30 June 2006		47,835,701	19,848,109	16,414,372

21. RESERVES	Consolidated Entity 2006	Consolidated Entity 2005	Company 2006	Company 2005
	$	$	$	$
Options Reserve	247,386	-	247,386	-
Foreign Currency Translation Reserve	869	-	-	-
	248,255	-	247,386	-

Movement in Options Reserve

The number of unlisted options outstanding over unissued ordinary shares at balance date is as follows	Date of movement	Number of options	Company 2006 $
Unlisted options exercisable at 20 cents on or before 9 Feb 2011	10-Feb-06	1,833,333	5,238
Unlisted options exercisable at 30 cents on or before 9 Feb 2011	10-Feb-06	1,666,667	4,762
		3,500,000	10,000

The number of listed options outstanding over unissued ordinary shares at balance date is as follows	Date of movement	Number of options	Company 2006 $
Listed options exercisable at 20 cents on or before 30 June 2008	21-Apr-06	23,735,163	237,386
Options exercised	19-May-06	(234,104)	
Options exercised	23-May-06	(21,667)	
Options exercised	12-Jun-06	(106,417)	
Options exercised	16-Jun-06	(3,834)	
		23,369,141	237,386

The Option Reserve records the consideration (net of expenses) received by the Company on the issue of options.

The Foreign Currency Translation Reserve records exchange rate differences arising on translation of monetary assets held by a controlled foreign entity.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2006

22. ACCUMULATED LOSSES	Consolidated Entity 2006 $	Consolidated Entity 2005 $	Company 2006 $	Company 2005 $
Balance at beginning of the year	(16,185,333)	(14,486,386)	(16,188,658)	(14,506,879)
Net loss after tax	(2,209,010)	(1,698,947)	(2,240,763)	(1,681,779)
Balance at end of financial year	(18,394,343)	(16,185,333)	(18,429,421)	(16,188,658)

23. RELATED PARTY DISCLOSURES

The following table provides the total amount of transactions that were entered into with related parties for the relevant financial year.

Transactions with Controlled Entities	Note	Amount owed by related parties $
Strike Operations Pty Ltd	12	817,703
Subsidiary of Strike Operations Pty Ltd		
PT Indo Batubara		74

Details of the percentage of ordinary shares held in controlled entities are disclosed in Note 14 to the financial statements. The following amounts remain outstanding at balance date. Interest is not charged on such outstanding amounts.

Loan provided to Associate	Note	Amount owed by related parties $
Altera Capital Limited	12	34,323

Details of the percentage of ordinary shares held in associate are disclosed in Note 15 to the financial statements. The following amounts remain outstanding at balance date. Interest is charged at 7% on such outstanding amounts.

This loan was repaid in full by AEA on 8 August 2006.

24. SEGMENT REPORTING

The Consolidated Entity is based in Australia but has resource projects in Indonesia and Peru. The Consolidated Entity has closed its Virtual Web Internet Filtering and Monitoring Solution operations.

Primary Reporting- Business segments Segment Revenues & Results	External Revenue 2006 $	External Revenue 2005 $	Operating Results 2006 $	Operating Results 2005 $
Resource projects	-	-	(1,327,248)	-
Internet Technologies	5,895	27,411	(371,067)	(514,194)
Investments	19,285	459,606	28,346	(447,122)
	25,180	487,017	(1,669,969)	(961,316)
Unallocated	49,732	7,257	(539,041)	(737,631)
	74,912	494,274		
Loss before income tax			(2,209,010)	(1,698,947)
Income tax expense			-	-
Loss after income tax			(2,209,010)	(1,698,947)

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2006

	Assets		Liabilities	
	2006	2005	2006	2005
Segment Assets & Liabilities	$	$	$	$
Internet Technologies	-	2,340	-	(218,166)
Resource projects	1,458	-	-	-
Investments	475,287	524,175	-	-
	476,745	526,515	-	(218,166)
Unallocated	1,404,238	269,125	(178,962)	(348,435)
	1,880,983	795,640	(178,962)	(566,601)

	Internet Technologies		Investments	
Other Segment Information	2006	2005	2006	2005
	$	$	$	$
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 Internet Technology	3,338,152	1,348,052	-	-
Diminution of segment assets (write back)			96,644	(54,873)

Secondary reporting - Geographical segments

	Segment revenues		Carrying amount of segment assets		Acquisitions of non-current segment assets	
	2006	2005	2006	2005	2006	2005
	$	$	$	$	$	$
Australia	74,912	494,274	1,880,983	795,640	21,338	347,371
Indonesia	-	-	-	-	-	-
Peru	-	-	-	-	-	-
	74,912	494,274	1,880,983	795,640	21,338	347,371

25. FINANCIAL INSTRUMENTS

Financial Risk Management Objectives and Policies

The consolidated entity's financial instruments mainly consist of deposits with banks, accounts receivable and payable, loans to related parties and shares in listed securities. The main risks arising from the consolidated entity's financial instruments are interest rate risk, foreign currency risk, credit risk, market price risk and liquidity risk.

(a) Interest Rate Risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The consolidated entity's exposure to market risk for changes in interest rates relate primarily to investments held in interest bearing instruments. The consolidated entity has no borrowings.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2006

	Weighted Average Interest Rate	Variable Interest Rate $	Fixed Interest Rate $	Non Interest Bearing $	Total $
2006					
Financial assets					
Cash and cash equivalents	6.6%	1,299,813	10,000	-	1,309,813
Trade and other receivables		-	-	43,653	43,653
Investment in Associates		-	-	-	-
Shares in listed companies		-	-	475,287	475,287
		1,299,813	10,000	518,940	1,828,753
Financial liabilities					
Trade and other payables		-	-	(136,470)	(136,470)
Employee entitlements		-	-	(42,492)	(42,492)
		-	-	(178,962)	(178,962)
Net financial assets		1,299,813	10,000	339,978	1,649,791
2005					
Financial assets					
Cash and cash equivalents	3.8%	54,197	-	-	54,197
Trade and other receivables		-	-	169,959	169,959
Investment in Associates		-	-	147,425	147,425
Shares in listed companies		-	-	376,750	376,750
		54,197	-	694,134	748,331
Financial liabilities					
Trade and other payables	7.0%	-	(245,957)	(298,912)	(544,869)
Employee entitlements		-	-	(21,732)	(21,732)
		-	(245,957)	(320,644)	(566,601)
Net financial assets		54,197	(245,957)	373,490	181,730

Reconciliation of net financial assets to net assets	Consolidated Entity 2006 $	Consolidated Entity 2005 $
Net financial assets as above	1,649,791	181,730
Non-financial assets and liabilities		
Prepayment	492	-
Property, plant and equipment	51,738	47,309
Portal Technology and Intangibles	-	-
Exploration expenditure	-	-
	1,702,021	229,039

(b) **Foreign Currency Risk**

The consolidated entity is exposed to foreign currency risk on cash held by a controlled foreign entity, foreign resource project investment commitments and exploration and evaluation expenditure on foreign resource projects. The currency risk giving rise to this risk is primarily US dollars. The consolidated entity has not entered into any forward exchange contracts as at balance date and is currently fully exposed to foreign exchange risk.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2006

(c) Credit Risk

Credit risk refers to the risk that a counterparty under a financial instrument will default (in whole or in part) on its contractual obligations resulting in financial loss to the consolidated entity. Concentrations of credit risk are minimised primarily by undertaking appropriate due diligence on potential investments, carrying out all market transactions through approved brokers, settling non-market transactions with the involvement of suitably qualified legal and accounting personnel (both internal and external), and obtaining sufficient collateral or other security (where appropriate) as a means of mitigating the risk of financial loss from defaults.

Market prices of listed financial instruments generally incorporate credit assessments into valuations and risk of loss is implicitly provided for in the carrying value of such assets in the financial statements as they are marked to market at balance date. The consolidated entity measures credit risk on a fair value basis. The carrying amount of financial assets recorded in the financial statements, net of any provision for losses, represents the consolidated entity's maximum exposure to credit risk without taking account of the value of any collateral or other security obtained (if any).

(d) Net Fair Value of Financial Assets and Liabilities

The carrying amount of financial instruments recorded in the financial statements represent their fair value determined in accordance with the accounting policies disclosed in note 1. The aggregate fair value and carrying amount of financial assets and financial liabilities at balance date are:

	Consolidated Entity			
	Carrying Amount	**Net Fair Value**	**Carrying Amount**	**Net Fair Value**
Financial Assets	**2006**	**2006**	**2005**	**2005**
	$	**$**	**$**	**$**
Cash and cash equivalents	1,309,813	1,309,813	54,197	54,197
Trade and other receivables	43,653	43,653	169,959	169,959
Investments	475,287	475,287	376,750	377,279
Total Financial Assets	1,828,753	1,828,753	600,906	601,435
Financial Liabilities				
Trade and other payables	(136,470)	(136,470)	(544,869)	(544,869)

(e) Market price risk

Market price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments in the market. Market risk is minimised through ensuring that investment activities are undertaken in accordance with Board established mandate limits and investment strategies.

(f) Liquidity risk

Liquidity risk is the risk that the consolidated entity will encounter difficulty in meeting obligations associated with financial liabilities. The consolidated entity has no borrowings.

26. COMMITMENTS

	Consolidated		Company	
	2006	**2005**	**2006**	**2005**
(a) Lease Commitments	**$**	**$**	**$**	**$**
Non-cancellable operating lease commitments:				
Not longer than one year	63,660	-	63,660	-
Between 12 months and 5 years	254,641	-	254,641	-
Greater than 5 years	127,320	-	127,320	-
	445,621	-	445,621	-

The lease is the Company's share of the office premises at Level 14, The Forrest Centre, 221 St Georges Terrace, Perth, Western Australia, and includes all outgoings (exclusive of GST). The lease is for a 7 year term expiring 30 June 2013 and contains a rent review increase each year alternating between 5% and the greater of market rate or CPI + 1%.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2006

(b) **Exploration Tenement Leases - Commitments for Expenditure**
In order to maintain current rights of tenure to its Australian exploration tenements, the Company is required to outlay lease rentals and meet minimum expenditure commitments. Based on tenements which have been granted as at the date of this report, the Company has a 12 month commitment of $193,918. The 12 month commitment on the balance of the Company's Australian tenement portfolio is $317,244.

Financial commitments for subsequent periods are contingent upon future exploration and evaluation results and cannot be estimated. These obligations are subject to renegotiation upon expiry of the tenement lease or when application for a mining lease is made and have not been provided for in the accounts.

(c) **Standard Heritage Protection Agreements**
These agreements facilitate the preservation of aboriginal heritage through the protection of aboriginal sites and objects upon the grant of mining tenements. The Heritage Protection Agreements require the Company to conduct aboriginal heritage surveys prior to conducting exploration that is not low impact in nature and detail procedures to be followed if an aboriginal site is identified.

(d) **Project Commitments**

Commitments exist in relation to certain resource projects of the Consolidated Entity over the next financial year, being the minimum commitment of the same should the relevant project not proceed:

(i) **Apurimac Ferrum Peruvian Iron-Ore Agreement** - under an agreement dated 2 July 2006 between the Company and Peruvian companies, Apurimac Ferrum S.A (AF), Minera los Andes y el Pacifico S.A. (MAPSA) and D&C Group S.A.C (D&C), the Company has secured the right to earn a 51% (or greater) interest in the Apurimac Project or the Cuzco Project or both (at Strike's election) through a progressive investment in AF (which will hold the projects) within a 5 year period after declaration of satisfaction of due diligence (on 15 September 2006)

If it elects to proceed with the projects following successful completion of its due diligence, the Company has a minimum investment commitment of US$1.4 million spread over 4 tranches during the first 12 months of the Earn-In Period to earn a 9.62% in AF. This will require equity and or debt financing by the Company.

(ii) **West Java Banten (Indonesia) Copper/Gold Agreement** - under a cooperation agreement dated 16 March 2005 with PT Suda Miskin (Suda Miskin) in relation to the West Java Copper/Gold Project, the Consolidated Entity has a commitment to pay the vendor US$20,000 within the next financial year and US$30,000 within the following financial year.

27. CONTINGENT ASSETS AND LIABILITIES

Contingent assets and liabilities exist in relation to certain resource projects of the Consolidated Entity subject to the continued development and advancement of the same.

(i) **Apurimac Ferrum Peruvian Iron-Ore Agreement** - the Company has the right to earn a 51% (or greater) interest in the Apurimac Project or the Cuzco Project or both (at Strike's election) through a progressive investment in AF within the Earn-In Period of up to US$41 million - comprising a US$5 million investment into AF, $1.5 million to acquire a further 2.88% interest in AF from MAPSA and D&C and US$17.25 million to exercise an option over each of the Apurimac Project or the Cuzco Project.

If it elects to proceed with the projects following successful completion of its due diligence, the Company has a minimum investment commitment of US$1.4 million spread over 4 tranches during the first 12 months of the Earn-In Period and can withdraw at any time thereafter with liability only for obligations incurred up to the date of withdrawal.

(ii) **West Java Banten (Indonesia) Copper/Gold Agreement** - Suda Miskin is entitled to receive a 19% share of after tax net profits from production. The Consolidated Entity may withdraw from the project at any time without any further obligations after the date of withdrawal.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2006

(iii) **Hume Mining NL Agreement** - By an agreement dated 15 September 2005 (as amended) with Hume Mining NL, the Company acquired an interest in various tenements located in the Northern Territory and in Western Australia. Under the agreement, Hume is entitled to receive a royalty of 2% of gross revenues (exclusive of GST) arising from any commercial exploitation of any minerals from the tenements.

(iv) **Native Title** - the Company's mining tenements in Australia may be subject to native title applications in the future. At this stage it is not possible to quantify the impact (if any) that native title may have on the operations of the Company.

(v) On 12 June 2006, at the request of Altera Capital Limited (**AEA**) (an Associate entity), the Company irrevocably agreed to lend to AEA such amounts as AEA may require to enable AEA to repay all of its debts (both current and future) in full, capped in the sum of $33,000, which amounts are to be advanced to AEA upon written demand. Any advance will be unsecured, attract interest of 7% per annum and will not be repayable (in whole or in part) unless and until AEA has raised equity funds sufficient to repay such amounts after payment of all other creditors and after allowing a sufficient sum to meet the ongoing working capital requirements of AEA. As at balance date, AEA had not drawn upon such financial accommodation. On 8 August 2006, AEA terminated such irrevocable letter of credit after raising sufficient capital from a share placement.

28. EVENTS AFTER BALANCE DATE

(a) On 2 July 2006, the Company entered into the Apurimac Ferrum Peruvian Iron-Ore Agreement referred to in notes 26 and 27.

(b) On 25 May 2006, the Company entered into a share sale agreement with a syndicate of investors to dispose of 20,002,860 shares (27.8%) in Altera Capital Limited (AEA) (an Associate entity) in consideration for $65,151 cash. On 3 August 2006, AEA shareholders approved the sale and on 8 August 2006, the sale was completed with the Company also receiving $34,573 from AEA being the full repayment of a loan advanced to AEA during the financial year. AEA also terminated an irrevocable unsecured letter of credit of $33,000 provided by the Company to AEA on 12 June 2006.

(c) By a cooperation agreement dated 24 November 2005 between Strike Operations Pty Limited (SOPL) (a wholly owned subsidiary of the Company), PT Indo Batubara (PITB) (100% beneficially owned by SOPL), PT Kaltim Jaya Coal (KJC) and Pt Kaltim Jaya Mineral (KJM), PITB had the right to exclusively conduct general survey activities, explore for, exploit, mine and sell all coal in the concession area covered by KP2. The Company had sought an extension of the due diligence period for a further 3.5 months from 15 July to 30 November 2006. The concession holders did not grant the extension to 30 November 2006 sought by the Company and accordingly, the Company determined not to proceed with this coal project and there will be no further payments required to be made under the agreement.

(d) On 14 July 2006, shareholders approved the issue of a total of 4,600,000 options to its four directors (Messrs Stephenson, Madan, Khan and Ho). These options were issued to the directors on 21 July 2006 with an exercise price of $0.96 and a term of 5 years ($0.96 21 July 2011 Directors' Options).

(e) The Board has agreed to issue to Mr William Johnson (who joined the Board as Non-Executive Director on 14 July 2006) 500,000 options at the same $0.96 exercise price and with the same vesting period (and otherwise on the same terms as the $0.96 (21 July 2011) Directors' Options) subject to shareholder approval to be sought at the Company's 2006 AGM.

(f) Since the balance date to 14 August 2006, 296,657 listed $0.20 (30 June 2008) Options have been exercised raising $59,331.

DIRECTORS' DECLARATION

The Directors of the Company declare that:

1. The financial statements, comprising the Income Statement, Balance Sheet, Statement of Changes in Equity and Cash Flow Statement, and accompanying notes as set out on pages 34 to 58, are in accordance with the *Corporations Act 2001* and:

   (a) comply with Accounting Standards and the Corporations Regulations 2001; and

   (b) give a true and fair view of the Company's and Consolidated Entity's financial position as at 30 June 2006 and of their performance for the year ended on that date;

2. In the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

3. The Directors have been given the declarations required by section 295A of the *Corporations Act 2001* by the Managing Director, the person who performs the chief executive function, and by the Company Secretary, the person who performs the chief financial officer function, for the purposes of section 295A, who have each declared that:

   (a) the financial records of the Company for the financial year have been properly maintained in accordance with section 286 of the *Corporations Act 2001*;

   (b) the financial statements are in accordance with the *Corporations Act 2001,* comply with Accounting Standards and the Corporations Regulations 2001 and give a true and fair view of the Company's financial position as at 30 June 2006 and of its performance for the year ended on that date; and

   (c) the financial statements are founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board. The Company's risk management and internal compliance and control systems are operating efficiently and effectively in all material respects.

This declaration is made in accordance with a resolution of the Directors made pursuant to section 295(5) of the *Corporations Act 2001*.

Shanker Madan
Managing Director

Victor Ho
Company Secretary

Perth, Western Australia

16 August 2006

INDEPENDENT AUDIT REPORT

TO THE MEMBERS OF STRIKE RESOURCES LIMITED

SCOPE

The financial report and directors' responsibility
The financial report comprises the balance sheet, income statement, statement of changes in equity and statement of cash-flows, accompanying notes to the financial statements, and the directors' declaration for Strike Resources Limited (the Company) and the consolidated entity for the year ended 30 June 2006. The consolidated entity comprises both the company and the entities it controlled during the year.

The directors of the Company are responsible for the preparation and true and fair presentation of the financial report 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.

Audit approach
We conducted an independent audit in order to express an opinion to the members of the Company. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001*, including compliance with Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the Company's and the consolidated entity's financial position, and of their performance as represented by the results of their operations and cash flows.

We formed our opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

INDEPENDENCE

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*.

AUDIT OPINION

In our opinion, the financial report of Strike Resources Limited is in accordance with:

a) the *Corporations Act 2001*, including:

 (i) giving a true and fair view of the Company's and consolidated entity's financial position as at 30 June 2006 and of their performance for the year ended on that date; and

 (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and

b) other mandatory professional reporting requirements in Australia.

Stantons International
(Authorised Audit Company)

J P Van Dieren
Director

Perth, Western Australia
16 August 2006

CORPORATE GOVERNANCE STATEMENT

Compliance with Corporate Governance Council's Principles

The extent to which the Company has followed the ASX Corporate Governance Council's 10 principles of good corporate governance and best practice recommendations are as follows:

Principle 1: Lay solid foundations for management and oversight	**Compliance**	**CGS References / Comments**
1.1 Formalise and disclose the functions reserved to the board and those delegated to management.	Yes	2, 3.3, 4.1
1.2 Provide the information indicated in Guide to reporting on Principle 1. The following material should be included in the corporate governance section of the annual report: • an explanation of any departure from best practice recommendation 1.1. The following material should be made publicly available, ideally by posting it to the company's website in a clearly marked corporate governance section: • the statement of matters reserved for the board or a summary of the board charter or the statement of delegated authority to management.	Yes	Annual Reports Website CGS
Principle 2: Structure the board to add value		
2.1 A majority of the board should be independent directors.	No	3.5
2.2 The chairperson should be an independent director	Yes	3, 3.3, 3.5
2.3 The roles of chairperson and chief executive officer should not be exercised by the same individual.	Yes	3, 3.2, 3.3, 4.1
2.4 The board should establish a nomination committee	No	4.2
2.5 Provide the information indicated in Guide to reporting on Principle 2. The following material should be included in the corporate governance section of the annual report: • the skills, experience and expertise relevant to the position of director held by each director in office at the date of the annual report • the names of the directors considered by the board to constitute independent directors and the company's materiality thresholds • a statement as to whether there is a procedure agreed by the board for directors to take independent professional advice at the expense of the company • the term of office held by each director in office at the date of the annual report • the names of members of the nomination committee and their attendance at meetings of the committee • an explanation of any departures from best practice recommendations 2.1, 2.2, 2.3, 2.4 or 2.5. The following material should be made publicly available, ideally by posting it to the company's website in a clearly marked corporate governance section: • a description of the procedure for the selection and appointment of new directors to the board • the charter of the nomination committee or a summary of the role, rights, responsibilities and membership requirements for that committee • the nomination committee's policy for the appointment of directors.	Yes	Annual Reports Website CGS
Principle 3: Promote ethical and responsible decision-making		
3.1 Establish a code of conduct to guide the directors, the chief executive officer (or equivalent), the chief financial officer (or equivalent) and any other key executives as to:	No	6
3.1.1 the practices necessary to maintain confidence in the company's integrity		
3.1.2 the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.		
3.2 Disclose the policy concerning trading in company securities by directors officers and employees.	Yes	3.8

CORPORATE GOVERNANCE STATEMENT

Principle 3: Promote ethical and responsible decision-making (continued)	Compliance	CGS References / Comments
3.3 Provide the information indicated in Guide to reporting on Principle 3. The following material should be included in the corporate governance section of the annual report: • explanation of any departures from best practice recommendations 3.1, 3.2 or 3.3. The following material should be made publicly available, ideally by posting it to the company's website in a clearly marked corporate governance section: • any applicable code of conduct or a summary of its main provisions. This disclosure may be the same as that required under Principle 10. • the trading policy or a summary of its main provisions.	Yes	Annual Reports Website CGS 3.8
Principle 4: Safeguard integrity in financial reporting		
4.1 Require the chief executive officer (or equivalent) and the chief financial officer (or equivalent) to state in writing to the board that the company's financial reports present a true and fair view, in all material respects, of the company's financial condition and operational results and are in accordance with relevant accounting standards.	Yes	4.1, 7
4.2 The board should establish an audit committee.	No	4.2
4.3 Structure the audit committee so that it consists of:	No	4.2, 3
• only non-executive directors		
• a majority of independent directors		
• an independent chairperson, who is not chairperson of the board		
• at least three members.		
4.4 The audit committee should have a formal charter.	No	4.2
4.5 Provide the information indicated in Guide to reporting on Principle 4. The following material should be included in the corporate governance section of the annual report: • details of the names and qualifications of those appointed to the audit committee, or, where an audit committee has not been formed, those who fulfil the functions of an audit committee • the number of meetings of the audit committee and the names of the attendees • explanation of any departures from best practice recommendations 4.1, 4.2, 4.3, 4.4 or 4.5. The following material should be made publicly available, ideally by posting it to the company's website in a clearly marked corporate governance section: • the audit committee charter • information on procedures for the selection and appointment of the external auditor, and for the rotation of external audit engagement partners.	Yes	Annual Reports Website CGS
Principle 5: Make timely and balanced disclosure		
5.1 Establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior management level for that compliance.	Yes	7, 8.2
5.2 Provide the information indicated in Guide to reporting on Principle 5. The following material should be included in the corporate governance section of the annual report: • explanation of any departures from best practice recommendation 5.1 or 5.2. The following material should be made publicly available, ideally by posting it to the company's website in a clearly marked corporate governance section: • a summary of the policies and procedures designed to guide compliance with Listing Rule disclosure requirements.	Yes	Annual Reports Website CGS

CORPORATE GOVERNANCE STATEMENT

Principle 6: Respect the rights of shareholders	Compliance	CGS References / Comments
6.1 Design and disclose a communications strategy to promote effective communication with shareholders and encourage effective participation at general meetings	Yes	8.1
6.2 Request the external auditor to attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.	Yes	Annual General Meetings
6.3 Provide the information indicated in Guide to reporting on Principle 6. The following material should be included in the corporate governance section of the annual report: • explanation of any departures from best practice recommendations 6.1 or 6.2. The following material should be made publicly available, ideally by posting it to the company's website in a clearly marked corporate governance section: • a description of the arrangements the company has to promote communication with shareholders.	Yes	Annual Reports Website CGS
Principle 7: Recognise and manage risk		
7.1 The board or appropriate board committee should establish policies on risk oversight and management.	Yes	7
7.2 The chief executive officer (or equivalent) and the chief financial officer (or equivalent) should state to the board in writing that:	Yes	7
7.2.1 the statement given in accordance with best practice recommendation 4.1 (the integrity of financial statements) is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the board.		
7.2.2 the company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.		
7.3 Provide the information indicated in Guide to reporting on Principle 7. The following material should be included in the corporate governance section of the annual report: • explanation of any departures from best practice recommendations 7.1, 7.2 or 7.3. The following material should be made publicly available, ideally by posting it to the company's website in a clearly marked corporate governance section: • a description of the company's risk management policy and internal compliance and control system.	Yes	Annual Reports Website CGS
Principle 8: Encourage enhanced performance		
8.1 Disclose the process for performance evaluation of the board, its committees and individual directors, and key executives.	Yes	3.11
8.2 Provide the information indicated in Guide to reporting on Principle 8. The following material should be included in the corporate governance section of the annual report: • whether a performance evaluation for the board and its members has taken place in the reporting period and how it was conducted • an explanation of any departure from best practice recommendation 8.1. The following material should be made publicly available, ideally by posting it to the company's website in a clearly marked corporate governance section: • a description of the process for performance evaluation of the board, its committees and individual directors, and key executives.	Yes	Annual Reports Website CGS
Principle 9: Remunerate fairly and responsibly		
9.1 Provide disclosure in relation to the company's remuneration polices to enable investors to understand (i) the costs and benefits of those policies and (ii) the report link between remuneration paid to directors and key executives and corporate performance.	Yes	Annual Reports
9.2 The board should establish a remuneration committee.	No	4.2

CORPORATE GOVERNANCE STATEMENT

Principle 9: Remunerate fairly and responsibly (continued)	Compliance	CGS References / Comments
9.3 Clearly distinguish the structure of non-executive directors' remuneration from that of executives.	Yes	Annual Reports
9.4 Ensure that payment of equity-based executive remuneration is made in accordance with thresholds set in plans approved by shareholders.	N/A	No equity-based executive remuneration in place
9.5 Provide the information indicated in Guide to reporting on Principle 9. The following material should be included in the corporate governance section of the annual report: • disclosure of the company's remuneration policies referred to in best practice recommendation 9.1 and in Box 9.1 • the names of the members of the remuneration committee and their attendance at meetings of the committee • the existence and terms of any schemes for retirement benefits, other than statutory superannuation, for non-executive directors • an explanation of any departures from best practice recommendations 9.1, 9.2, 9.3, 9.4 or 9.5. The following material should be made publicly available, ideally by posting it to the company's website in a clearly marked corporate governance section: • the charter of the remuneration committee or a summary of the role, rights, responsibilities and membership requirements for that committee.	Yes	Annual Reports Website CGS
Principle 10: Recognise the legitimate interests of stakeholders		
10.1 Establish and disclose a code of conduct to guide compliance with legal and other obligations.	No	6
10.2 Provide the information indicated in Guide to reporting on Principle 10. The following material should be included in the corporate governance section of the annual report: • an explanation of any departure from best practice recommendation 10.1. The following material should be made publicly available, ideally by posting it to the company's website in a clearly marked corporate governance section: • any applicable code of conduct or a summary of its main provisions.	Yes	Annual Reports Website CGS

CORPORATE GOVERNANCE STATEMENT

CORPORATE GOVERNANCE STATEMENT (CGS)

1. Framework and Approach to Corporate Governance and Responsibility

The Board is committed to maintaining the highest standards of Corporate Governance. Corporate Governance is about having a set of core values and behaviours that underpin the Company's activities and ensure transparency, fair dealing and protection of the interests of stakeholders.

The Board of Directors supports the Principles of Good Corporate Governance and Best Practice Recommendations developed by the ASX Corporate Governance Council (**"Council"**). The Company's practices are largely consistent with the Council's guidelines - the Board considers that the implementation of some recommendations are not appropriate having regard to the nature and scale of the Company's activities and size of the Board. The Board uses its best endeavours to ensure exceptions to the Council's guidelines do not have a negative impact on the Company and the best interests of shareholders as a whole.

Details of all of the Council's recommendations can be found on the ASX website at
http://www.asx.com.au/about/CorporateGovernance_AA2.shtm.

2. Board of Directors - Role and responsibilities

In general, the Board is responsible for, and has the authority to determine, all matters relating to the policies, practices, management and operations of the Company. The Board is also responsible for the overall corporate governance of the Company, and recognises the need for the highest standards of behaviour and accountability in acting in the best interests of the Company as a whole. The Board also ensures that the Company complies with all of its contractual, statutory and any other legal or regulatory obligations. The Board has the final responsibility for the successful operations of the Company.

Where the Board considers that particular expertise or information is required, which is not available from within their number, appropriate external advice may be taken and reviewed prior to a final decision being made by the Board.

Without intending to limit the general role of the Board, the principal functions and responsibilities of the Board include the following.

(1) formulation and approval of the strategic direction, objectives and goals of the Company;

(2) the prudential control of the Company's finances and operations and monitoring the financial performance of the Company;

(3) the resourcing, review and monitoring of executive management;

(4) ensuring that adequate internal control systems and procedures exist and that compliance with these systems and procedures is maintained;

(5) the identification of significant business risks and ensuring that such risks are adequately managed;

(6) the timeliness, accuracy and effectiveness of communications and reporting to shareholders and the market;

(7) the establishment and maintenance of appropriate ethical standards;

(8) responsibilities typically assumed by an audit committee including:

- (a) reviewing and approving the audited annual and reviewed half yearly financial reports;
- (b) reviewing the appointment of the external auditor, their independence, the audit fee, and any questions of resignation or dismissal;

(9) responsibilities typically assumed by a remuneration committee including:

- (a) reviewing the remuneration and performance of both Executive and Non-Executive Directors;
- (b) setting policies for Executives' remuneration, setting the terms and conditions of employment for Executives, undertaking reviews of Executive's performance, including, setting goals and reviewing progress in achieving those goals;
- (c) reviewing the Company's Executive and employee incentive schemes and making recommendations on any proposed changes.

(10) responsibilities typically assumed by a nomination committee including:

- (a) devising criteria for Board membership, regularly reviewing the need for various skills and experience on the Board and identifying specific individuals for nomination as Directors;
- (b) oversight of Board and Executive succession plans.

3. Board of Directors – Composition, Structure and Process

The Board has been formed so that it has effective composition, size and commitment to adequately discharge its responsibilities and duties given its current size and the scale and nature of the Company's activities. The names of the Directors in office during the 2005/2006 year and their qualifications and experience are stated in the Directors' Report for the year ended 30 June 2006.

3.1. Skills, knowledge and experience

Directors are appointed based on the specific corporate and governance skills and experience required by the Company. The Board should contain Directors with a relevant blend of personal experience in accounting and finance, law, financial and investment markets, financial management and public company administration, and Director-level business or corporate experience, having regard to the scale and nature of activities of the Company.

3.2. Non-Executive Directors

Dr John Stephenson (appointed 26 October 2005) is Non-Executive Chairman.

Mr William Johnson (appointed 14 July 2006) is Non-Executive Director.

3.3. Chairman and Managing Director

The Chairman leads the Board and has responsibility for ensuring the Board receives accurate, timely and clear information to enable Directors to perform their duties as a Board.

Dr John Stephenson replaced Mr Farooq Khan as Chairman on 26 October 2005.

Mr Madan replaced Mr Farooq Khan as Managing Director on 23 December 2005 after shareholders approved a change of activities for the Company.

Mr Khan remains an Executive Director of the Company.

3.4. Company Secretary

The Company Secretary is appointed by the Board and is responsible for developing and maintaining the information systems and processes that are appropriate for the Board to fulfil its role and is responsible to the Board for ensuring compliance

CORPORATE GOVERNANCE STATEMENT

with Board procedures and governance matters. The Company Secretary is also responsible for overseeing and coordinating disclosure of information to the ASX as well as communicating with the ASX. The Company Secretary is Mr Victor Ho (also an Executive Director), whose qualifications and experience are stated in the Directors' Report for the year ended 30 June 2006.

3.5. Independence

An independent Director, in the view of the Company, is a Non-Executive Director who:

(1) is not a substantial shareholder of the Company or an officer of, or otherwise associated directly with, a substantial shareholder of the Company;

(2) within the last 3 years has not been employed in an Executive capacity by the Company , or been a Director after ceasing to hold any such employment;

(3) within the last 3 years has not been a principal of a material professional adviser or a material consultant to the Company , or an employee materially associated with a service provider;

(4) is not a material supplier or customer of the Company , or an officer of or otherwise associated directly or indirectly with a material supplier or customer;

(5) has no material contractual relationship with the Company other than as a Director of the Company;

(6) has not served on the Board for a period which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Company; and

(7) is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Company.

Within the current Board, Non-Executive Directors, Dr Stephenson and Mr Johnson, are regarded as independent Directors. The balance of the Board, being Executive Directors, are not considered independent within the definition outlined above.

The Board considers that the Company was and is not currently of a size, nor are its affairs of such complexity to justify the appointment and further expense of a majority of independent Non-Executive Directors. The Board believes that the individuals on the Board can make, and do make, quality and independent judgments in the best interests of the Company on all relevant issues.

If the Company's activities increase in size, nature and scope the size of the Board will be reviewed periodically and the optimum number of Directors required for the Board to properly perform its responsibilities and functions.

3.6. Conflicts of Interest

To ensure that Directors are at all times acting in the interests of the Company, Directors must:

(1) disclose to the Board actual or potential conflicts of interest that may or might reasonably be thought to exist between the interests of the Director and the interests of any other parties in carrying out the activities of the Company; and

(2) if requested by the Board, within 7 days or such further period as may be permitted, take such necessary and reasonable steps to remove any conflict of interest.

If a Director cannot or is unwilling to remove a conflict of interest then the Director must, as per the Corporations Act, absent himself from the room when Board discussion and/or voting occurs on matters about which the conflict relates (save with the approval of the remaining Directors and subject to the Corporations Act).

3.7. Related Party Transactions

Related party transactions include any financial transaction between a Director and the Company as defined in the Corporations Act or the ASX Listing Rules. Unless there is an exemption under the Corporations Act from the requirement to obtain shareholder approval for the related party transaction, the Board cannot approve the transaction. The Company also discloses related party transactions in its financial report as required under relevant Accounting Standards.

3.8. Share Dealings and Disclosures

The Company's policy regarding Directors, Executives and employees dealing in its securities, is set by the Board. The Board restricts Directors, Executives and employees from acting on material information until it has been released to the market and adequate time has been given for this to be reflected in the security's prices. Executives and employees and Directors are required to consult the Chairman and the Board respectively, prior to dealing in securities in the Company or other companies in which the Company has a relationship.

Dealings are not permitted at any time whilst in the possession of price sensitive information not already available to the market. In addition, the Corporations Act prohibits the purchase or sale of securities whilst a person is in possession of inside information.

3.9. Board Nominations

The Board will consider nominations for appointment or election of Directors that may arise from time to time having regard to the corporate and governance skills required by the Company and procedures outlined in the Constitution and the Corporations Act.

3.10. Terms of Appointment as a Director

The current Directors of the Company have not been appointed for fixed terms. The constitution of the Company provides that a Director other than the Managing Director may not retain office for more than three calendar years or beyond the third annual general meeting following his election, whichever is longer, without submitting himself for re-election. One third of the Directors (save for a Managing Director) must retire each year and are eligible for re-election. The Directors who retire by rotation at each annual general meeting are those with the longest length of time in office since their appointment or last election.

3.11. Performance Review and Evaluation

It is the policy of the Board to ensure that the Directors and Executives of the Company be equipped with the knowledge and information they need to discharge their responsibilities effectively, and that individual and collective performance is regularly and fairly reviewed. Although the Company is not of a size to warrant the development of formal processes for evaluating the performance of its Board, individual Directors and Executives, there is on-going monitoring by the Chairman and the Board. The Chairman also speaks to Directors individually regarding their role as a Director.

3.12. Meetings of the Board

The Chairman and Company Secretary generally schedules monthly formal Board meetings. In addition, the Board meets whenever necessary to deal with specific matters requiring attention between scheduled monthly meetings. Circulatory Resolutions are also utilised where appropriate either in place or in addition formal Board meetings. Board meetings are held predominantly by telephone conferencing as not all Directors are resident in the one city. However, the Board will convene face to face meetings from time to time as is appropriate based on the particular items of business for consideration.

Each member of the Board is committed to spending sufficient time to enable them to carry out their duties as a Director of the Company.

CORPORATE GOVERNANCE STATEMENT

It is recognised and accepted that Board members may also concurrently serve on other boards, either in an executive or non-executive capacity.

3.13. Independent Professional Advice

Subject to prior consultation with the Chairman, each Director has the right to seek independent legal and other professional advice at the Company's expense concerning any aspect of the Company's operations or undertakings in order to fulfil their duties and responsibilities as Directors.

3.14. Access to Company Information and Confidentiality

All Directors have the right of access to all relevant Company books and to the Company's Executive Management. In accordance with legal requirements and agreed ethical standards, Directors and Executives of the Company have agreed to keep confidential, information received in the course of the exercise of their duties and will not disclose non-public information except where disclosure is authorised or legally mandated.

3.15. Directors' Deeds

The Company has also entered into a deed with each of the current Directors to regulate certain matters between the Company and each Director, both during the time the Directors holds office and after the Director ceases to be an officer of the Company (or wholly owned subsidiaries). A summary of the terms of such deed is contained within the Company's notice of meeting dated 31 May 2006 for a general meeting held on 14 July 2006 where shareholders approved the Company entering into such deed with each of Dr Stephenson and Messrs Madan, Khan and Ho.

4. Management

4.1. Executives

The Managing Director is responsible and accountable to the Board for the Company's management.

During the 2005/2006 year and until Dr Stephenson's appointment as Non-Executive Chairman on 26 October 2005, the Company's Executive Chairman and Managing Director roles were fulfilled by one person – Mr Farooq Khan. Mr Khan was replaced by Mr H. Shanker Madan as Managing Director on 23 December 2006 and remains an Executive Director of the Company. The Company presently has one other Executive Officer being the Company Secretary.

The Company does not presently have a Chief Financial Officer (**"CFO"**).

The Board has determined that the Managing Director and the Company Secretary are the appropriate persons to make the chief executive and CFO declarations respectively in respect of the year ended 30 June 2006, as required under section 295A and recommended by the Council.

4.2. Board and Management Committees

In view of the current composition of the Board (which comprises three Executive and two Non-Executive Directors) and the nature and scale of the Company's activities, the Board has considered that establishing formally constituted committees for audit, board nominations and remuneration would contribute little to its effective management.

Accordingly audit matters, the nomination of new Directors and the setting, or review, of remuneration levels of Directors and Executives are reviewed by the Board as a whole and approved by resolution of the Board (with abstentions from relevant Directors where there is a conflict of interest). That is, matters typically dealt with by an audit, nominations and remuneration committee are dealt with by the full Board.

5. Remuneration Policy

Please refer to the Remuneration Report in the Director's Report for the year ended 30 June 2006.

6. Code of Conduct and Ethical Standards

The Company is not of a size that warrants the establishment of a formal code of conduct that guides compliance with all levels of legal and other obligations to stakeholders. However, the Company's policies are focussed on ensuring that all Directors, Executives, and employees act with the utmost integrity and objectivity in carrying out their duties and responsibilities, striving at all times to enhance the reputation and performance of the Company.

7. Internal Control and Risk Management

The Board is responsible for the identification, monitoring and management of significant business risks and the implementation of appropriate levels of internal control, recognising however that no cost effective internal control system will preclude all errors and irregularities. The Board regularly reviews and monitors areas of significant business risk.

The Board has determined that the Managing Director and the Company Secretary are the appropriate persons to make the chief executive and CFO declarations respectively in respect of the year ended 30 June 2006, on the risk management and internal compliance and control systems recommended by the Council.

8. Communications

8.1. Communications to Market and Shareholders

The Board recognises its duty to ensure that its shareholders are informed of all major developments affecting the Company's state of affairs. Information is communicated to shareholders and the market through:

(1) The Annual Report which is distributed to shareholders (usually with the Notice of Annual General Meeting);

(2) The Annual General Meeting and other general meetings called to obtain shareholder approvals as appropriate;

(3) The Half-Yearly Directors' and Financial Reports;

(4) Other announcements released to ASX as required under the continuous disclosure requirements of the ASX Listing Rules and other information that may be mailed to shareholders.

The Company actively promotes communication with shareholders through a variety of measures, including the use of the Company's website and email. The Company's reports and ASX announcements may be viewed and downloaded from its website: www.strikeresources.com.au or the ASX website: www.asx.com.au under ASX code "SRK". The Company also maintains an email list for the distribution of the Company's announcements via email in a timelier manner.

8.2. Continuous Disclosure to ASX

The Board has designated the Company Secretary as the person responsible for overseeing and coordinating disclosure of information to the ASX as well as communicating with the ASX. In accordance with the ASX Listing Rules the Company immediately notifies the ASX of information:

(1) concerning the Company that a reasonable person would expect to have a material effect on the price or value of the Company's securities; and

(2) that would, or would be likely to, influence persons who commonly invest in securities in deciding whether to acquire or dispose of the Company's securities.

AUSTRALIAN TENEMENT SCHEDULE
as at 14 August 2006

Project	Status	Application No	Grant / Application Date	Expiry Date	Area (Blocks)	Area (km²)	Location / Property Name	State	Company's Interest
Bigrlyi South	Application	EL 24879	29/08/05	N/A	82	260	Mount Doreen	NT	75%
	Application	EL 24927	12/09/05	N/A	338	999	Haasts Bluff	NT	75%
	Application	EL 24928	09/09/05	N/A	15	35.	Mount Doreen	NT	75%
	Application	EL 24929	09/09/05	N/A	26	56	Mount Doreen	NT	75%
	Application	EL 24930	09/09/05	N/A	99	314	Mount Doreen	NT	75%
Mt James	Granted	EL 09/1253	29/06/06	28/06/11	49	147	Mt James	WA	75%
(Gascoyne Region)	Granted	EL 09/1245	23/03/06	22/03/11	35	105	Rubberoid Well	WA	70%
	Granted	EL 09/1257	29/06/06	28/06/11	27	81	Injinu Hills	WA	100%
	Application	ELA 09/1258	29/09/05	N/A	26	78	Mortimer Hills	WA	100%
Paulsen East	Application	ELA 47/1328	03/11/03	N/A	6	18	Paulsen East	WA	75%
(West Pilbara Region)	Granted	PL 47/1170	27/03/06	26/03/11	164 hectares	1.64	Paulsen East	WA	75%
Mt Lawrence Wells	Granted	EL 53/1115	06/10/04	05/10/09	6	18	Dawsons Well	WA	85%
(East Murchison Region)	Application	ELA 53/1259	27/07/06	N/A	8	24	Millgool Camp	WA	100%
	Granted	EL 53/1203	02/08/06	01/08/11	17	52	Mt Wilkinson	WA	100%
Canning Well	Granted	EL 46/629	02/08/05	01/08/10	19	57	Canning Well	WA	75%
(Pilbara Region)	Application	ELA 46/585	17/10/03	N/A	69	207	Canning Well	WA	63.75% (excluding manganese mineral rights)

STOCK EXCHANGE INFORMATION
as at 14 August 2006

ALL SECURITIES ON ISSUE

	Listed on ASX	Not Listed on ASX or Subject to Escrow	Total
Fully paid ordinary shares	46,349,024	1,783,334 [11]	48,132,358
$0.20 (30 June 2008) Options	23,072,484	-	23,072,484
$0.20 (9 February 2011) Hume Options	-	1,833,333 [12]	1,833,333
$0.30 (9 February 2011) Hume Options	-	1,666,667 [12]	1,666,667
$0.96 (21 July 2011) Directors' Options	-	4,600,000 [13]	4,600,000

VOTING RIGHTS

Subject to any rights or restrictions for the time being attached to any class or classes of shares (at present there are none), at meetings of shareholders of the Company:

(1) each shareholder entitled to vote may vote in person or by proxy, attorney or representative;

(2) on a show of hands, every person present who is a shareholder or a proxy, attorney or corporate representative of a shareholder has one vote; and

(3) on a poll, every person present who is a shareholder or a proxy, attorney or corporate representative of a shareholder shall, in respect of each fully paid share held by such person, or in respect of which such person is appointed a proxy, attorney or corporate representative, have one vote for that share.

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11 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 Share Prospectus dated 23 December 2005 (**Share Offer Prospectus**); 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; escrow period expires on 9 February 2007.

12 Issued to Hume on 9 February 2006 pursuant to subscription under the Hume Agreement; escrow period expires on 9 February 2006.

13 Issued to Directors (Dr Stephenson and Messrs Madan, Khan and Ho) on 21 July 2006 pursuant to shareholder approval on 14 July 2006.

STOCK EXCHANGE INFORMATION
as at 14 August 2006

DISTRIBUTION OF LISTED $0.20 (30 JUNE 2008) OPTIONS

Spread	of	Holdings	Number of Holders	Number of Units	% of Total Issue Capital
1	-	1,000	50	29,966	0.129
1,001	-	5,000	122	354,261	1.535
5,001	-	10,000	82	702,912	3.046
10,001	-	100,000	210	7,504,114	32.524
100,001	-	and over	31	14,481,231	62.764
Total			495	23,072,484	100%

TOP 20 LISTED $0.20 (30 JUNE 2008) OPTIONS

Rank	Optionholder	Total Options	% Total Options On Issue
1	DATA BASE SYSTEMS LIMITED	4,537,734	19.70%
2	SUNSHORE HOLDINGS PTY LTD	1,360,879	5.90%
3	CLASSIC CAPITAL PTY LTD	1,070,000	4.60%
4	TALEX INVESTMENTS PTY LTD	1,200,000	5.20%
5	HUME MINING NL	833,334	3.60%
6	ANZ NOMINEES LIMITED	576,591	2.50%
7	RENMUIR HOLDINGS LIMITED	417,917	1.80%
8	MR DENIS IVAN RAKICH	660,000	0.00%
9	CHOTAI INTERNATIONAL PTY LTD	381,802	1.70%
10	MR TROY VALENTINE	300,000	1.30%
11	CITYSIDE INVESTMENTS PTY LTD	291,666	1.30%
12	MRS ANUPAM SHOBHA MADAN	290,000	1.30%
13	MRS LINDA SALA TENNA & MRS LISA SHALLARD	250,000	1.10%
14	MS ROSANNA DE CAMPO	217,598	0.90%
15	BLUE CRYSTAL PTY LTD	200,000	0.90%
16	MR RODNEY MALCOLM JONES & MRS CAROL ROBIN JONES	195000	0.80%
17	MR VICTOR HO	184,334	0.80%
18	ORION EQUITIES LIMITED	181,472	0.80%
19	FAROOQ KHAN	176,670	0.80%
20	MR SHANKER MADAN & MRS ANU MADAN	166,667	0.70%
Total		12,832,324	55.70%

STOCK EXCHANGE INFORMATION
as at 14 August 2006

DISTRIBUTION OF LISTED ORDINARY FULLY PAID SHARES

Spread	of	Holdings	Number of Holders	Number of Units	% of Total Issue Capital
1	-	1,000	74	47,601	0.098
1,001	-	5,000	385	1,149,515	2.388
5,001	-	10,000	257	2,072,663	4.306
10,001	-	100,000	393	13,104,156	27.225
100,001	-	and over	61	29,975,089	65.983
Total			**1170**	**46,349,024**	**100%**

Marketable Parcel

Spread	of	Holdings	Number of Holders	Number of Units	% of Total Issue Capital
1	-	653	29	9,165	0.019
654	-	and over	1141	46,339,859	99.981

An unmarketable parcel is considered, for the purposes of the above table, to be a shareholding of 653 shares or less, being a value of $500 or less in total, based upon the Company's last bid share price on 14 August 2006 of 76.5 cents per share.

TOP 20 LISTED ORDINARY FULLY PAID SHAREHOLDERS

Rank	Shareholders	Total Shares	% Issued Capital
1	DATA BASE SYSTEMS LIMITED *	9,008,800	19.40%
2	NEFCO NOMINEES PTY LTD	1,645,813	3.60%
3	SUNSHORE HOLDINGS PTY LTD	1,416,933	3.10%
4	DR SALIM CASSIM	1,280,000	2.80%
5	ANZ NOMINEES LIMITED	1,025,173	2.20%
6	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	900,000	1.90%
7	PATER INVESTMENTS PTY LTD	800,000	1.70%
8	BELL POTTER NOMINEES LTD	700,000	1.50%
9	BLUE CRYSTAL PTY LTD	700,000	1.50%
10	CLASSIC CAPITAL PTY LTD	700,000	1.50%
11	MRS LINDA SALA TENNA & MRS LISA SHALLARD	600,000	1.30%
12	CITICORP NOMINEES PTY LIMITED	600,000	1.30%
13	RENMUIR HOLDINGS LIMITED	569,511	1.20%
14	CITYSIDE INVESTMENTS PTY LTD	563,333	1.20%
15	MR GEORGE BRYANT MACFIE	560,000	1.20%
16	R & A MULE INVESTMENTS PTY LTD	520,000	1.10%
17	ORION EQUITIES LIMITED	362,944	0.80%
18	MR RUSS WALKER	360,000	0.80%
19	FAROOQ KHAN	353,340	0.80%
20	MR SHANKER MADAN & MRS ANU MADAN	333,333	0.70%
Total		**22,999,180**	**49.60%**

* Substantial shareholder of the Company

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