

STRIKE

RESOURCES LIMITED

JUNE 2008 QUARTERLY REPORT

For the 3 months to 30 June 2008

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Attachment:

23 July 2008 ASX Market Announcement
entitled "Pre-Feasibility Results Confirm
World Class Prospectus for
Apurimac Project in Peru"

For further information:

Shanker Madan
Managing Director
T | +61 8 9214 9700
E | smadan@strikeresources.com.au

SUMMARY

- **July 2008** - Gallagher agrees to \$103 million share placement at \$2.75 per share; 1st tranche of \$49.7 million completed with 2nd tranche subject to due diligence, Strike shareholder and FIRB approvals
- **July 2008** - JORC Code compliant **Inferred Resource of 4.6 million tonnes** of thermal sub-bituminous coal of calorific value 5,800 kcal/kg with low ash & sulphur content defined at Berau Thermal Coal Project (where Strike has a 30% JV interest).
- **July 2008** - Completion of PFS flagship Apurimac 20 Mtpa concentrate production and transportation by 363km slurry pipeline to new Tres Hermanas port:
 - Significant re-rating of resource inventory from JORC Inferred to JORC Indicated Resource of 133.5 Mt at 59.4% Fe
 - Average operating costs (OPEX) of approximately US\$14.50 per tonne
 - Total capital cost (CAPEX) of approximately US\$2.3 billion
 - High quality product grading +68% Fe, very low in Alumina, Phosphorous and other impurities
 - Operating cash surplus of approximately US\$1.44 billion forecast for first full year of production (based on current iron ore prices of US\$94 FOB)
 - Cash flows sufficient to repay the project's total capital cost within 2 years
- **May 2008** - Exercise of options to acquire additional 38.5% of Apurimac Ferrum (AF) for US\$34.5 million; Strike's interest in AF increases to 68.15%
- **May/June 2008** - D&C Group raises dispute over IAC transaction in February 2007 and exercise of options by Strike; Strike files own arbitration proceedings
- **May 2008** - Completion of \$32 million capital raising at \$2.45 per share

Registered Office:

Level 14, The Forrest Centre
221 St Georges Terrace
Perth, Western Australia 6000

T | +61 8 9214 9700
F | +61 8 9322 1515
E | info@strikeresources.com.au
W | www.strikeresources.com.au

A.B.N. 94 088 488 724

ASX Codes: SRK



Share Registry:

Advanced Share Registry Services
150 Stirling Highway
Perth, Western Australia 6009

T | +61 8 9389 8033
F | +61 8 9389 7871
E | admin@advancedshare.com.au
W | www.advancedshare.com.au

Strike Resources Limited (ASX Code: SRK) is an Australian-based mineral development company with a diversified asset portfolio including hematite and magnetite iron ore projects in Peru, hematite and minerals sands projects in Australia and thermal coal projects in Indonesia:

PROJECTS	LOCATION
(1) Apurimac Iron Ore	Apurimac District, Peru
(2) Cuzco Iron Ore	Cuzco District, Peru
(3) Paulsens East Iron Ore	West Pilbara, Western Australia
(4) Berau Thermal Coal	East Kalimantan, Indonesia
(5) King Sound Mineral Sands	Kimberley, Western Australia

Strike is advancing the development of its Peruvian iron ore projects to take advantage of increased demand from steel mills around the world and is set to join the ranks of the world's iron ore producers in 2009 when production commences at its Cuzco Project in Peru.

Strike has a 3 stage mining programme targeted for Peru:

- Stage 1 (2009): 2 million tonnes per annum lump ore production from the Cuzco Project;
- Stage 2 (2012): An expansion to 22 million tonnes per annum through an additional 20 million tonnes of concentrate production from the Apurimac Project;
- Stage 3 (2015): An expansion to 42 million tonnes per annum through an additional 20 million tonnes of concentrate production from the Cuzco Project.

On 23 July 2008¹ Strike announced the results of the Pre-Feasibility Study (PFS) on its flagship Apurimac Iron Ore Project, which focuses on the development of a 20 million tonnes per annum mining operation with iron ore concentrate transported by slurry pipeline to the coast.



Figure 1: Peru Project Location Plan and Slurry Pipeline Route from Apurimac Project to Tres Hermanas Port

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

Apurimac Project

The Apurimac Project currently comprises approximately 74 concessions totalling approximately 61,309 hectares² located 16 kilometres from Andahuaylas, the capital of the Apurimac Province with a population of 250,000, in Peru's southern Andes.

Strike is planning to develop a 20 million tonnes per annum mining operation with iron ore concentrate transported by slurry pipeline to a new port at Tres Hermanas, near the town of San Juan.

The resource estimate by Snowden Group (completed as part of the Pre-Feasibility Study - refer below) has provided a significant re-rating of the resource on two concessions, from Inferred to Indicated status, delivering a total JORC Indicated Resource of 133,530,000 tonnes.

JORC Indicated Resource Estimate

Concession	Tonnes	Fe%	Al ₂ O ₃ %	SiO ₂ %	P%	S%
Opaban I	125,000,000	59.26	2.12	7.87	0.04	0.14
Opaban III	8,530,000	62.08	1.37	4.58	0.07	0.25
Total/Average	133,530,000	59.40	2.07	7.66	0.04	0.15

The main Opaban I deposit is an iron-skarn deposit, tabular-shaped and generally flat-lying. Drilling has so far defined the dimensions of a mineralised body as being approximately 1,600 metres long by 300 metres wide, in a zone in which massive iron oxide deposits occur in several locations along a 5 kilometre northwest trend.

Results of Pre Feasibility Study (PFS)

The recently-completed PFS has confirmed that the Apurimac Iron Ore Project has the potential to become a highly profitable world class iron ore operation, with:

- Average operating costs (OPEX) of approximately **US\$14.50 per tonne**
- Total capital cost (CAPEX) of approximately **US\$2.3 billion**
- High quality product grading **+68% Fe**, very low in Alumina, Phosphorous and other impurities
- Operating cash surplus of approximately **US\$1.44 billion** forecast for first full year of production (based on current iron ore prices)
- Cash flows sufficient to repay the project's total capital cost within 2 years

Please refer to Strike's 23 July 2008 market announcement (which is attached to this Quarterly Report) for further details of the PFS results.

2 Strike's Apurimac Project comprises concessions held by Apurimac Ferrum S.A and Strike Resources Peru S.A.C.

A summary of the OPEX and CAPEX costs and Strike's financial evaluation of the project is as follows:

Operating Costs

Average operating costs (excluding contingency, royalty and depreciation charges) per tonne of dry concentrate at full production are estimated (with an accuracy of +25%/-10%) to be US\$14.50 per tonne.

An additional provision for contingency or 'risk' costs has been estimated at \$1.45 per tonne.

Description	Cost US\$/t Dry Concentrate
Process, General and Administration	0.93
Reagents and Consumables	1.03
Infrastructure	0.40
Power	2.74
Spares	2.78
Mining and Geology	6.30
Port Operations	0.32
Total	14.50
Contingency	1.45
Total including Contingency	15.95

Table 1: OPEX costs from PFS

These operating costs are extremely competitive when compared with current and planned producers in Australia.

Capital Cost Estimates

Total direct and indirect costs for the project including engineering, procurement and commissioning are estimated (with an accuracy of +25%/-10%) to be approximately US\$2.3 billion.

An additional provision for contingency or 'risk' costs (which also includes an allowance for further possible savings, presently under review) has been estimated at US\$200 million.

Description	Cost US\$M
Mine Site and off site infrastructure	361,082
Process Plant	341,971
Tailings	48,329
Concentrate Pipeline	489,962
Port	280,962
Water Supply	34,886
Electrical and Communications	54,654
Total Indirects	692,765
Total	2,304,611
Contingency	200,555
Total incl. Contingency	2,505,166

Table 2: CAPEX costs from PFS

Indirect costs include (among other items) an allowance for Engineering, Procurement, Construction Management (EPCM), equipment freight and insurance, customs duties, start-up and commissioning.

The capital cost estimates were developed from a detailed work breakdown structure of each process, with costs for equipment based upon budget quotations from major suppliers. A selection of contractors and suppliers were interviewed to compile relevant information for setting applicable rates and costings. A field survey in Peru was also completed, to check the correctness of rates.

Financial Evaluation

Financial analysis by Strike confirms that the project economics are potentially highly attractive.

The capital and operating cost estimates from the studies, together with a conservative assumption of an average price of US\$60 FOB per tonne of concentrate, suggest the project will generate an operating cash surplus in the first full year of production of approximately US\$890 million.

If iron prices maintain their current levels (equivalent to approximately US\$94 FOB), operating cash surplus in the first full year of production is forecast to reach approximately US\$1.44 billion and would be sufficient to repay the project's capital cost within 2 years.

Next Steps

Strike confirms that it is now targeting the following key Apurimac project milestones:

- Expanding resource inventory in Apurimac to +300Mt (December 2008)
- Completion of Railway Scoping Study (September 2008)
- Completion of Bankable Feasibility Study (June 2009)
- First production from Apurimac (first half of 2012)

Strike is investigating project alternatives to the central case described in the PFS, including the use of contract mining (to reduce direct capital costs) and the use of a railway instead of a slurry pipeline.

A preliminary scoping study suggests that a railway for transporting sinter fines and lump from the mine to the coast is technically feasible and would offer significant cost savings at the mine beneficiation plant. Further work is currently underway to more accurately analyse the value trade off. This work is expected to be completed by the end of September 2008.

Exploration and Geology

Heli-Mag Survey

During the quarter, Strike completed a 2,105 line kilometre helicopter-borne geophysical survey in the Apurimac Project area. The final results and analysis from this survey are expected to be received in August 2008. Anomalies highlighted from preliminary data have been followed up by surface reconnaissance surveys. Prospective targets will be further tested by scout drilling.

Antapata (North of Opaban I) Drilling

Strike has previously outlined a JORC Inferred Resource of 151 million tonnes grading 62.16% Fe in the Opaban I concession. Strike's geological model suggests that the high grade iron ore mineralisation in Opaban I extends further to the north and the west within this concession.

During the quarter, Strike completed a 10-hole (950 metres) diamond drilling campaign to test the extension of mineralisation to the north and west at Opaban 1 (in an area locally known as 'Antapata').

Please refer to Strike's 3 June 2008³ market announcement for further details of these Antapata drilling results.

The results confirm that the high grade iron ore mineralisation of Opaban I extends to the north-west of the current JORC resource by at least 500 metres and remains open to the north and west. Seven drill holes encountered cumulative Fe intersections of approximately 20 metres or greater, with average grades of up to 61.94% Fe, as shown in the table below:

DDH ⁴	FROM	To	TOTAL CUMULATIVE INTERSECTIONS	WEIGHTED AVERAGE Fe%	WEIGHTED AVERAGE S%
OP1-072	0	68.9	19.85	61.19	0.72
OP1-073	5.4	17.8	9.9	61.42	0.01
OP1-074	16.5	46.5	21.0	58.86	0.45
OP1-075	22.5	57.0	34.5	61.94	0.48
OP1-077	41.50	43.00	1.50	57.60	0.01
OP1-078	0.00	91.55	37.05	58.87	1.279
OP1-079	6.50	82.70	26.30	61.63	0.45
OP1-080	16.40	42.25	25.85	57.82	1.64
OP1-081	43.10	97.10	29.85	57.26	0.39

Table 3: Summary of Drilling Results at Antapata, Opaban I Concession, Apurimac Project

Future drilling programmes will continue to test the northern and western bounds of this extension.

3 [3 June 2008 ASX market announcement entitled "Drilling Results Increase High Grade Ore Extensions to North of Opaban I"](#)

4 Hole OP-76 intersected diorite, possibly resulting from faulting of mineralisation further to the north.

Coriminas Drilling

During the quarter, Strike completed a 19-hole (1,271 metres) diamond drilling campaign in its Coriminas V concession and one hole in its Coriminas II (70 metres) concession, both located approximately 50 kilometres from its Opaban 1 and 3 deposits, in the Apurimac Project area.

Please refer to Strike's 15 May 2008⁵ market announcement for further details of these high grade drilling results.

This initial drilling campaign has confirmed the presence of high grade iron ore mineralisation with significant iron thicknesses. A summary table of iron ore mineralisation encountered in this Coriminas drilling programme is shown below:

DDH	MINERALISED INTERVAL	FROM (metres)	To (metres)	TOTAL LENGTH (metres)	WEIGHTED AVERAGE Fe%	WEIGHTED AVERAGE S%
COR-001	1	0.00	11.90	11.90	61.35	0.0048
	2	15.50	34.50	19.00	54.89	0.0021
	3	40.50	58.50	18.00	54.03	0.13841
COR-004	1	0.00	14.30	14.30	61.90	0.0024
	2	16.40	33.50	17.10	57.90	0.0024
COR-005	1	0.00	4.30	4.30	60.64	0.00135
COR-006	1	0.00	6.50	6.50	64.22	0.0062

Table 4: Summary of Drilling Results at Coriminas V Concession, Apurimac Project

Subsequent drilling will focus on establishing a resource around mineralised holes and on exploring towards the south of the Coriminas V concession and into the Coriminas II concession where the Company believes there is potential for a further expansion of the resource base.

Community approvals and environmental permits are being sought for a total of approximately 45,000 metres of RC and diamond drilling in the Apurimac region, including in-fill drilling at the Opaban I and III concessions to expand the JORC Indicated Resource of 133.53 million tonnes at 59.40% Fe.

5 15 May 2008 ASX market announcement entitled "High Grade Drilling Results Continue At Apurimac"

Cuzco Project

The Cuzco Project currently comprises approximately 10 concessions totalling approximately 8,218 hectares⁶ located approximately 130 kilometres south-east of the Apurimac Project area and 80 kilometres south of the historical city of Cuzco. Two small towns, Santa Tomas and Colquemarca, are located within a few kilometres of the project area.

Strike has two areas of focus within this project:

- (1) The establishment of an early cash flow generating, two million tonnes per annum lump iron ore operation by 2009 mining high grade near surface hematite mineralisation with the direct shipping ore (DSO) being transported to the existing port of Matarani using a third party contractor, Peru Rail; and
- (2) The development of a second 20 million tonnes per annum mining operation and second slurry pipeline to integrate with the 20 million tonnes per annum mining operation at Apurimac with the concentrate product being transported to the coast through the first slurry pipeline.

Lump Ore Project

Strike is conducting a scoping study on the mining and transportation of 1.2 million tonnes initially, expandable to 2 million tonnes, per annum of high-grade (+60% Fe) lump iron ore from its Cuzco mine through to the existing port of Matarani commencing in late 2009.

Preliminary findings indicate that the ore will be trucked 275 kilometres through to a railhead near the town of Imata. From there it will be loaded onto trains and railed 312 kilometres through to Matarani port using Peru Rail.

Strike has commenced base line environmental monitoring and has commissioned an environmental impact assessment report to support an application for a mining permit.

Two 456 kilogramme bulk samples (mined to a depth of 8 metres) and core samples from the last diamond drilling campaign are currently undergoing lump iron ore metallurgical testing in Australia, with results expected in August 2008.

Environmental approvals have been granted for a further 296-hole drilling campaign by the Ministry of Mines. The next drilling campaign will seek to define a near-surface JORC resource to support the lump iron ore operation. Subsequent drilling campaigns will seek to define a JORC resource at depth to support Strike's proposed 20 million tonnes per annum concentrate operation targeted for 2015.

All community approvals have been granted for the drilling of these additional 296 holes and drilling will commence in August 2008.

The outstanding results from the 66-hole drilling programme at Cuzco completed earlier in the year will be available by the end of August 2008.⁷

6 Strike's Cuzco Project comprises concessions held by Apurimac Ferrum S.A and Strike Resources Peru S.A.C.

7 Refer [30 April 2008 ASX market announcement entitled "Cuzco Drilling Update"](#) for further details of the initial 49-hole (4,913 metres) diamond drilling results.

Paulsens East Iron Ore Project (West Pilbara, Western Australia)

Strike has a 75% interest in the two tenements comprising this project with ASX listed Orion Equities Limited (Orion) having a 25% interest (free-carried until decision to mine). The tenements are located approximately 140 kilometres west of Tom Price (close to bitumised road) and eight kilometres east-northeast of the Paulsens Gold mine in the northwest of Western Australia.

Previous mapping and sampling has confirmed the presence of high-grade hematite mineralisation, which occurs as a ridge rising up to approximately 60 metres above the valley floor, extending over a strike length of approximately 3,000 metres and varying in width from 6 to 12 metres in a single and continuous outcrop.



Photo 1: Profile view of a section of hematite ridge

During the quarter, Strike completed a rock chip sampling programme along the length of the hematite ridge. Surface samples were collected at 50 metre intervals and returned an average iron grade of 64.7% Fe, with one sample returning 67.67% Fe. Please refer to Strike's 26 May 2008⁸ market announcement for further details of these rock chip sampling results.

A 2,724 metre, 58-hole, RC drilling campaign was recently completed with results and analyses pending - these are expected to be received in August 2008. Upon receipt of this data, Strike will conduct resource modelling to define a JORC resource and a model for mine planning purposes.

Strike is targeting a one million tonnes per annum mining operation with DSO-quality iron ore being trucked to an existing port in either Onslow or Dampier, commencing in the first half of 2010. A scope of works is being commissioned to outline the process to advance this project to the production phase. An environmental survey is being conducted as a precursor to submitting a mining proposal to support mining operations. Strike has commenced the heritage process and has initiated discussions and negotiations with the Pilbara Native Title Service and the traditional owners' claimant group to develop an initial "negotiating protocol" which outlines the process for finalising a mining agreement. Various other mining, transportation/haulage and port studies/proposals are being coordinated to develop an overall scoping study.

As reported in the presentation released to ASX on 3 July 2008⁹, Strike has been in discussions with Orion to acquire its 25% interest in the project tenements. It is anticipated that the consideration for this acquisition will be the issue of shares in the capital of Strike. There has not been any binding agreement reached between the parties as at the date of this report.

8 [26 May 2008 ASX market announcement entitled "High Iron Grades Averaging 64.7% Fe Confirm Potential of Paulsens East Project"](#)

9 Refer [3 July 2008 ASX market announcement entitled "Presentation to Fund Managers and Institutional Investors"](#)

Berau Thermal Coal Project¹⁰ (East Kalimantan, Indonesia)

Strike has, through a joint venture (JV) with Orion, a 30% interest (free-carried until decision to mine) in a 5,000 hectare concession comprising the Berau Thermal Coal Project. The project is located approximately 40 kilometres south-west of Tanjungredeb (Berau) and approximately 350 kilometres north of Balikpapan (the capital city of Kalimantan). Orion holds the remaining 70% interest.

The JV is pleased to report that its recently completed drilling campaign¹¹ has confirmed the presence of a JORC Code compliant Inferred Thermal Coal Resource of 4.6 million tonnes of calorific value 5,800 kcal/kg. The coal has low ash (5%– 6%) and low sulphur (0.55% – 0.70%) and Inherent Moisture of 13 % - 15%.

Resource modelling also indicates a target mineralisation of an additional 4 to 5 million tonnes of calorific value 5,200 – 6,000 kcal/kg, with the same properties +/-10%.

The results are summarised in the table below:

	Inferred Resource	Target Mineralisation
Coal Tonnes (millions)	4.6	4 - 5
CVADB = Calorific Value Air Dried Basis	5,800	5,200 – 6,000
IMADB = Inherent Moisture Air Dried Basis	14	13 - 15
TSADB = Total Sulphur Air Dried Basis	0.64	0.55 - 0.70
AADB = Ash Air Dried Basis	5.6	5.0 - 6.0
FCADB = Fixed Carbon Air Dried Basis	40	35 - 45
VMADB = Volatile Matter Air Dried Basis	40	35 - 45
CVAR = Calorific Value As Received	5,600	5,100 – 6,000
TMAR = Total Moisture As Received	17	16 - 18
CVDB = Calorific Value Oven Dried	6,800	6,400 – 7,000
CVDAF = Calorific Value Dry Ash Free	7,200	7,000 – 7,400
HGI = Hardgrove Grindability Index	50	45 - 55

(The potential quantity and grade of the target mineralisation coal is conceptual in nature. There has been insufficient exploration to define a mineral resource in relation to that target coal. It is uncertain if further exploration will result in the determination of a mineral resource in relation to that target coal. At Berau, the target mineralisation is interpreted as having similar quality to the Inferred resources and for the required purpose of including a range of 'grades' the same properties are quoted as +/-10% of the assayed properties.)

An environmental impact study has been commissioned as a precursor to applying for a mining licence to commence operations in the second half of 2009. Various other studies are also in progress or being commissioned, including mine planning, transportation, port infrastructure and sales and marketing.

¹⁰ The information in this section which relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Mr Philip A. Jones and Mr Allen J. Maynard, who are Corporate Members of the Australasian Institute of Mining and Metallurgy and Members of the Australian Institute of Geoscientists and independent consultants to the Company. They have over 30 years of exploration and mining experience in a variety of mineral deposit styles including coal mineralisation. Mr Jones & Mr Maynard have sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which is being undertaken to qualify as Competent Persons as defined in the 2004 Edition of the "Australasian Code for reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Jones & Mr Maynard consent to inclusion in this section of the matters based on this information in the form and context in which it appears.

¹¹ Comprising 66 diamond drill holes, for an aggregate of 4,511 metres

Additional exploration is currently being planned to test coal seam extensions to the south-east, to the north-east and to the south-west of the current work area where the Inferred Resource has been defined. This will comprise initial geological outcrop mapping to delineate drill targets.



Figure 2: Berau Coal Project Location Map
(Orion has 70% and Strike has 30% of the Joint Venture)

Please refer to Orion's 31 July 2008¹² market announcement for further details concerning the resource definition and current status of the project.

As reported in the presentation released to ASX on 3 July 2008¹³, Strike has been in discussions with Orion to acquire its 70% joint venture interest in the project. It is anticipated that the consideration for this acquisition will be the issue of shares in the capital of Strike. There has not been any binding agreement reached between the parties.

12 Orion's 31 July 2008 ASX market announcement entitled "JORC Inferred Coal Resource of 4.6Mt at Berau Project"

13 Refer [3 July 2008 ASX market announcement entitled "Presentation to Fund Managers and Institutional Investors"](#)

King Sound Mineral Sands Project (Kimberley, Western Australia)

Strike has, through a joint venture with ASX listed Alara Uranium Limited (Alara), a 30% interest (free-carried until decision to mine) in the King Sound Mineral Sands Project, currently comprising three tenement applications covering a total area of 652 square kilometres, located approximately 10 kilometres west of the port town of Derby in the West Kimberley region of Western Australia.

The JV has identified the King Sound area as being prospective for the accumulation of heavy minerals, such as zircon, rutile and ilmenite.

The JV is awaiting the grant of these tenements prior to conducting additional sampling for test work to produce and characterise the heavy minerals to determine an effective processing pathway and develop a conceptual work flow sheet as part of an overall scoping study on the feasibility of the project.

During the quarter:

- (i) The JV commissioned a scoping study to ascertain the nature of the mineral sands resource;
- (ii) The heritage process was advanced with the aim of expediting the grant of the tenements.

Proposed exploration programme for the September 2008 quarter is outlined below:

- (a) Finalise the scoping study;
- (b) Continue heritage consultation process with the Kimberley Land Council to fast track grant of tenements.

The information in this report 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 report of the matters based on his information in the form and context in which it appears.

Capital Raisings

On 23 May 2008, Strike completed a \$32 million share placement to Australian, UK and US based institutional and professional clients of BBY Limited through the issue of 13.051 million shares at an issue price of \$2.45 per share (the **\$32 Million Share Placement**).¹⁴

On 25 July 2008, Strike entered into a share subscription agreement with Gallagher Holdings Limited (**Gallagher**) for a \$103 million capital raising at \$2.75 per share¹⁵, being a 39% premium to Strike's closing share price on 24 July 2008 and a 33% premium to the volume weighted average price of Strike's shares traded over the month preceding.

Gallagher is the investment holding company¹⁶ for the interests of Mr. Alisher Usmanov, who is one of Russia's leading businessmen. Mr Usmanov is the founder and the principal shareholder of Metalloinvest. Metalloinvest is one of the largest and fastest growing mining and metals companies in Russia.

The placement will occur in two tranches: A\$49.7 million and A\$53.4 million¹⁷. The first tranche was completed on 29 July 2008 with completion of the second tranche being subject to Strike shareholder approval, Foreign Investment Review Board (**FIRB**) approval and completion of due diligence by Gallagher.

A general meeting to seek shareholder approval for the second tranche is likely to be convened within the next month, after Gallagher has completed its due diligence.

Please refer to Strike's 28 July 2008¹⁸ market announcement for further details of the \$103 million share placement to Gallagher.

Director Appointments

On 29 July 2008, Mr Farhad Moshiri was appointed to the Board as a Non-Executive Director. Mr Moshiri appointed Mr Mark Horn as his Alternate Director.

Mr Moshiri was appointed upon the completion of tranche one of the \$103 million share placement to Gallagher. Mr Moshiri is Chairman of Gallagher and Metalloinvest.

About Farhad Moshiri

Farhad Moshiri graduated from the University of London with an honours degree in Economics and Statistics and subsequently qualified as a Chartered Certified Accountant (FCCA). He worked for a number of the major accounting firms, latterly focusing on financial services. He joined Global Natural Energy, a London listed company with energy and commodity interests, where he was the Chief Executive for eight years. He helped set up Gallagher Holdings Limited, where he has been instrumental in developing and acquiring its various interests in mining and metals,

14 Refer [13 May 2008 ASX market announcement entitled "Completion of \\$32 Million Institutional Capital Raising"](#).

15 The placement will be for a total of 37,480,557 shares, with an issue price of A\$2.75 per share to raise total gross funds of A\$103,071,532.

16 Gallagher is an investment holding company with its main interests in mining and steel, telecommunications, media and leisure.

17 The first tranche was for 18,068,086 shares raising A\$49,687,237 (gross); the second tranche will be for 19,412,471 shares to raise A\$53,384,295 (gross).

18 [28 May 2008 ASX market announcement entitled "103 Million Capital Raising"](#).

including its holding in Metalloinvest, the leading Russian mining and metals group where he is Executive Chairman. Farhad Moshiri sits on a number of other boards.

About Mark Horn

Mark Horn holds a B.A.(Hons) (First Class), M.A. (Rhodes), LLB(Hons) (London), Dip.B.Admin (Manchester) and an FSI(dip). He is also a Barrister of the Honourable Society of Lincoln's Inn, London. He is the CEO of M. Horn & Co., an FSA authorised corporate finance boutique based in the UK specialising in international mining and energy. He has worked in the City of London since 1987 as a fund manager, analyst and corporate financier, and has been a rated mining and oil analyst. He recently served as a Non-Executive Director of ASX-listed iron ore producer Mount Gibson Iron Limited (MGX).

Exercise of Options to Acquire a Further 38.5% of Apurimac Ferrum

On 29 May 2008, Strike exercised its Options¹⁹ to purchase a 38.5% interest in the issued capital of Apurimac Ferrum S.A. (AF) for a total cash sum of US\$34.5m. AF is the 100% owner of concessions comprising the Apurimac and Cuzco Iron Ore Projects in Peru.

From a pre-existing 12.5% direct interest and a 17.15%²⁰ indirect interest in AF, Strike has now taken its total economic interest in AF to 68.15%.

Immediately post Options exercise and as at the date of this report, the shareholding structure of AF, as reflected in AF's share ledger book²¹, is as follows:

- (1) Strike - 13,443,015 shares (50.952%);
- (2) IAC - 6,476,735 shares (24.548%); and
- (3) D&C Group S.A.C., D&C Pesca S.A.C. and Ausinca Peru S.A (together, D&C/Ausinca) - 6,464,025 shares (24.5%).

The US\$17.25 million Options exercise monies payable to MAPSA was collected by MAPSA on 17 June 2008. In this regard, US\$12.5 million was paid to MAPSA and US\$5 million was advanced to AF as a loan from MAPSA (as provided for under the AF Shareholders' Agreement).

The US\$17.25 million options exercise monies payable to D&C/Ausinca has not been collected by those parties as at the date of this report. Of that US\$17.25 million, US\$5 million is to be advanced to AF by D&C Group as a loan, as provided for under the AF Shareholders' Agreement. In this regard, the US\$5 million loan component has not yet been advanced to AF.

¹⁹ Pursuant to a shareholders' agreement dated 10 November 2006 between Strike, Minera Los Andes y el Pacífico S.A. (MAPSA), D&C Group and AF (AF Shareholders Agreement), Strike was granted options by MAPSA and D&C Group S.A.C (D&C Group) over AF shares equivalent to 38.5% of AF's issued capital, exercisable by the payment to MAPSA and D&C Group of US\$17.25 million each (US\$34.5 million in total) (Options).

²⁰ Strike holds a 70% shareholding in Iron Associates Corporation (IAC) which it acquired from MAPSA and its shareholders in February 2007 (IAC Transaction). IAC's sole asset is a 24.5% shareholding in AF. Strike's indirect holding in AF, through IAC, equates to a 17.15% interest in AF.

²¹ Peruvian lawyers have advised that under Peruvian General Corporate Law, AF must regard the persons who appear as owners of shares in AF's share ledger book as being the owners of such shares.

D&C Group Claims

The Company refers to its market announcements on this matter dated:

- 2 June 2008 entitled ["Strike Moves to 68.5% Interest in Peruvian Iron Ore Projects"](#);
- 18 June 2008 entitled ["Update Regarding Strike's Interest in Peruvian Iron Ore Assets"](#);
- 18 July 2008 entitled ["Update - Strike's Interest in Peruvian Iron Ore Assets"](#);
- 24 July 2008 entitled ["General Company Update"](#).

Strike provides the following update to the matters disclosed in these market announcements:

- (1) D&C Group has not yet lodged arbitration proceedings as foreshadowed in its Judicial Precautionary Measure (JPM) application, as far as Strike is aware;
- (2) Strike's own arbitration request is pending the formation of an arbitration panel (by the Arbitration Centre within the Lima Chamber of Commerce), which will then set a timetable for the future conduct of the matter;
- (3) D&C Group's recent allegations of irregularities associated with Strike's exercise of the Options is, as far as Strike is aware, still under investigation by the relevant authorities;
- (4) There has not been any agreement reached in respect of discussions between Strike and D&C Group to seek a mutually acceptable resolution to the issues raised by the parties.

Strike will provide further updates on this matter as developments arise in relation to Strike's own arbitration proceedings and D&C Group's allegations and threatened proceedings.

General Meeting

On 25 June 2008, shareholders approved the following resolutions at a general meeting:

- (1) Ratification and approval of the issue of 13,051,000 shares under the \$32 million Share Placement;
- (2) Ratification and approval of the issue of a total of 500,000 options to employees;
- (3) Approval and authority for the directors to issue a total of up to 25,000,000 shares at an issue price of not less than 80% of the average closing price of Strike's shares on ASX in the 5 trading days leading up to (and excluding) the date of a disclosure document or share placement or subscription agreement in relation to the proposed issue (as the case may be and as the Directors may determine) (**Future Share Placement**).

Status of Potential Transaction

Strike refers to its previous announcement²² about the AF shareholders' discussions with a group led by a major international mining company for the potential sale of up to 100% of those projects and Strike's other Peruvian iron ore assets for a total sale price of US\$650 million, which valued Strike's interests at approximately US\$450 million. There has not been any agreement reached between the parties in respect of these discussions.

22 Refer [1 April 2008 ASX market announcement entitled "Update on Potential Sale of Peruvian Iron Ore Assets"](#).

Cash Position

The Strike Group's current cash position is approximately A\$71.9 million with a further holding of listed securities totalling approximately A\$1.8 million.

Strike has advanced interest-bearing loan funds to AF totalling approximately US\$5.65 million (excluding accrued interest).

Strike has a current liability owed to D&C/Ausinca of US\$17.25 million (pursuant to the exercise of Options to acquire a 19.25% shareholding in AF from D&C/Ausinca on 29 May 2008). US\$5 million of this amount is to be advanced to AF as a loan from D&C/Ausinca (as provided for under the AF Shareholders' Agreement). These amounts are recorded in Strike's accounts as amounts payable to D&C/Ausinca.

Expiry of Listed \$0.178 Options

The Company's listed \$0.178 options expired on 30 June 2008 with nearly all options being exercised.

During the quarter ending 30 June 2008, 2,880,027 listed \$0.178 (30 June 2008) options were exercised and converted into shares, raising a total of \$512,644.81.

SECURITIES INFORMATION

as at 31 July 2008

STRIKE
RESOURCES LIMITED

Issued Securities

	Quoted on ASX	Not Quoted on ASX	Total
Fully paid ordinary shares	120,534,268	-	120,534,268
\$0.178 (8 February 2011) Unlisted Options	-	1,833,333	1,833,333
\$0.278 (8 February 2011) Unlisted Options	-	1,666,667	1,666,667
\$0.938 (20 July 2011) Directors' Options	-	4,600,000	4,600,000
\$0.938 (12 September 2011) Unlisted Director's Options		500,000	500,000
\$1.178 (5 October 2011) Unlisted Employee's Options		150,000	150,000
\$2.078 (6 March 2012) Unlisted Director's Options		500,000	500,000
\$2.788 (6 March 2012) Unlisted Directors' Options		3,300,000	3,300,000
\$2.878 (30 April 2012) Unlisted Employees' Options		133,000	133,000
\$2.878 (4 September 2012) Unlisted Employee's Options		200,000	200,000
\$2.878 (16 November 2012) Unlisted Employee's Options		250,000	250,000
\$3.978 (2 December 2012) Unlisted Directors' Options		4,000,000	4,000,000
\$2.878 (3 March 2013) Unlisted Employee's Options		250,000	250,000
\$2.75 (29 July 2011) Unlisted Options		903,404	903,404
Total	120,534,268	18,286,404	138,820,672

Distribution of Ordinary, Fully-Paid Shares

Spread	of	Holdings	Number of Holders	Number of Units	% of Total Issue Capital
1	-	1,000	648	367,376	0.305
1,001	-	5,000	1,800	5,743,869	4.765
5,001	-	10,000	648	5,193,644	4.309
10,001	-	100,000	787	23,411,351	19.423
100,001	-	and over	87	85,818,028	71.198
Total			3,970	120,534,268	100.00%

SECURITIES INFORMATION

as at 31 July 2008

STRIKE
RESOURCES LIMITED

Top 20 Ordinary Fully-Paid Shareholders

Rank	Shareholders	Total Shares	% Issued Capital
1	ANZ NOMINEES LIMITED	18,068,086	14.990
2	DATABASE SYSTEMS LIMITED	9,377,090	7.780
3	ANZ NOMINEES LIMITED <CASH INCOME A/C>	8,018,205	6.652
4	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - GSI ECSA	20,000	
	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	1,911,382	
	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - GSCO ECA	22,649	
	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - GSCO ECSA	7,602	
	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	2,538,932	
	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 3	<u>3,467,741</u>	
	Sub total	7,968,306	6.611
5	PAN AUSTRALIAN NOMINEES PTY LIMITED	5,800,718	4.813
6	CITICORP NOMINEES PTY LIMITED <CFS DEVELOPING COMPANIES A/C>	700,973	
	CITICORP NOMINEES PTY LIMITED	4,926,684	
	CITICORP NOMINEES PTY LIMITED <DPSL A/C>	<u>227</u>	
	Sub total	5,627,884	4.669
7	NATIONAL NOMINEES LIMITED	3,724,030	3.090
8	JP MORGAN NOMINEES AUSTRALIA LIMITED	3,543,946	2.940
9	ORION EQUITIES LIMITED	3,490,802	2.896
10	MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED	1,216,948	1.010
11	SANDINI PTY LTD <KARRATHA RIGGING UNIT A/C>	970,000	0.805
12	COGENT NOMINEES PTY LIMITED	876,420	0.727
13	PATER INVESTMENTS PTY LTD	750,000	0.622
14	MR GEORGE BRYANT MACFIE	634,846	0.527
15	CITYSIDE INVESTMENTS PTY LTD	550,000	0.456
16	FAROOQ KHAN	530,010	0.440
17	EMPIRE HOLDINGS PTY LTD	500,000	0.415
18	MRS ANUPAM SHOBHA MADAN & MR HEM SHANKER MADAN	500,000	0.415
19	QUECHUA INVESTMENTS LIMITED	488,830	0.406
20	NEFCO NOMINEES PTY LTD	483,846	0.401
Total		73,119,967	60.665%

Appendix 5B

Mining Exploration Entity Quarterly Report

Name of entity

STRIKE RESOURCES LIMITED and controlled entities

ACN or ARBN

088 488 724

Quarter Ended

30 June 2008

Consolidated statement of cash flows

Cash flows related to operating activities

1.1 Receipts from product sales and related debtors

1.2 Payments for

(a) exploration and evaluation

(b) development

(c) production

(d) administration

1.3 Dividends received

1.4 Interest and other items of a similar nature received

1.5 Interest and other costs of finance paid

1.6 Income taxes paid

1.7 Other (provide details if material)

(a) Professional fees

Net operating cash flows

Consolidated	
Current Quarter Jun 2008 \$' 000	Year to Date 12 months \$' 000
-	-
(1,847)	(3,461)
-	-
-	-
(962)	(2,743)
-	20
296	995
-	-
-	-
-	-
(2,513)	(5,189)

	Consolidated	
	Current Quarter Jun 2008 \$' 000	Year to Date 12 months \$' 000
1.8 Net operating cash flows (carried forward)	(2,513)	(5,189)
Cash flows related to investing activities		
1.9 Payment for purchases of:		
(a) prospects	(73)	(73)
(b) equity investments	(18,478)	(22,322)
(c) other fixed assets	-	-
1.10 Proceeds from sale of:		
(a) prospects	-	-
(b) equity investments	-	200
(c) other fixed assets	-	-
1.11 Loans to other entities	(2,678)	(5,166)
1.12 Loans repaid by other entities	-	33
1.13 Other (provide details if material)	-	-
Net cash inflow from acquisition of controlled entity	312	312
	-	-
Net investing cash flows	(20,917)	(27,016)
1.14 Total operating and investing cash flows	(23,430)	(32,205)
Cash flows related to financing activities		
1.15 Proceeds from issues of shares, options, etc.	31,006	33,107
1.16 Proceeds from sale of forfeited shares	-	-
1.17 Proceeds from borrowings	5,000	5,000
1.18 Repayment of borrowings	-	-
1.19 Dividends paid	-	-
1.20 Other (provide details if material)	-	-
Payment for share issue and options costs	(176)	(176)
Net financing cash flows	35,830	37,931
Net increase (decrease) in cash held	12,400	5,726
1.21 Cash at beginning of quarter/year to date	11,347	18,328
1.22 Exchange rate adjustments to item 1.20	(18)	(325)
1.23 Cash at end of quarter	23,729	23,729

Payments to directors of the entity and associates of the directors Payments to related entities of the entity and associates of the related entities

	Current Quarter Jun 2008 \$' 000
1.24 Aggregate amount of payments to the parties included in item 1.2	(226)
1.25 Aggregate amount of loans to the parties included in item 1.10	-

1.26 Explanation necessary for an understanding of the transactions

(1) \$225,574 - Directors' fees, salaries and superannuation for the quarter.

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

None

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

None.

Financing facilities available

	Amount available \$' 000	Amount used \$' 000
3.1 Loan facilities	-	-
3.2 Credit standby arrangements	-	-

Estimated cash outflows for next quarter

	Next Quarter \$' 000
4.1 Exploration and evaluation	(2,434)
4.2 Development	-
Total	(2,434)

Reconciliation of cash

Reconciliation of cash at the end of the month (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows

	Consolidated	
	Current Quarter \$' 000	Previous Quarter \$' 000
5.1 Cash on hand and at bank	9,277	303
5.2 Deposits at call	14,452	11,044
5.3 Bank overdraft	-	-
5.4 Other (Bank Bills)	-	-
Total: cash at end of quarter (item 1.22)	23,729	11,347

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (4))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed	None		
6.2	Interests in mining tenements acquired or increased	None.		

Issued and quoted securities at end of current quarter

	Total number	Number quoted	security (see note 5) (cents)	security (see note 5) (cents)
7.1 Preference securities+	n/a			
7.2 Changes during quarter				
(a) Increases through issues				
(b) Decreases through returns of capital, buy-backs, redemptions				
7.3 Ordinary securities+	86,535,155	86,535,155		
7.4 Changes during quarter				
(a) Increases through issues				
Conversion of SRKO options	2,880,027	2,880,027	17.8 cents	N/A
Issue under \$31.3 M Share Placement (at \$2.45 per share)	13,051,000	13,051,000	245 cents	N/A
(b) Decreases through returns of capital, buy-backs				
7.5 Convertible debt securities+				
7.6 Changes during quarter				
(a) Increases through issues				
(b) Decreases through securities matured, converted				
7.7 Options			<i>Exercise price</i>	<i>Expiry date</i>
Vendor options	1,833,333	1,833,333	17.8 cents	8 February 2011
Vendor options	1,666,667	1,666,667	27.8 cents	8 February 2011
Directors' options	4,600,000		93.8 cents	20 July 2011
Director's options	500,000		93.8 cents	12 September 2011
Employee's options	150,000		117.8 cents	5 October 2011
Director's options	500,000		207.8 cents	6 March 2012
Directors' options	3,300,000		278.8 cents	6 March 2012
Employee's options	100,000		287.8 cents	30 April 2012
Employees' options	133,000		287.8 cents	30 April 2012
Employee's options	200,000		287.8 cents	4 September 2012
Employee's options	250,000		287.8 cents	16 November 2012
Directors' options	4,000,000		397.8 cents	2 December 2012
Employee's options	250,000		287.8 cents	3 March 2013
7.8 Issued during quarter				
7.9 Exercised during quarter	2,880,027		17.8 cents	30 June 2008
7.10 Expired during quarter				
7.11 Debentures (totals only)				
7.12 Unsecured notes				

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).
- 2 This statement **does** give a true and fair view of the matters disclosed.



31 July 2008

Victor Ho
Director

+ See Chapter 19 for defined terms

NOTES

- 1) The Company currently holds the following share investments:

Company	No Shares	%	30-Jun-08	Market Value
			Last Bid Price	
Alara Uranium Limited (AUQ)	12,750,000	15.8%	\$0.083	\$1,058,250
Alara Uranium Limited Options (AUQO)	21,562,500	35.7%	\$0.013	\$280,313
Orion Equities Limited (OEQ)	505,026	2.8%	\$0.900	\$454,523
Queste Communications Ltd (QUE)	826,950	2.9%	\$0.185	\$152,986
Total				\$1,946,072

Share investments are regarded as liquid assets to supplement the Company's cash reserves.

- 2) During the quarter ending 30 June 2008, 2,880,027 listed \$0.178 (30 June 2008) options were exercised and converted into shares, raising a total of \$512,644.81
- 3) The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note
- 4) The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent
- 5) Issued and quoted securities The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 6) The definitions in, and provisions of, AASB 1022: Accounting for Extractive Industries and AASB 1026: Statement of Cash Flows apply to this report.
- 7) Accounting Standards ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

Wednesday, 23 July 2008

MARKET ANNOUNCEMENT

PRE-FEASIBILITY RESULTS CONFIRM WORLD CLASS PROSPECTS FOR APURIMAC PROJECT IN PERU

Strike Resources Limited is pleased to announce the completion of the Pre-Feasibility Study (PFS) for its flagship Apurimac Iron Ore Project (the Project), in Peru.

The PFS, which took nearly a year to complete at a cost of approximately A\$2.75 million, focused upon the development of a 20 million tonne per annum (20Mtpa) mining operation with iron ore concentrate transported to the coast for shipment via a slurry pipeline.

The PFS has confirmed that the Project has the potential to become a highly profitable world class iron ore operation, with:

- Significant re-rating of resource inventory from JORC Inferred to JORC Indicated of 133 million tonnes (Mt)
- Average operating costs of approximately US\$14.5 per tonne
- Total capital cost of approximately US\$2.3 billion
- High quality product grading +68%Fe, very low in Alumina, Phosphorous and other impurities

If iron ore prices maintain their current levels, an operating cash surplus of approximately US\$1.44 billion is forecast for the first full year of production and Project cash flows would be sufficient to repay the Project's total capital cost within 2 years.

First production from the Project is scheduled for the first half of 2012. Strike is now focussing on expanding its resource inventory in Apurimac and the commencement of a Bankable Feasibility Study (BFS).

Commenting on the results of the PFS, Dr John Stephenson, Chairman of Strike said: "The completion of the Pre-Feasibility Study for Strike's Apurimac Iron Ore Project in Peru marks a major milestone for Strike and its Peruvian stakeholders. The independent studies by consultants of world standing in their field, together with in-house analysis, has shown that the Apurimac Project alone has the capacity to deliver to Strike and its shareholders a highly profitable long term source of cash flow. This will be transforming for Strike, positioning it as a leading producer of high grade iron ores, principally for the Asian market.

"I am extremely encouraged and excited by the results of this PFS and look forward to the next phase in the Project's development. Strike is confident that substantially more resources both at Apurimac and at Strike's other major Peruvian iron ore project at Cuzco will be uncovered within the next twelve months."



www.strikeresources.com.au

STRIKE RESOURCES LIMITED

A.B.N. 94 088 488 724

Level 14, 221 St Georges Terrace, Perth WA 6000

ASX Code: SRK

T | + 61 8 9214 9700

F | +61 8 9322 1515

E | info@strikeresources.com.au

DETAILS OF PRE-FEASIBILITY STUDY

In August 2007, Strike commenced its PFS programme, under the overall supervision of Strike Director Professor Malcolm Richmond, to support a 20 Mtpa mining operation from its Apurimac Project area. The PFS included a series of studies project managed by Sinclair Knight Mertz (SKM). These studies covered the following broad areas:

Study Areas

STUDY	PRIME RESPONSIBILITY
Geology, Mining and Resource	Snowden Group
Mineralogy, Petrology and Characterisation	CSIRO
Process system design and testing	Sinclair Knight Merz
Plant and Site, Mechanical, Electrical, Power Supply, Port and Mine	Sinclair Knight Merz
Infrastructure Mine and Port	Sinclair Knight Merz
Port facilities Marine	COSAPI S.A.
Pipeline Design	Pipeline Systems Incorporated (PSI)
Community and Environment	Sinclair Knight Merz
Risk Analysis	Sinclair Knight Merz
Capital Cost Estimate and Operating Cost Estimate	Sinclair Knight Merz

The results of these studies are summarised below:

OPERATING COSTS

Average operating costs (excluding contingency, royalty and depreciation charges) per tonne of dry concentrate at full production are estimated (with an accuracy of +25%/-10%) to be US\$14.49 per tonne.

An additional provision for contingency or 'risk' costs has been estimated at \$1.45 per tonne.

Operating Costs

Description	Cost US\$/t Dry Concentrate
Process, General and Administration	0.93
Reagents and Consumables	1.03
Infrastructure	0.40
Power	2.74
Spares	2.78
Mining and Geology	6.30
Port Operations	0.32
Total	14.50
Contingency	1.45
Total including Contingency	15.95

These operating costs are extremely competitive when compared with current and planned producers in Australia. Furthermore, this competitive advantage is likely to improve over time due to significantly higher inflationary pressures in the mining sector in Northern Australia compared to that in Peru.

Operating Cost Comparison with Australian Iron Ore Companies

Company	Cash costs before royalties A\$/t FOB
Strike Resources (US\$/t)	16
Fortescue Metals (FMG) - DSO	24
BHP (US\$/t)	29
Rio Tinto (US\$/t)	30
Midwest Corporation - DSO	38*
Murchison Metals - DSO	38*
Mount Gibson - DSO	42
Portman - DSO	42
Grange Resources - BFO	45
Gindalbie Metals - DSO	48

Source: BBY Limited (from Company Reports and Forecasts)

* Includes A\$9 capital charge for rail and port

DSO = Direct Shipping Ore BFO = Beneficiated Feed Ore

CAPITAL COST ESTIMATES

Total direct and indirect costs for the project including engineering, procurement and commissioning are estimated (with an accuracy of +25%/-10%) to be approximately US\$2.3 billion.

An additional provision for contingency or 'risk' costs (which also includes an allowance for further possible savings, presently under review) has been estimated at US\$200 million.

Capital Cost by area

Description	Cost US\$M
Mine Site and off site infrastructure	361,082
Process Plant	341,971
Tailings	48,329
Concentrate Pipeline	489,962
Port	280,962
Water Supply	34,886
Electrical and Communications	54,654
Total Indirects	692,765
Total	2,304,611
Contingency	200,555
Total incl. Contingency	2,505,166

Indirect costs include (among other items) an allowance for Engineering, Procurement, Construction Management (EPCM), equipment freight and insurance, customs duties, start-up and commissioning.

The capital cost estimates were developed from a detailed work breakdown structure of each process, with costs for equipment based upon budget quotations from major suppliers. A selection of contractors and suppliers were interviewed to compile relevant information for setting applicable rates and costings. A field survey in Peru was also completed, to check the correctness of rates.

FINANCIAL EVALUATION

Financial analysis by Strike confirms that the Project economics are potentially highly attractive.

The capital and operating cost estimates from the studies, together with a conservative assumption of an average price of US\$60 FOB per tonne of concentrate, suggest the Project will generate an operating cash surplus in the first full year of production of approximately US\$890 million. If iron prices maintain their current levels (equivalent to approximately US\$94 FOB), operating cash surplus in the first full year of production is forecast to reach approximately US\$1.44 billion and would be sufficient to repay the Project's capital cost within 2 years.

GEOLOGY AND RESOURCE

The focus of this study has been the Opaban I and Opaban III deposits, which were previously announced by Strike to represent a JORC Inferred Resource of 172 million tonnes at 62.28% Fe¹.

The Resource Estimate by Snowden Group has now provided a significant re-rating of the resource, from Inferred to Indicated status, delivering a total JORC Indicated Resource of 133,530,000 tonnes, more than 93% of which has been included in the mine plan.

JORC Indicated Resource Estimate

Location	Tonnes	Fe%	Al ₂ O ₃ %	SiO ₂ %	P%	S%
Opaban I	125,000,000	59.26	2.12	7.87	0.04	0.14
Opaban III	8,530,000	62.08	1.37	4.58	0.07	0.25
Total/Average	133,530,000	59.40	2.07	7.66	0.04	0.15

The main Opaban I deposit is an iron-skarn deposit, tabular-shaped and generally flat-lying. Drilling has so far defined the dimensions of a mineralised body as being approximately 1,600 metres long by 300 metres wide, in a zone in which massive iron oxide deposits occur in several locations along a 5 kilometre northwest trend.

TRANSPORTATION

The transportation of ore will be by slurry pipeline from the mine site to the port. The pipeline route has been determined and is 363 kilometres in length. This route is shown in Annexure A.

The pipeline will consist of 26/22 inch diameter, unlined, API X70 steel pipeline with two pump stations, one valve station and five choke stations.

1 Refer [23 August 2006: ASX market announcement titled "Peru Iron Ore Update on Apurimac Project"](#) and [19 July 2007: ASX market announcement titled "Apurimac Project - JORC Resource Statement"](#)

The pump stations will be located one at the mine site and one located 85 kilometres along the pipeline route. The pump stations will provide the energy to transport the concentrate through the pipeline.

The valve station will be required to isolate the pipeline system into two separate parts when the pipeline is shut down, reducing the static head in the pipeline system to approximately 4,000 metres of iron ore concentrate.

The chokes will be required to dissipate energy (dynamic head) in the pipeline as the iron-ore concentrate descends from approximately 4,000 metres off the Peruvian Altiplano.

MINING INFRASTRUCTURE

A conceptual mine study into the Opaban I and Opaban III resources has been developed upon the basis that additional resource inventories are identified to support a production rate of 20Mtpa over 20 years.

This study has provided:

- Conceptual pit designs and infrastructure
- Conceptual site layout, including location of main waste dump and haul roads
- Conceptual mining schedule aimed at optimising value during the extraction of the Opaban I and Opaban III resources and conceptual satellite deposits
- Estimation of operating costs and capital costs for the mining operation

Mine strip ratios have been estimated at 1.71 for Opaban I and 0.66 at Opaban III. A more detailed geotechnical drilling programme will be required to ensure the correct pit slope angle is used. A highly conservative angle of 35 degrees has been used for the study, so the potential exists to steepen the slope and therefore reduce the strip ratio and further reduce mining costs.

MINERALOGY, PETROLOGY AND CHARACTERISATION

CSIRO were commissioned to complete characterisation of the mineralogical and petrological characteristics of iron oxides from the various ore types found in the Opaban I deposit.

The work identified four important characteristics:

- The iron mineralogy is made up of 60% hematite and 40% magnetite
- The ore is coarse grained
- There is widespread internal fracturing within the grains
- The gangue minerals comprise silicates which are, relative to iron minerals, very soft

Magnetic (low intensity and high intensity) test work on reverse circulation chip samples was very successful and has returned product grades at coarse crushing with particle sizes of 80% passing 125 and 250 microns as follows:

Metallurgical Test Work Results

Product	Grade		
Fe	68.02 %	to	68.28%
Al ₂ O ₃	0.30%	to	0.35%
SiO ₂	1.51%	to	1.77%
P	0.01%	to	0.02%

These excellent results suggest low energy consumption for the beneficiation process, which means lower operating costs. No floatation circuit is required as part of the beneficiation process.

PROCESS SYSTEM DESIGN AND FLOW SHEET

The Process Flow Sheet developed by SKM is shown in [Annexure B](#). The beneficiation and production concept developed for the Opaban I and Opaban III ore bodies will require:

- A Primary Gyratory Crusher for primary size reduction from minus 1000mm maximum to a P80 of 90mm
- Secondary crushing and screening in closed circuit for feed size reduction from a feed P80 of 90mm to a P80 of approximately 13mm
- High Pressure Grinding Rolls (HPGR) for the first stage of fines production
- Wet screening of HPGR product at 4mm in closed circuit
- Primary Ball mills for reduction to a P80 of 0.25mm

Since the run of mine (ROM) grade is a very high 57% Fe and the mineralogy is conveniently interlocked magnetite/hematite, a simple two step magnetic separation will produce a high grade product.

The two steps of magnetic separation will be as follows:

- Low Intensity Magnetic Separators (LIMS) for magnetite concentration roughing and cleaning stages
- Wet High Intensity Magnetic Separators (WHIMS) for hematite concentration from the LIMS tailings

The concentrates will be ground to 100% passing 150 microns and 80% passing 48 microns, thickened and transported as slurry to the port via pipeline. At the port they will be dewatered (filtered) and stock piled for shipment.

An overall process route has been defined based upon the design tonnage of 20Mtpa of dry concentrate grading approximately 68% Fe and a mass recovery from ROM feed of 70.3% based upon the expected head grade of 57% Fe.

PORT SITE

Port selection was based on the following principal considerations:

- The port site needs to be sheltered from prevailing weather conditions and have a minimum of 20 metres water depth at low tides
- The land area for the port site needs to have adequate space for dewatering facilities, stockpiles and residential buffer zone
- The wharf facility must accommodate a 7,000 - 10,000 tonne per hour travelling shiploader, ship manoeuvring space, dolphins, buoys and anchorage locations
- The site must be able to accommodate expansion to 40 Mtpa stockpiling, loading and shipping

The bay of Tres Hermanas has been selected at the preferred location for the establishment of the Port Facility.

Tres Hermanas has natural deep water and a semi submerged reef extending offshore, which offers protection from the prevailing weather.

Bathymetric studies, including depth sounding and contour plotting have confirmed the suitability of the deep harbour.

A depth of 20 metres is available at approximately 300 metres off shore. Jet probing of the bay area showed the sea bed to be several metres of sand over a rock base.



Aerial photograph of Tres Hermanas Port Site Location

The conceptual design of the port at Tres Hermanas comprises:

- A rock fill breakwater based on the existing semi-submerged reef (thus requiring minimum additional rock fill) on the southern boundary of the bay
- A steel and concrete wharf structure that supports a 7,000 tonne/hour ship loader
- Mooring dolphins suitable for 150,000+ tonne cape sized vessels
- Service jetty for tug boat access
- Navigation aids and buoys

The land area at Tres Hermanas is relatively flat, devoid of any sort of vegetation and is uninhabited. As such, it is highly suitable for the location of facilities to dewater, stockpile and load product at a rate of 20 to 40 Mtpa.

Tres Hermanas is situated 13 kilometres from the town of San Juan and therefore allows the workforce to live in an existing town close by.

PORT INFRASTRUCTURE

The main elements of Port Infrastructure will comprise:

- Filtration Plant
- Product Stacker
- Product Reclaimer
- Shiploader

The iron ore concentrate will be dewatered at the port through a filter system. Concentrate will then be fed by conveyor belt to the product stacker, which will feed on to the boom conveyor and discharge on to four stockpiles each holding approximately 250,000 tonnes.

Stockpiled material will be reclaimed from the stockpiles by the Product Reclaimer and fed to the Ship Loader.

POWER SUPPLY AND RETICULATION

Power requirements for the Project at the mine site and port will be serviced from existing surplus capacity from the national grid system.

The power requirement for the mine site is estimated at 125MW and for the port site 14MW, both of which can be serviced through the construction of new transmission lines to Peru's main electricity grid.

For the mine site, connection to the grid will be via an existing substation at Cotaruse, requiring approximately 100 kilometres of new transmission line to be constructed.

For the Port, connection to the grid will be at the Marcona Substation near San Nicolas Port, requiring a new 30 kilometre transmission line.

WATER SUPPLY

The mine site is fortunate in its location in that there are large bodies of water nearby and the region has high levels of rainfall. The estimated quantity of water required for the mine site and pipeline operation is 17.8Mm³ (17.8 gegalitres) annually.

The preliminary water modelling indicates that available water resources will be sufficient to cover the demands for both the plant and for concentrate transport to the coast.

It is envisaged that the development of the water supply for the mine will also result in significant improvements to the quantity and quality of water supply to the local communities.

Works required to store and distribute water to the mine site will include the construction of a small dam, charge tank, storage reservoir, pumping station and pipeline.

The disposal of 12Mm³ (12 gegalitres) of water from the filter plant at the port presents an opportunity for the Project to enhance sustainable agriculture in the region.

ENVIRONMENTAL AND COMMUNITIES

The Project faces the usual environmental and community risks to any project at this development stage.

The biophysical environmental challenges of rehabilitation, water management, flora and fauna, air, noise control and cultural heritage matters appear relatively straightforward using proven industry practices to manage the impacts to acceptable levels.

Establishment of trust between the project and the local regional communities will be essential to address community concerns about the Project.

NEXT STEPS

With the positive results from the PFS, Strike is now aggressively targeting the following key Project milestones;

- Expanding resource inventory in Apurimac to +300Mt (December 2008)
- Completion of Railway Scoping Study (September 2008)
- Completion of Bankable Feasibility Study (June 2009)
- First Production from Apurimac (first half of 2012)

Strike is investigating project alternatives to the central case described above, including the use of contract mining (to reduce direct Project capital costs) and the use of a railway instead of a slurry pipeline.

A Preliminary Scoping Study suggests that a railway for transporting sinter fines and lump from the mine to the coast is technically feasible and would offer significant cost savings at the mine beneficiation plant. Further work is currently underway to more accurately analyse the value trade off. This work is expected to be completed by the end of September 2008.

Strike notes that production from its Cuzco Lump Project is scheduled to commence sooner than the Apurimac Project, as Strike is aiming to commence 1 to 2Mtpa of lump production from its Cuzco Project area in 2009 to generate early cashflow.

Also, Strike notes the potential for an additional 20Mtpa production from the Cuzco Project area. However the Cuzco area was outside the scope of this Pre-Feasibility Study.

For further information:

John Stephenson
Chairman

T | (08) 9214 9700

E | jstephenson@strikeresources.com.au

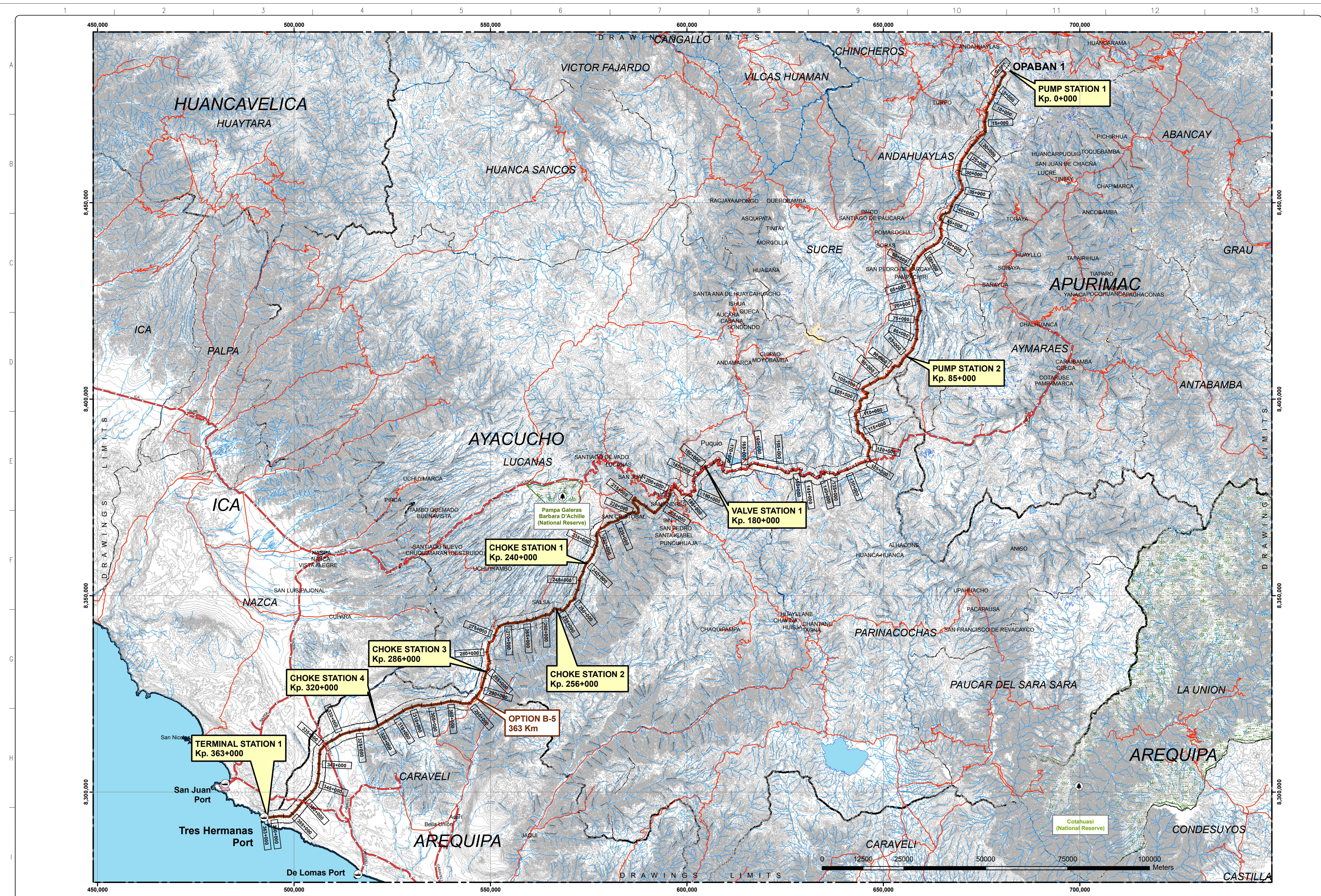
Shanker Madan

Managing Director

T | (08) 9214 9700

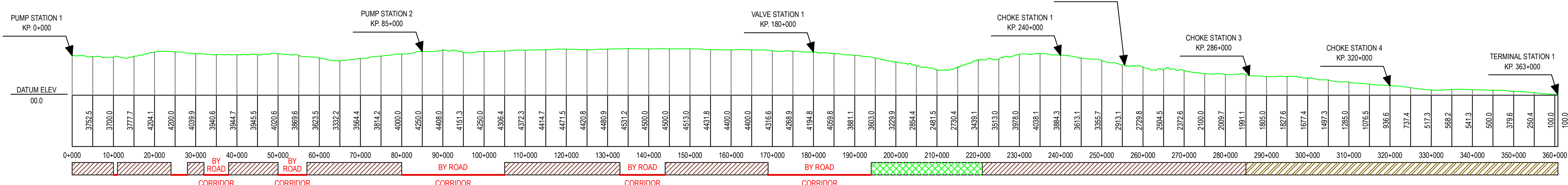
E | smadan@strikeresources.com.au

The information in this announcement 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 announcement of the matters based on his information in the form and context in which it appears.



OPTION B-5 - KEY PLAN

SCALE 1:500,000



OPTION B-5 - PROFILE

HORIZONTAL SCALE 1:600,000
VERTICAL SCALE 1:200,000

NOTES

- 1.- TOPOGRAPHY INFORMATION PROVIDED BY INSTITUTO GEOGRÁFICO NACIONAL DEL PERÚ (IGN).
- 2.- NATIONAL RESERVES PROVIDED BY INSTITUTO NACIONAL DE RECURSOS NATURALES DEL PERÚ (INRENA).
- 3.- THE STARTING POINT (MINE SITE - OPABAN 1) AND THE LOCATION OF THE 3 PORTS (DE LOMAS PORT, TRES HERMANAS PORT, SAN JUAN PORT), IS PROVIDED BY THE CLIENT.
- 4.- COORDINATE SYSTEM (WGS 1984 UTM Zone 18S).

Legend

- Pipeline Corridor (5 Km)
- OPTION B-5
- Panamerican Highway
- Secondary Road
- River
- Department Limits
- Province Limits
- National Reserve
- Mountain Crossing
- Agric/Urban Crossing
- Flat Area Crossing
- By Road Corridor
- Port
- Mine Site Location
Coordinates :
N 8,483,722.08; E 680,436.31
Elevation :
3837 MASL

REFERENCE DRAWINGS

DRAWING No.	DRAWING DESCRIPTION

B	ISSUED FOR CLIENT REVIEW				
A	07/02/08	ISSUED FOR INTERNAL REVIEW	JLC	JDR	PFM
REV	DATE	REVISION DESCRIPTION	DRAWN/CHECKED	PSI CLIENT	APPROVED
DESIGNED BY:	M. LETELIER	DRAWN BY:	J.L. CALIXTO	SCALE:	INDICATED

SKM	STRIKE RESOURCES LIMITED
psi jri PERU S.A.C.	PSI JRI Perú S.A.C. San Isidro, Lima 27, Perú www.psi-jri.com (51-1) 441-3349

ANDEAN IRON ORE PROJECT PRE-FEASIBILITY STUDY : PIPELINE OPTION B-5 OPABAN 1 TO TRES HERMANAS PORT PLAN & PROFILE

CONTRACT NO.:	WORK PACKAGE:
JOB NUMBER	DRAWING NUMBER
5209	PJP5209-DWG-PL-007
	REV
	B

