Full Year Report

for Strike Resources Limited and its controlled entities
for the year ended 30 June 2011

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William Johnson	Non-Executive Director
Malcolm Richmond	Chairman

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Review of Operations

Company Overview

Strike Resources is an Australian-listed resources company with two principal projects in the attractive bulk commodities market.

The Apurimac and Cusco Iron Ore Projects are large-scale iron ore projects in southern Peru with Apurimac the most advanced with a high quality Concept-level Study completed in 2008. The Company is seeking to establish a 15 – 20 million tonne per annum ("**Mtpa**") operation based on current JORC Indicated and Inferred Resources of 270Mt[1] at its Opaban concessions located at Apurimac.

The Company has strengthened its resource and exploration position in Peru through the acquisition of an additional 12% of Apurimac Ferrum S.A. ("**AF**"), and entering into a strategic option to acquire a major stake in Cuervo Resources Inc. ("**Cuervo**") which holds high-quality exploration concessions in the Cusco district of southern Peru, and which are complimentary to Strike's own concession interests in the same area.

Strike holds 100% of the rights to mine coal at the Berau Thermal Coal Project in Indonesia, subject to a royalty to the concession owner, through a Co-operation Agreement. The Company is in dispute with the owner over the terms of the agreement and dispute resolution proceedings are likely.

Table 1 - Strike Resources' projects summary

Project	Location	Strike's Interest
Apurimac Iron Ore	Apurimac District, Peru	56%[2]
Cusco Iron Ore	Cusco District, Peru	56%[3]
Cuervo Resources	Cusco District, Peru	Option to acquire 49.2%[3]
Berau Thermal Coal	Berau Regency, East Kalimantan, Indonesia (subject to payment of a royalty to the concession owner)	100%
Paulsens East Iron Ore	West Pilbara, Western Australia (Strike has farmed out iron ore rights in this project and will receive a royalty on any iron ore produced)	Royalty

Operational Highlights 2010/2011

- Strong cash position with $34 million in cash reserves as at 30 June.
- Majority position (56%) secured in Apurimac Ferrum S.A. through the acquisition of an additional 12% of shares[4].
- Strategic option secured to acquire up to 49.2% of Cuervo Resources Inc.
- Strong, Peru-based management team established in AF.
- Constructive relationships established with communities with approvals flowing.
- Board restructure involving the retirement of the former chairman and two non-executive directors, with the appointment of one or more additional independent non-executive directors pending.

Projects

Apurimac and Cusco Iron Ore Project (Peru) (SRK 56%)

The Company holds a direct interest of 56% in Apurimac Ferrum S.A. ("**AF**"), the owner of the Apurimac and Cusco project concessions located in Peru. Strike is currently funding AF through a loan agreement with AF and Mr Hellsten, Strike's Managing Director, is President of AF. These loans will be capitalised in mid-2012 under the 2009 Settlement Agreement between the AF shareholders unless Strike exercises the "shoot-out"[5] provision of the agreement. At that time the other AF shareholder, the D&C Group, has the right to make a top-up capital contribution to AF which, depending on the amount contributed, will result in D&C holding between 25% and 50% of AF.

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1 Comprised of an Indicated Resource of 142.5Mt at 57.84% Fe and an Inferred Resource of 127.5Mt at 56.7% Fe.

2 The percentage of Strike's shareholding in Apurimac Ferrum S.A. ("**AF**"), the company which holds these concessions.

3 See footnote 2.

4 Subject to an option for D&C to acquire 6% of AF from Strike which, if exercised, would give Strike and D&C each a 50% shareholding in AF.

5 Under the "Shootout" provisions of the AF Settlement Agreement Strike may, but is not obliged to, make an offer to purchase D&C's shares in AF. If Strike makes such an offer D&C must either offer to purchase Strike's shares for a higher price per share or accept Strike's offer.

Strike has continued to progress the Apurimac and Cusco Projects in the Southern Andes region of Peru. The Apurimac Project comprises 72 concessions totalling approximately 59,000 hectares[6] and the Cusco Project covers 17,500 hectares approximately 150 kilometres to the south-east of Apurimac.

Following a detailed review of the project resources inventory and study programs in late 2010 the focus of activities has moved from detailed project studies to exploration and resource expansion. The current mineral resources at Opaban are high quality and form a sound basis for a potential iron-ore operation, however, additional resources are required to justify the significant infrastructure costs and deliver a robust iron-ore business. The Company's geological team believe that the existing AF concessions hold strong potential for additional iron ore, and has identified opportunities to acquire additional prospective ground within the region.

The principal activities undertaken during the year have been:

- Establishment of a strong Peru-based management team within AF.
- Development of constructive, sustainable relationships and programs with communities affected by the project to facilitate approvals in line with exploration plans.
- Identify and pursue opportunities to consolidate the Company's strong strategic position in iron ore and to expand resources and exploration potential, with a view to outlining sufficient iron ore mineralisation to support a 15 – 20Mtpa iron ore business through:
    - Review and appraisal of the iron ore potential within AF's existing concessions and identification of priority target areas.
    - Acquiring additional shares in AF from minority shareholder Iron Associates Corporation.
    - Development of alliances, partnerships and/or acquisitions with other concession holders in the region.
- Completion of alternate production rate and project configuration studies to determine the preferred parameters. These studies included:
    - Production rates of 10Mtpa and 15Mtpa to compliment the original 20Mtpa study.
    - Additional metallurgical studies to determine product and processing options.
    - Transport alternatives of rail and rope conveyor to supplement the original slurry pipeline option.
    - Water supply and management studies.
    - Scenario and financial modelling.
- Initial resource estimate for the Santo Tomas concessions at Cusco.
- Initial appraisal of the base metal and gold potential of the AF concessions given they lie within a major copper, gold and silver province which extends into Chile, the world's largest copper producer.

Strengthened AF Management Team

A key step in strengthening the AF team was completed in March 2011 with the appointment of Mr Thomas Kelly as Chief Executive Officer. Mr Kelly reports to Mr Hellsten who is President of AF and Managing Director of Strike. Mr Thomas is based in AF's Lima office in Peru and has overall responsibility for the preparation and delivery of the business plans for the company.

Mr Kelly holds a Masters degree in Mining Engineering from the Colorado School of Mines and has 35 years' experience in mineral exploration, mine production, mineral industry consulting and corporate management. He has worked in CEO and senior management positions with both large multi-national and smaller resource companies in various countries. In these roles he has managed several large exploration projects and feasibility studies and has held senior management positions in operating mines. His experience includes 12 years in senior roles in Latin America, with the last 3 years based in Peru.

Mr Kelly is experienced in managing government and community relations for mining project development in Peru, which makes him ideally suited to lead AF through the current resource expansion phase and into the feasibility study and operational stages.

AF also added Australian geologist Ian Cullen to its Lima-based team. Mr Cullen has over 30 years' experience as a geologist, specialising in iron ore and gold. He has worked in leading roles with some of the world's largest producers of these minerals. Mr Cullen's achievements include heading up exploration programs which resulted in producing mines. His principal focus will be to advise on the regional iron-ore exploration potential and priorities for AF's Apurimac concessions and manage the exploration programs.

6 Strike's Apurimac Project comprises concessions held by AF and Strike Resources Peru S.A.C ("**SRP**"). AF holds an option to acquire the SRP concessions.

These appointments substantially complete the process of transferring day-to-day control of AF's operations to Lima and strengthening its Peruvian-based team, which is resulting in significant operational efficiencies for the company.

Since joining AF Mr Kelly and Mr Cullen have undertaken management and operational changes which include the further strengthening of the Peru based AF team. These changes are delivering significant benefits for AF and Strike, including the identification and appraisal of the Cuervo Resources opportunity. In addition, their expertise, along with that of AF's other senior managers, has seen the advancement of the community and government relations programs and a material improvement in the outlook for timely approvals for AF's exploration programs.

Peruvian Presidential Elections

Peru's presidential elections were concluded in June 2011, resulting in the election of Mr Olanta Humala as Peru's President. Mr Humala formally took office on 28 July and has been providing progressive up-dates on his planned programs and key cabinet appointments.

While Mr Huamala's election had initially caused concerns about Peru's ability to continue on its path of successful economic growth, to date these concerns have largely been dispelled by Mr. Huamala's actions subsequent to his election. This has been borne out to date through his open support for the current macro-economic settings which have led to Peru being the best performing economy in central and South America over the past decade. He has recently re-appointed the head of the Central Bank for a further 5 year term and established an experienced and respected team of senior cabinet ministers.

Mr Humula has announced his main social programs will focus on the reduction of poverty and he intends to fund much of this through the implementation of a mining tax. Current indications are this will be profit based and the overall tax regime in Peru will remain competitive with its South American neighbours.

Accordingly, the Board maintains the view that the medium- and long-term outlook for Peru is strong and it represents an attractive jurisdiction for both exploration and operations in the resources industry.

Community Relations and Approvals

The approval processes for exploration and drilling programs in Peru are extensive and highly structured. These processes are mandated by law and include both environmental and community approvals. While most government approvals have a mandated time frame, community approvals are largely in the hands of the community authorities and the General Assembly process which involves a formal meeting of the entire community.

The political climate in Peru associated with the lead up to the Presidential elections added complexity to AF's activities in the local communities. This impacted the ability to engage with communities during the entire year, initially during the lead up to the local and regional elections in late 2010 and then the Presidential elections from April to June 2011. Since the election of Mr Huamala as President the communities have tended to refocus on local issues and the level of engagement has increased with the AF community relations team holding discussions with numerous communities regarding access to land for reconnaissance exploration and drilling. Approvals have been received from a number of communities in both Apurimac and Cusco regions since June 2011 and further approvals are expected going forward.

During the year AF played a lead role in the establishment of the Apurimac Working Group, a cooperative organisation for resources companies to share learning points and experiences in their community programs. This group is proving most valuable in assisting companies to ensure consistency of approach across the region and developing improved relationships with regional government. Founding members along with AF include Xstrata, Hothschild, Peru's largest gold producer - Buenaventura and various other juniors.

AF established a comprehensive series of community programs at the Colcabamba Community during the drilling programs from late 2010. These were designed as a template for all community programs and act as a reference for other communities, to display AF's professionalism and commitment to developing and implementing community enhancement programs and becoming a valued partner of the communities.

The programs are all jointly agreed and developed with each community to ensure they provide maximum value and the best practical outcomes for the community. One key element of these programs is working with the communities to develop and enhance the community's ability to access existing government and other programs and to establish their own community development plan.

Programs implemented at Colcabamba during the year include:

- Knitting workshops for women to assist them to develop this into an economic activity.
- Establishment of a facility for the elderly women of the community.
- A visual health campaign with the support of the "Monseñor Enrique Pelach" Eyecare Centre, a part of the Abancay Bishopric. Over a hundred people from the Colcabamba community attended the visual health campaign, with several being sent on to Abancay for more specialised treatment.
- Assistance with the development of the Colcabamba Community Development Plan.

AF anticipates that it will be granted access for initial reconnaissance geological and geophysical programs at the majority of its Apurimac and Cusco concessions during the coming year. Geological teams and contractors have been established to enable the commencement of these exploration programs shortly after approvals are received and results are expected to flow progressively from the September 2011 quarter.

Formal discussions have commenced regarding exploration and drilling approvals for the Opaban deposits with three communities. One of these communities, Antapata, has approved access for exploration, and work in this area is expected to commence in September 2011. The discussions with the Huinchos and Huancabamba communities are expected to proceed over the coming months. Following community access approvals AF will undertake environmental studies required for the formal environmental approval from the central government and the local community, which is expected to take in the order of 6 months, with drilling planned to commence during the first half of 2012.

In the interim period AF anticipates drilling commencing at the Santo Tomas project in Cusco and at a number of satellite concessions in Apurimac following completion of initial geological and geophysical targeting programs.

Consolidation and Acquisition Programs

Consistent with its objective to expand its iron ore resources the Company has actively pursued a number of opportunities to consolidate and expand its equity in prospective concessions within both the Apurimac and Cusco regions. Successful transactions were competed with IAC, a shareholder in AF and Cuervo Resources Inc., a Peruvian focused Canadian mineral explorer, with several further opportunities actively being appraised. This is process is expected to continue over the coming year.

Purchase of AF shares from IAC

Strike executed an agreement with Iron Associates Corporation ("**IAC**") to purchase IAC's interest in AF, the Peruvian company through which Strike holds its interest in the Apurimac and Cusco projects in Peru. As a result of this strategic transaction SRK's shareholding in AF has increased from 44% to 56%.

Strike has been in discussions with the AF shareholders over the past year to explore opportunities to increase its shareholding in AF. This transaction forms part of the Company's strategy to simplify the AF shareholding structure and increase and consolidate its presence in the prospective Apurimac and Cusco regions of Peru.

The key terms of the agreement are:

- Strike has acquired IAC's 12% shareholding in AF.
- IAC assigned to Strike a loan of US$5.245 million (including interest) owed by AF to IAC. This loan is convertible to shares in AF in 2012 under the terms of the Settlement Agreement between the AF shareholders.
- IAC held a right, in certain circumstances, to convert its AF shareholding to a royalty from AF's future production. This royalty right has now been extinguished.
- Strike paid IAC US$1.2m in cash on the execution of the agreement and issued IAC 9 million Strike shares as consideration under the agreement. These shares represent 6.3% of Strike's issued capital.

The Company believes that this transaction will provide significant benefits for shareholders in both the short and longer term. Initially, the simplification of the AF shareholding structure will improve operational efficiency and reduce risks during the exploration and project execution phases. In addition, over the longer term it enhances Strike's ability to attract strategic partners to develop the Apurimac and Cusco iron ore projects.

IAC Buy-Out Option and Exclusivity Agreement

Strike has also signed an agreement with the other major AF shareholder, the D&C Group, giving Strike negotiating exclusivity for 90 days ("**Exclusivity Period**"). Under this agreement the parties agree to negotiate in good faith the potential acquisition by Strike of D&C's share in AF on pro-rata terms to the IAC acquisition. If D&C and Strike do not agree on the sale of D&C's AF shares within the Exclusivity Period, D&C has the option, exercisable within a further 10 days, to buy half of the AF shares which Strike acquired from IAC (i.e. 6% of AF). Therefore the potential outcomes of the negotiations include:

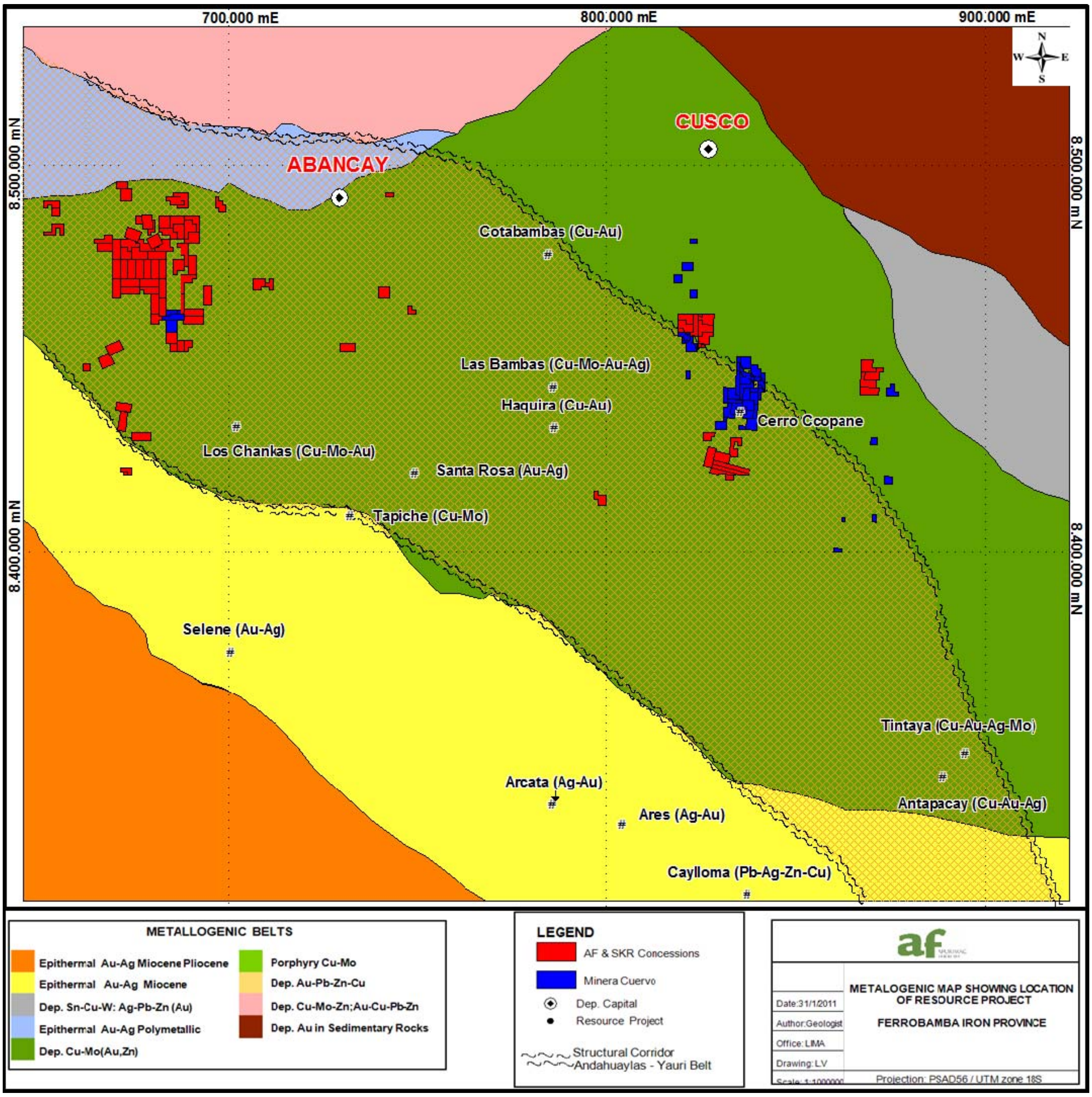
- Strike moving to 100% ownership of AF if D&C Group agree to sell their AF shareholding to Strike; or
- Strike retaining its currently holding of 56% of AF; or
- Strike and D&C Group both owning 50% of AF.

Cuervo Transaction

Strike entered into an agreement with Cuervo Resources Inc. ("**Cuervo**") in July 2011 which gives Strike the option to purchase up to 49% of Cuervo in return for Strike providing Cuervo with up to C$15m in debt funding. Cuervo Resources Inc. (CNSX code: FE) is a Canadian mineral explorer listed on the Canadian National Stock Exchange ("**CNSX**") and also trades on the Frankfurt Stock Exchange. Cuervo is active in exploration for iron ore in Perú, most particularly at its wholly-owned Cerro Ccopane project, located 65 km south of Cusco in southern Perú (see *Figure 1* below) where it has delineated four zones of magnetite mineralisation. These zones host the prospects of Aurora, Orcopura, Huillque and Bob 1 (see *Figure 2,* below).

The Cerro Ccopane property covers 14,000 ha (140 square kilometres) of largely contiguous mineral concessions. At Cerro Ccopane (*Figure 2*) drilling in 167 holes in three zones has identified high-grade magnetite mineralisation. No drilling has been undertaken at Bob 1 to date.

Figure 1 - Regional plan showing Cuervo (blue) and AF (red) concessions and major Cu/Au deposits.



The Orcopura Zone has a reported JORC code compliant mineral resource estimate of 106.4 million tonnes at 45.3% Fe details of which can be found in *Table 2* below.

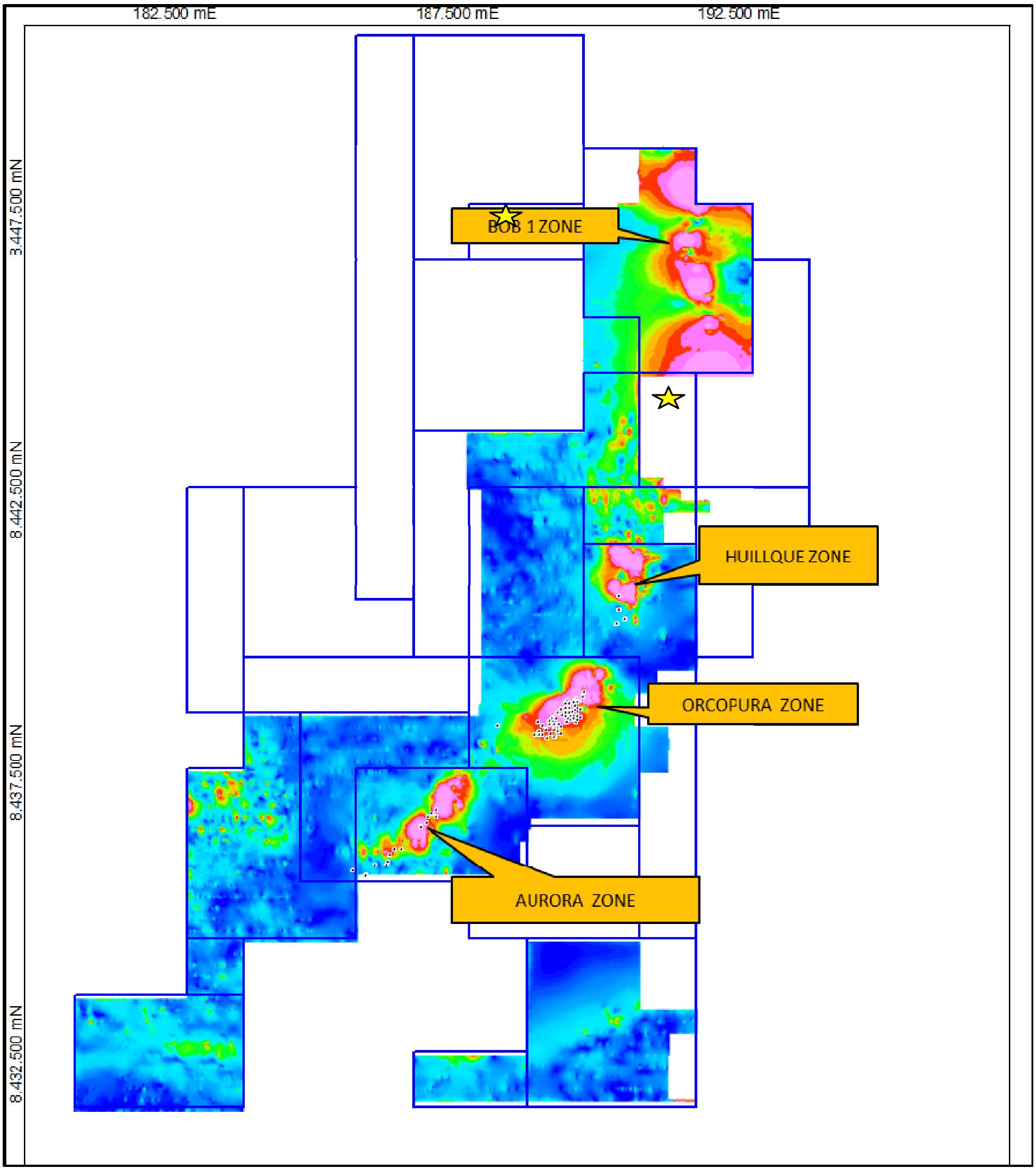
Table 2 – Cerro Ccopane Iron-Ore Project – Resource Inventory as at April 2009

Prospect	Classification	Mt	Fe%	S%
Orcopura	Measured	19.7	48.3	2.4
Orcopura	Indicated	35.9	45.9	2.6
Orcopura	**Sub-total (Measured + Indicated)**	**55.6**	**46.8**	**2.5**
Orcopura	Inferred	50.8	43.7	3.1
Orcopura	**Total**	**106.4**	**45.3**	**2.8**

The mineral resource estimate has used a database consisting of the assay results of sampled intervals from 121 diamond-drill holes totalling 15,725 metres. The Orcopura mineralisation has been tested over a strike length of approximately 800 metres and remains open along strike and down dip in several areas.

The Orcopura resources exhibit a clear geophysical expression with strong magnetic and gravity anomalies coincident with the iron-ore mineralisation.

Figure 2 - Magnetic image of Cerro Ccopane Project showing existing drilling, prospects and targets



Not included within Cuervo concessions.

In addition, limited initial drill testing of the magnetic anomalies at the Huillque and Aurora prospects has intersected broad zones of iron-ore mineralisation, however insufficient drilling has been undertaken to deliver a resource estimate at this time. Better results from drilling at these zones include:

Table 3 – Selected intercepts from Huillque and Aurora prospects

Hole ID	Interval (m)	Width (m)	True Width	Fe%	S%	P%	Prospect
HDH – 01	62.7 – 138.5	78.85	53	62.09	0.80	0.03	Huillque
HDH – 03	129.80 – 228.50	98.70	69	54.55	4.14	0.04	Huillque
HDH – 12	130.25 – 181.10	50.85	35	53.66	1.51	0.05	Huillque
HDH – 17	21.20 – 132.30	110.60		49.92	2.27	0.05	Huillque
ADH – 01	8.70 – 87.20	78.50	55	50.77	3.64	0.03	Aurora
ADH – 01	17.70 – 59.70	42.00	29	58.73	3.71	0.02	Aurora
ADH – 06	35.50 – 114.00	78.50	68	51.05	3.46	0.03	Aurora

Ground geophysical surveys (magnetic and gravity) have also identified two additional target zones on the property. These are known as Bob 1 and Huillque Norte (see *Figure 2*) both of which are considered high-priority drilling targets, with the following significant features:

- At Bob 1 coincident magnetic and gravity anomalies have been identified over 6 kilometres (km) of strike with strong indications of at least 10 km of strike potential. This compares with the Orcopura magnetic anomaly (1.5km) and the approximately 600 metre strike length of the current resource. The strength and extent of the geophysical anomalies are very impressive and the presence of outcropping massive magnetite ironstones above the anomaly means this represents an exciting drilling target. Bob 1 will be the initial focus for Cuervo's Stage 1 drilling program.
- Huillque Norte has a strong gravity anomaly with sporadic magnetic highs which lies immediately north of the Huillque mineralised zone. Further detailed surveying and mapping is required prior to drill testing. At this time Cuervo believes this area has potential for copper and gold mineralisation as well as iron ore but further work is required to define specific drilling targets.

Cuervo has also completed high-quality studies on the Cerro Ccopane project including metallurgical testwork, transport studies and concept-level project assessment. The results are consistent with the outcomes from similar work by AF on its Apurimac and Cusco concessions and indicate the potential to establish a robust 15 – 20 million tonnes per year operation if sufficient resources can be outlined.

Mineral processing studies have shown that standard grinding and magnetic separation will produce a high-grade (i.e. 67% to 71% Fe) magnetite ore concentrate containing acceptable levels of impurities in the majority of samples. Iron recoveries to the concentrate are very high, with average mass recoveries of 75%, which is similar to that seen for AF's high-quality Opaban deposit. Similarly to AF's projects, there is evidence the coarse-grained nature of the mineralisation will enable good-quality concentrates to be delivered with grind sizes up to <1mm. Further work is planned to determine the best way to capitalise on this characteristic. Coarse grinding provides potential for significant operating and capital cost savings relative to iron-ore projects that require energy-intensive, fine grinding prior to beneficiation.

As the Orcopura iron ore contains sulphur and copper, typically present at concentrations of 2.5% S and 0.10% Cu, these must be removed to deliver an attractive product for the steel industry. In some concentrate samples the copper and sulphur levels were higher than the target range, therefore sighter tests were undertaken to determine the best way to reduce these elements to acceptable levels. Initial tests indicate this can be achieved by further grinding and either magnetic or floatation separation. Additional studies carried out by Cuervo have also shown the resulting concentrates are amenable to the production of commercial-grade pellets.

Two transportation studies to date have shown that there are no unique logistical challenges that would prevent the conceptual development of a mining project. The construction of a direct slurry pipeline to tidewater was identified as the most cost-effective alternative for bulk transport.

Preliminary concept-level studies for a 20Mtpa operation have produced capital and operating cost estimates similar to those from AF's studies for Apurimac and indicate a robust business can be established based on 15 – 20 years' operational life.

The Cerro Ccopane Iron-Ore Project overlies the contact zone between the Tertiary-age Apurimac Pluton and an older outlier of limestones belonging to the Arcurquina Formation of Cretaceous age. This geological setting is highly prospective for the discovery of additional iron skarn mineralisation along the geological contact as well as hydrothermal iron mineralisation within host intrusives.

Ground geophysical surveys (magnetic and gravity) have been successful in the targeting of the magnetite mineralisation. The three mineralised zones delineated by drilling to date at the Cerro Ccopane property all exhibit the same geophysical expression with strong magnetic and gravity highs. While caution must be used in interpreting gravity data in steep terrain such as seen in the Peruvian Andes, the mineralisation identified to date also has a strong magnetic signature (see *Figure 2, above*). Cuervo intends to continue to use both magnetic and gravity data to screen their concessions and identify drilling targets.

To date exploration and diamond drilling has been undertaken at the Aurora, Orcopura and Huillque prospects; however resource estimates have only been completed at the Orcopura Prospect. Successful drilling campaigns targeting the geophysical anomalies have been completed at the Aurora and Huillque prospects, where significant intervals of magnetite mineralisation have been intersected. The Aurora prospect is defined by a geophysical anomaly similar in size to the Orcopura Prospect. The magnetite mineralisation at Aurora and Huillque prospects remains open along strike and down dip. At both prospects there is good potential to extend the mineralisation targeting the untested portions of the geophysical anomalies. Further drilling is scheduled to improve the geological understanding of these prospects.

Of particular interest is the significant geophysical magnetic and gravity anomaly located in the northern portion of the property, which delineates the Bob 1 target zone. This geophysical anomaly is over 6 km long and remains open to the south (see *Figure 2, above*) with strong indications of at least 10 km of strike potential. Recent field work has mapped extensive magnetite outcrops at Bob 1 typical of the known zones of mineralisation at Orcopura, Huillque and Aurora.

In addition, regional appraisals based on satellite imagery and regional geology have highlighted several areas in the western half of the Cuervo concessions which warrant detailed exploration including geological mapping and ground geophysics.

In addition to the Cerro Ccopane property Cuervo holds several concessions within Northern and Southern Peru.

The Northern group of concessions have access to excellent infrastructure, being located close to the Pacific coast and the Pan-American Highway. They are also located at relatively low altitudes in arid areas, which allows for year-round access. Small-scale mining operations have occurred on some of these concessions in the past. Iron mineralisation consists of massive magnetite, hematite or goethite. The most advanced of the Cuervo properties in northern Peru is the Chimbote concession group. These concessions are located approximately 40 km from the steel foundry of Siderperu located at Chimbote, Ancash.

Cuervo continues to carry out reconnaissance field activities to evaluate these concessions.

Further information on Cuervo can be found on its website at www.cuervoresources.com.

Project Optimisation Studies

As part of its exploration and project assessment programs, AF completed a number of project optimisation studies during 2010 and early 2011 to determine the optimum configuration for a potential iron ore business in southern Peru. These programs assisted in the establishment of the exploration target and key drivers for success.

Alternative mine production study

Building on the initial Pre-feasibility Study into a 20Mtpa iron ore operation completed in 2008, AF undertook studies to determine if lower production options would provide benefits for the Apurimac project. Ausenco Engineers were appointed to undertake the studies on the alternatives of producing 10 and 15Mtpa as a concentrate or combined lump and fines products. The key outcomes were:

- Strip ratios at Opaban of between 1.2 and 1.8 when a practical mine design is applied.
- A high conversion ratio (>80%) of resources to economically recoverable material (design pit) is likely based on current operating costs[7].
- Mine sensitivity analysis indicates a robust project, relatively insensitive to mining costs, pit design parameters and operating costs.
- A potential mine life based on an optimised pit on current Indicated and Inferred resources of 18 yrs for 10Mtpa, 12yrs for 15Mtpa and 9 yrs for 20Mtpa production rates.
- The process plant and port facility for the 10 and 15Mtpa options study offer advantages in reduced sizing of equipment and, for the lump and fines option, a considerably simplified process circuit resulting in reduced capital and operating costs.
- A rope conveyor (Rope-Con by Doppelmayr) was identified as a potentially superior ore and product transport option to rail or a slurry pipeline. A rope conveyor requires lower capital expenditure than rail. Rope conveyors also offer the ability to transport multiple product types which, like rail, would facilitate

[7] The mining study by SRK Consulting includes both Inferred and Indicated Resources. Although the pit optimisations and preliminary design pits are indicative of the potential economically-recoverable material, they do not represent Ore Reserves and further drilling is required to confirm the results.

the more conventional, lower-cost lump and fines iron ore product options. Rope conveyors offer large distances between supports and are currently used in similar downhill material transport applications over large distances in rugged terrains, specifically bauxite ore transport in the Caribbean. Opportunities have also been identified for more favourable locations for some of the process plant.

Rail option study

AF commissioned Ausenco Sandwell to conduct a pre-feasibility level study to determine whether transporting an alternative product mix of lump and sinter feed by rail is preferable to transporting slurry via a pipeline. The rail study considered the options of transporting 20Mtpa, 15Mtpa and 10Mtpa – the same options being considered by the alternative mine production study. Key outcomes are:

- A final aligned track distance of 574km.
- The rail option requires 120 tunnels with a total distance of approximately 77km.
- 18 major bridges are required with spans ranging from 45m to 980m.
- The estimated time required to design and construct the rail line is 4 years.
- The total capital cost for a rail line with 20Mtpa capacity is US$3 billion +20%.
- The operating cost is $5.90 per tonne +/- 20% for 20Mtpa of product.

This option is unlikely to be attractive due to the high capital cost and project execution risk and could not be supported by the AF project alone.

Rope conveyor (Ropecon) concept study

AF commissioned a study on a Doppelmayr rope conveyor with Ausenco and Doppelmayr. This program was completed in late 2010 with the key outcomes being:

- A Ropecon option is suitable for the transport of 10 to 20Mtpa of crushed ore, lump and fines or concentrate products from the mine site to the port.
- The route length of the conveyor is approximately 288km, requiring 31 Ropecon sections.
- The total installed cost estimate for the Ropecon transport system is US$2.1B +/-35%.
- The operating cost estimate for the Ropecon transport system is $1.1/t +/-35%. This includes a credit associated with the impact of power generation on the downhill sections.

Importantly, the capital and operating costs for the Ropecon option are significantly lower than for the rail transport system. Accordingly, it is expected to deliver a material improvement in the project economics compared to the rail transport option.

The Ropecon is capable of transporting both crushed ore and all of the product alternatives (lump, fines and coarse concentrate) to the port. This potentially provides operational flexibility as well as allowing alternative project configurations such as locating all of the processing facilities, or simply the more complex concentrator portion of the project, at the coast. In addition, this may enable the deferral of the capital costs for the concentrator until after the high grade material is mined and processed. These options are expected to deliver capital and operating cost savings for the project.

This alternative also has the potential to significantly reduce the water requirements of the project when compared to the slurry pipeline option. As water is a key factor in community sentiments in Peru, the Ropecon has the potential to simplify the community approvals process for the project.

The Ropecon is expected to provide the preferred ore transport option from satellite deposits to a processing facility at Opaban due to its suitability for traversing rugged terrain and its low operating cost.

The Ropecon study is only at concept level at present and a large volume of additional work is necessary to confirm that it is feasible from both the construction and operational perspectives. One key risk area for the Ropecon option is the fact that multiple unit Ropecon facilities are not yet operational on a commercial scale. While this risk is expected to be addressed during the remaining exploration and study phase of the project, AF believes it is prudent to retain the slurry option as the project base case at this point in time.

Transport Option Analysis

AF completed preliminary analysis of the potential transport options available for Apurimac Project late in 2010. This process compared project configurations available with each of the transport options, specifically the slurry pipeline, rope conveyor and railway, at a range of production rates. The following points summarise the outcomes from this review:

- Slurry pipeline remains the preferred base case, with the best financial and risk profile.
- A Ropecon system offers attractive project configurations if a lump and fines product is feasible for AF ores. This option carries an elevated risk profile due to the length of the rope conveyor and the high number of transfer points required.

- The high capital costs of the railway project configurations lead to these offering the poorest financial returns. A railway alternative cannot be supported by the AF project alone.
- A production rate of 15 to 20Mtpa is required to provide robust financial returns using current long-term iron ore price forecasts. To achieve a mine life of 15 - 20 years at least 500Mt of iron ore feed is required.

The option analysis provided the basis for the strategic review undertaken during the first half of 2011 which led to the focus on resource expansion and exploration and deferral of further major studies until AF has outlined sufficient iron ore to support a 15 – 20Mtpa operation.

Detailed Water Study

Given the sensitivity in Peru to the use for mining of large quantities of water, AF commissioned Golder Associates, Peru to complete a review of the water supply options and options for managing filtrate from the Apurimac Project's slurry pipeline (base case) alternative. Phase 1 of the Water Study involved a desktop review of the existing supply and discharge options, development of potential alternatives and the recommendation of preferred options.

Key outcomes from the Phase 1 Water Study are:

- Multiple options exist for the collection and storage of surface water to meet the Project's water supply requirements. The capture and storage of surface water is the lowest capital and operating cost option for water supply to the Project.
- Re-use of waste water from the city of Andahualyas has the potential to supplement or offset a small amount of the Project's water requirements.
- Recycling of filtrate from the port to the mine site is technically feasible, although this is clearly the highest capital and operating cost option available.
- Irrigation of trees planted for this purpose is the best option to manage the discharge of filtrate at the port site, from both a capital and operating cost perspective, based on an assumed mine life of 20 years.
- Further investigation of evaporation basins near the port site, as either support or replacement for irrigation, is recommended once more information on the likely filtrate quality becomes available. If no additional treatment of filtrate is necessary this would be the best option.

Phase 2 of the study, which involves a detailed assessment and preliminary engineering for the most attractive options, would be undertaken as part of a detailed Pre-feasibility Study work program.

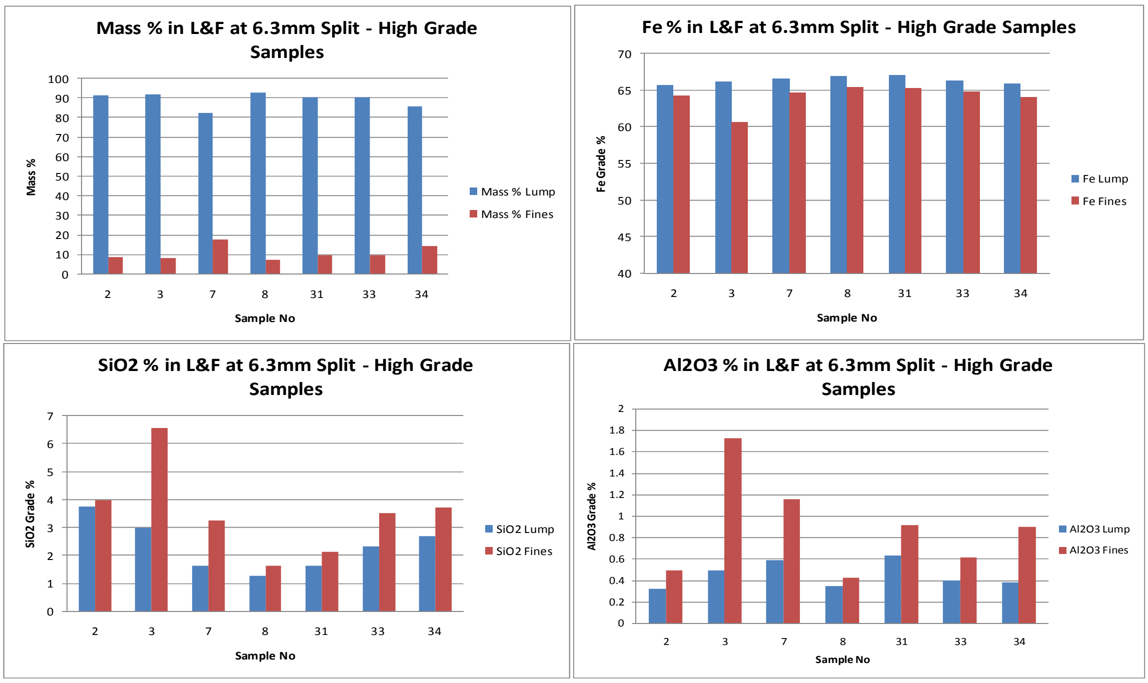
Preliminary Metallurgical Testwork Program

In the December 2010 quarter AF commenced a preliminary metallurgical testwork program to explore the potential to generate suitable direct shipping ore or DSO (lump and fines) products from high-grade ores at the Opaban concessions. This testwork program was completed by Transmin Metallurgical Consultants in Lima, using historical core samples from previous drilling campaigns at Opaban. The preliminary program also included a number of Davis Tube ("**DTR**") tests on magnetite ores of varying iron and sulphur grades and coarse grind sizes of P_{80} at 250 and 500µm to explore the performance of lower-grade ores.

In summary, the results are:

- DSO products from high-grade ores:
  - High-grade samples (predominately Fe> 61%) performed very well and, on average, generated a lump (+6.3mm) split of approximately 88% by mass after a -30mm crush. The performance of the high-grade lump and fines samples is shown in *Figure 3* below.
  - Segregation of SiO_2 and Al_2O_3 to the finer fractions was also observed and this trend generally increased with the level of these impurities in each sample. This trend is shown in *Figure 3* below and supports previous testwork completed on Opaban ores.
  - While no lump degradation work is planned as a part of the preliminary campaign the initial results from the high-grade DSO product testwork are positive. Further work will be completed as a part of the Pre-feasibility Study, to explore potential value creation options associated with the initial production of lump and fines products. Further DSO product test work will also be carried out when new samples can be generated from the proposed Opaban drilling program.

Figure 3 – High-Grade Samples: Potential DSO Product Results



- DTR Testwork on Magnetite Ores:
  - Samples were divided into high and low-sulphur groupings, with 10 low-sulphur and 6 high-sulphur samples tested at 2 grind sizes: P_{80} of 250 and 500µm.

Table 4 – High-Level Summary of DTR Results

	Head Grade (Calc) %	Concentrate Grade Fe%	Mass Recovery %
Low-Sulphur Magnetite - 250µm	40.6 to 65.9%	60 to 68%	62 to 93.7%
Low-Sulphur Magnetite - 500µm	41.5 to 64.6%	60 to 68%	61 to 92.8%
High-Sulphur Magnetite - 250µm	48.1 to 65%	62 to 68%	70 to 92.6%
High-Sulphur Magnetite - 500µm	49.8 to 66.4%	62 to 68%	72.5 to 95.4%

  - Overall, the DTR performance across the range of samples tested was very good, with average mass recovery for the low- and high-sulphur magnetite samples of 79% and 72% respectively. Iron recoveries were also very good, with an average of 90% and 81% respectively for the low- and high-sulphur samples.
  - DTR mass and iron recoveries were similar for the low- and high-sulphur samples at the two grind sizes tested.
  - DTR results support previous testing completed on Opaban ores for the 2008 Study. Initial indications suggest there may be potential to increase the grind size to a P_{80} of 500µm to generate an initial concentrate and potentially reduce the grinding power requirements for Opaban ores.

Resource Estimate, Cusco (SRK 56%)

During the June quarter Strike released the initial resource estimate for the Santo Tomas concessions located in the Cusco project area. This resource estimation was undertaken by SRK Consulting in conjunction with AF geologists and resulted in a JORC code compliant iron ore Inferred Resource of 104.4 million tonnes at an average grade of 32.6% Fe (refer Table 5 below).

The data based used to calculate the iron mineral resources at Santa Tomas comprised of 168 diamond core and reverse circulation drill holes totalling 16,935 metres.

Table 5 – Santo Tomas Project – Inferred Resource Estimate – 0% Fe cut off

Tonnes (MT)	**Fe** (%)	**S** (%)	**Al_2O_3** (%)	**LOI** (%)	**P** (%)	**SiO_2** (%)
104.4	32.62	0.53	3.19	0.21	0.035	21.66

The style of the mineralisation is similar to that seen at Opaban being coarse grained and dominated by magnetite. Preliminary metallurgical tests indicate a concentrate grade of >65%Fe can be produced using conventional grinding and magnetic separation processes.

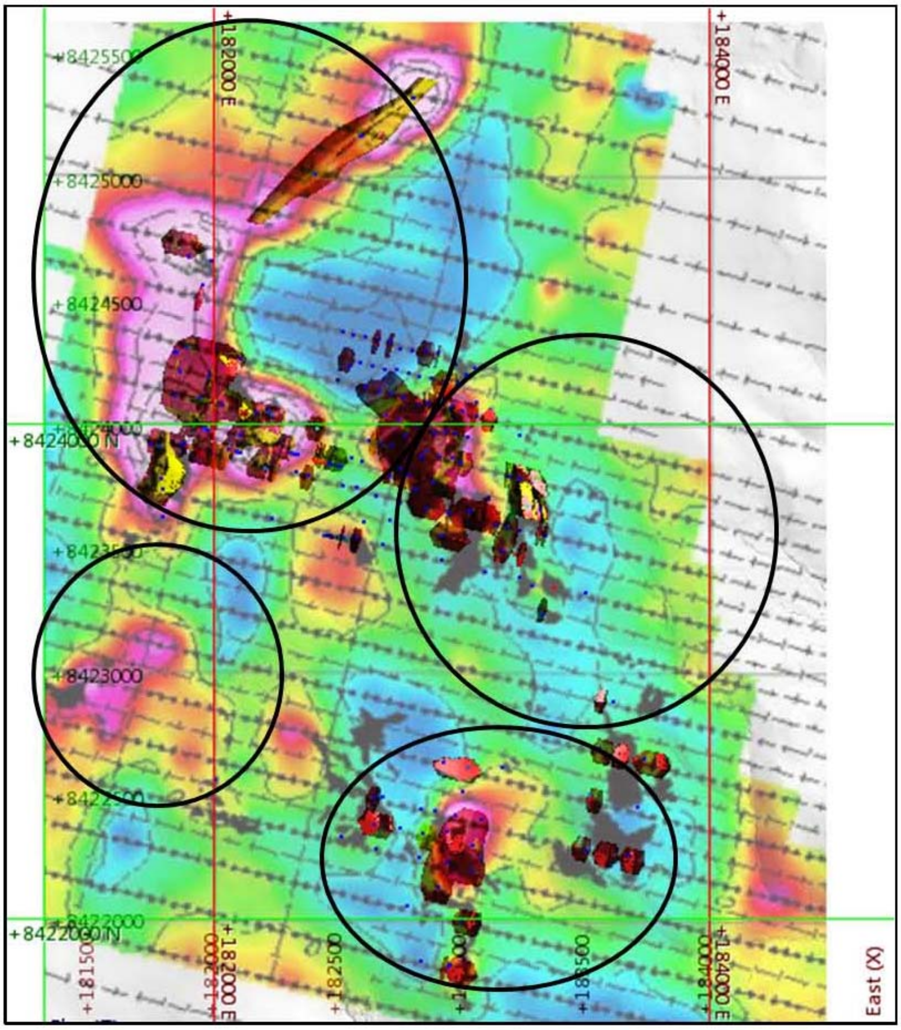
Higher-grade, haematite-rich zones have been identified in the logging in the upper portions of the deposits and further work is planned to fully delineate this material. Most of the resource zones remain open along strike and at depth and further drilling is planned in these areas during the 2011/12 financial year.

In addition to the above resource, the drilling campaign at Santo Tomas identified iron mineralisation which is not sufficiently well defined to be included in the initial Inferred Resource estimate due to the relatively broad spacing of some of drill holes. This potential is estimated at 23 - 26Mt at 30 – 35%Fe.

Further to this, a review undertaken on the Santo Tomas geophysical and geological data has also identified several areas with potential to increase the current iron resource through additional drilling. These target areas are shown in Figure 4 (below) and represent untested magnetic and gravity anomalies as well as extensions to the known mineralisation.

(The potential quantity of the target iron ore mineralisation is conceptual in nature. There has been insufficient exploration to define an additional Mineral Resource in relation to that target iron ore. It is uncertain whether further exploration will result in the determination of an additional Mineral Resource in relation to that target iron ore.)

***Figure 4** – **Total magnetic field image showing mineralisation envelopes (inferred and potential) and target areas (circled) to be drilled**.*



Colcabamba Project (SRK 56%)

A diamond drilling program comprising eight (8) diamond drill holes for a total of 2,336 metres was undertaken at the Colcabamba project approximately 30 kilometres south of Opaban to test several zones of outcropping magnetite ironstone associated with a large magnetic anomaly. The objective was to outline additional iron ore mineralization which could supplement the resources defined at the Opaban project.

All drill holes intersected several zones of magnetite ironstones at depth with the best results of a composite iron ore interval of 57m at 49%Fe in two zones in COL 010. These zones were separated by an interval of less than 5 metres thickness containing lower grade iron which was not assayed. Taking a conservative approach of assigning 20%Fe to the lower grade zones the combined interval is 61.4metres at an average grade of 47.8%Fe. Likewise a composite interval of 36 metres at an average grade of 56%Fe was intersected within 3 separate zones in COL 007. Using 20%Fe for the lower grade zones results in a combined interval of 46.9 metres at an average grade of 48%Fe. Better results from the drilling program are provided in Table 5.

The mineralization style is similar to that seen at Opaban being coarse grained and dominated by magnetite. While no metallurgical testwork has been undertaken to date it is expected this material would have similar characteristics to Opaban and produce high grade iron concentrates at coarse grind sizes (0.5 – 1 mm). Similar to the Santo Tomas mineralization the iron ore at Colcabamba contains high elevated sulphur levels which would require additional processing to produce a high quality concentrate.

Overall the results at Colcabamba indicate that while good quality iron ore is present the width of these zones at depth is narrower than seen in the surface outcrops and the likelihood of outlining significant tonnages of iron ore is low. Further work on this prospect is likely to focus on the assessment of the base metal potential.

Table 5 – Colcabamba drilling results (extract)

Drill hole	From (m)	To (m)	Interval (m)	Fe (%)	Al_2O_3 (%)	SiO_2 (%)	S (%)	P (%)
COL-001	124.6	150.3	25.7	47.8	1.54	7.24	3.7	0.017
COL-002	45.8	56.0	10.2	56.9	1.35	8.55	2.6	0.003
COL-003	2.60	8.60	6.0	59.7	1.70	7.89	0.04	0.02
COL-003	12.60	19.50	6.9	46.9	3.40	17.6	0.06	0.03
COL-007	125.60	134.60	9.00	48.7	1.90	10.48	5.49	0.035
COL-007	139.60	152.30	12.70	59.7	0.82	4.99	6.18	0.024
COL-007	158.20	172.45	14.25	58.5	0.86	6.27	4.98	0.012
COL-010	81.00	106.20	25.20	50.9	2.03	12.64	6.22	0.022
COL-010	110.30	142.40	32.10	49.0	1.45	8.33	6.36	0.021

Regional Assessment for Iron and Copper – Gold Potential

A regional assessment of the potential for iron ore, base metals and precious metals across the Apurimac and Cusco Project areas was completed during the June quarter. This program was aimed at establishing the key controls for iron ore and base metal mineralisation within the region as well as the review of previous exploration data by AF and others. This work was designed to enable priorities to be established for exploration as well as specific target areas where more detailed work and drill testing is warranted.

Key findings include:

- The region contains several high-grade magnetite deposits with Opaban being the largest and highest quality resource identified to date. Exploration potential for additional “satellite” iron ore deposits within 50 kilometres of Opaban is considered very high.
- The AF concessions lie within the Andahuaylas-Yauri copper-iron belt which hosts major copper deposits including Las Bambas and Tintaya as well as several major base- and precious-metal projects.
- The broad geological, alteration and geochemical signatures recognised within the AF concession areas are typical of Andean porphyry copper systems and iron skarn systems.

The review also highlighted several areas representing high priority exploration targets for both iron ore and base metals which warrant further detailed exploration and drill testing. The key targets areas identified to date are outlined below.

The Santo Tomas prospect (SRK 56%)

The prospectivity of these concessions for iron ore has been well established for some time and a preliminary resource estimate has been undertaken as reported above. The drilling programs to date have tested 30 – 40% of the target area for iron ore and further drilling is planned over the next 6 – 12 months to test the remaining high-priority target areas.

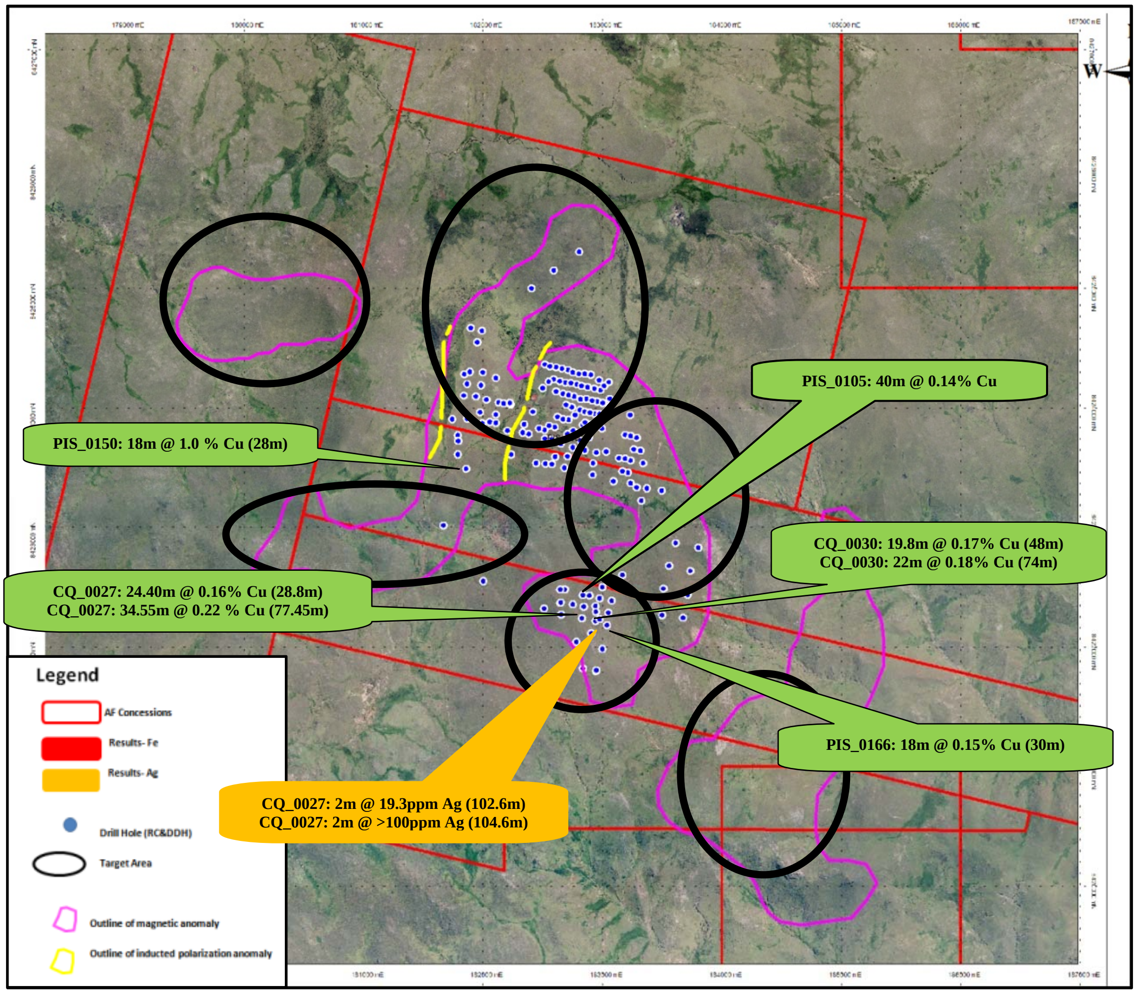
In addition, the database review highlighted significant intervals of elevated copper and silver from previous drilling completed during 2008 testing iron ore targets. These intersections include:

- CQ 0027; 77.45 – 112 metres (34.55m) at 0.22%Cu and 102.6 – 106.6 metres (4m) at 60g/t Ag
- CQ 0031; 61.8 – 96 metres (34.2m) at 0.31%Cu
- CQ 0048; 32.7 – 42.7 metres (10m) at 72g/t Ag
- PIS 0150; 28 – 46 metres (18m) at 1.0%Cu.

Accordingly, the results from a reconnaissance ground IP survey completed on the Santo Tomas concession group in August 2006 were reassessed. Three regional lines were surveyed at 1km line spacing and station spacing of 500 metres. While the data is broadly spaced it identified a strong north-south trending chargeability high coincident with the western ironstone outcrops. This anomaly remains open to the south and north.

IP is commonly used as the key exploration tool for copper mineralisation in South America as it can locate disseminated sulphide occurrences which typically occur as part of large porphyry copper systems.

Figure 5 – Santo Tomas summary plan with drill holes, magnetic (purple) and IP (yellow) anomalies



The initial drilling of this zone was targeted at testing the iron ore potential and hence the holes were relatively shallow (generally less than 100 metres' total depth) therefore the source of the anomaly is unlikely to have been intersected by this drilling. Nevertheless PIS 0150, which lies on the southernmost line of the original survey, intersected 18m at 1.0%Cu from 28 metres and was completed at only 50 metres depth. No deep drilling has been undertaken south of this hole.

Figure 5 shows the locations of the IP anomaly and the elevated copper results. Significantly there is a cluster of high copper and silver values and old gold workings to the south of the existing IP survey. AF is planning field checking of the target area and additional IP surveying of the concessions prior to drill testing of the best targets.

While the results are early stage and significant follow-up is required, the combination of location within a world-class copper province, attractive geophysical signatures, prospective geology and widespread, strongly-anomalous copper results with some potential economic grade copper and/or silver is considered most encouraging.

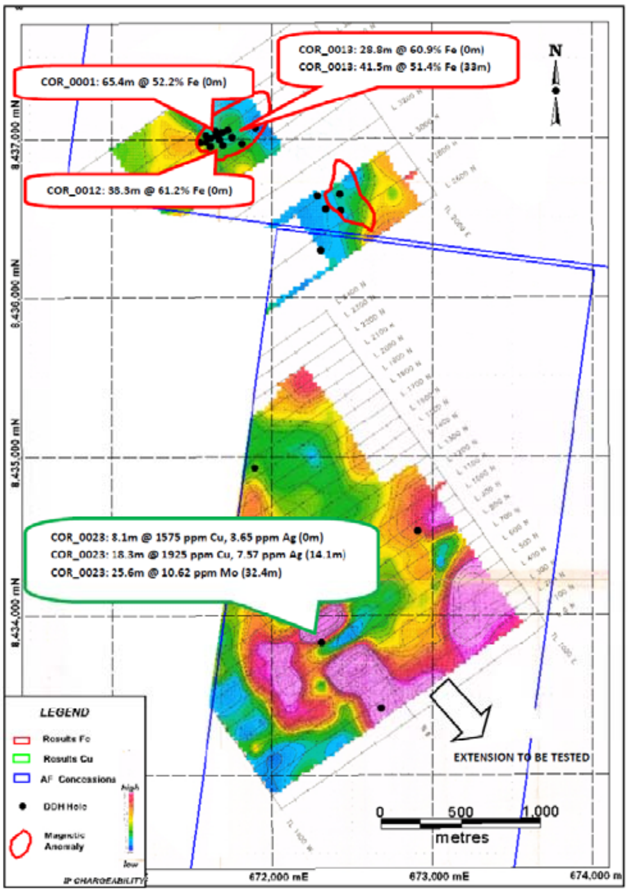
Coriminas Prospect (SRK 56%)

At the Coriminas concession group located approximately 50 km south of the Company's Opaban Project, a similar review of previous AF drilling results identified significant iron intersections in the northern portion of the concessions over a strike length of 500m. Significant intersections include:

- COR 0001; 0 – 65.4 metres (65.4m) at 52.2%Fe
- COR 0004; 0 – 33.5 metres (33.5m) at 56.5%Fe
- COR 0012; 0 – 38.3 metres (38.3m) at 61.2%Fe
- COR 0013; 0 – 28.8 metres (28.8m) at 60.9%Fe and 33.0 – 74.50 metres (41.5m) at 51.4%Fe.

The iron mineralisation consists of massive magnetite interpreted as an iron skarn and remains open at depth and along strike. Further field work is planned to determine if the potential of this area is at least 50 million tonnes of iron mineralisation with an average grade of at least 45%Fe, which is the minimum considered attractive as a satellite mine for a potential operation at either Apurimac or Cusco. If this potential is confirmed, further drilling will be undertaken to outline the extent of the mineralised system. Significant intersections and geophysical targets are shown in Figure 6 below.

Figure 6 – Coriminas Project summary plan showing drill holes and IP anomalies (purple)



The review also identified a large area in the southern portion of the concession containing anomalous copper and silver results in scout drilling. These results are complimented by elevated gold results (up to 4 g/t Au) from costean sampling in the same area and are coincident with a strong IP chargeability anomaly which remains open and is strengthening to the south east. Better results from the scout drilling include:

- COR 0023: 0 – 8.1metres (8.1m) at 0.16% Cu and 3.7g/t Ag.
- COR 0023:14.1 – 32.4 metres (18.3m) at 0.19%Cu and 7.6g/t Ag.

AF plans to extend the IP survey to the south and east and conduct field checking prior to drill testing of the IP anomaly and extension drilling at the iron ore target, if warranted following the assessment of the potential.

Regional Satellite Imagery

To assist with the regional analysis a broad regional study was completed using medium resolution LANDSAT and ASTER satellite imagery. This approach used interpreted structural and alteration mapping to outline a number of target areas of interest and has been successful in outlining zones of hydrothermal alteration and iron-oxide abundance associated with skarns, epithermal-style mineralization and/or volcanic centres.

Future work planned to commence during the September quarter includes:

- Ground checking of target areas by geological mapping and surface sampling.
- Acquiring geochemical and geophysical data over interpreted alteration anomalies.
- Acquiring high-resolution topographic data (DTM) to assist in the interpretation of geomorphological features.
- Examine the suitability and acquisition of hyper-spectral airborne data over target areas to assist in defining in detail, alteration and mineralogy of target areas.

A review of the current AF geophysical database was also undertaken in support of the regional appraisal. The work consisted of a re-interpretation of the GPR helicopter magnetic survey which was completed in 2008 over a portion of the Apurimac concessions and an evaluation of the ground magnetic and IP surveys on prospects in both the Apurimac and Cusco regions.

The review made a number of recommendations which include:

- Completing additional high-resolution ground magnetic surveys at Santo Tomas and Coriminas to assist in defining extensions of existing mineralisation and to define drill targets.
- Ground magnetics over target areas defined by the remote sensing work.
- IP surveys at the Coriminas, Santo Tomas and Colcabamba prospects to close off the existing IP anomalies and to generate drill targets for porphyry copper mineralisation.

These activities have been included in the work program and budget for the 2011/12 financial year.

AF Dispute with Millenium

On 8 October 2010 AF commenced arbitration proceedings against Peruvian company Millenium Trading SAC ("**Millenium**") to settle the terms on which Millenium may conduct a small-scale mining operation on an AF concession.

Under a 2006 agreement under which AF acquired certain mineral concessions ("**Option Termination Agreement**") AF agreed to permit Millenium to mine up to 400,000 tonnes of iron ore per annum for 5 years on an unspecified AF concession, on terms to be agreed by subsequent negotiations ("**Mining Agreement**"). In return Millenium agreed with a third party, Minera los Andes y el Pacifico, to relinquish options over certain mineral concessions to enable MAPSA to sell them to AF.

AF and a Millenium-appointed party subsequently commenced negotiations for a Mining Agreement. The Millenium party ceased negotiating in 2007 with no agreement having been reached. In late 2010 Millenium re-asserted its right to enter into the Mining Agreement with AF but also rejected AF's approaches to enter into good faith negotiations for that purpose.

The Option Termination Agreement provides that either party may appoint arbitrators to resolve the terms of the Mining Agreement if the parties have not resolved the matter by negotiation. AF considered that was appropriate to refer the matter to arbitration given that the terms of the Mining Agreement were not resolved by negotiation in 2007 and given Millenium's refusal to re-open good-faith negotiations in 2010.

After AF commenced arbitration Millenium commenced court proceedings claiming that the Option Termination Agreement should be set aside. AF has had legal advice that it has good prospects of defeating Millenium's claim. AF has asked the court to decline jurisdiction over Millenium's claim on the basis that arbitration is the proper forum for that dispute according to the Option Termination Agreement. A decision on that question is pending.

Any mining operation of the type contemplated by the Concession Acquisition Agreement will not materially affect AF's own proposed mine.

JORC Code Competent Person Statements

Apurimac Resource

Of the JORC Indicated Mineral Resource of 142.5Mt at the Apurimac Project, 133.7Mt is on the Opaban 1 concession and 8.8Mt is on the Opaban 3 concession. The entire Inferred Mineral Resource of 127.5Mt at this project is located within the Opaban 1 concession. The information in this document which relates to Mineral Resources at the Opaban 1 concession has been reviewed by Mr Ian Cullen, B.Sc. (Geology), who is an employee of Strike Resources Ltd and is a member of the Australasian Institute of Mining and Metallurgy. Mr Cullen 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 Competent Persons as defined in the 2004 Edition of the "Australasian Code for Reporting of Mineral Resources and Ore Reserves (the JORC Code)." Mr Cullen consents to the inclusion in this document of the matters based on this information in the form and context in which it appears.

Cusco Resource

The information in this document which relates to Mineral Resources has been reviewed by Mr Ian Cullen, B.Sc. (Geology), who is an employee of Strike Resources Ltd and is a member of the Australasian Institute of Mining and Metallurgy. Mr Cullen has *sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he are undertaking, to qualify as Competent Persons as defined in the 2004 Edition of the "Australasian Code for Reporting of Mineral Resources and Ore Reserves (the JORC Code)." Mr Cullen consents to the inclusion in this document of the matters based on this information in the form and context in which it appears.*

Exploration Results

The information in this document which relates to exploration results at Colcabamba, Santo Tomas and other AF concessions has been compiled by Mr Ian Cullen, B.Sc. (Geology), who is a member of the Australasian Institute of Mining and Metallurgy and is an employee of Strike Resources Limited. Mr Cullen 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 Cullen consents to the inclusion in this document of the matters based on this information in the form and context in which it appears.

Cerro Ccopane Resource (Cuervo Resources Inc.)

The information in this document which relates to mineral resources and exploration results at Cuervo Resources' Cerro Ccopane iron-ore project in the Cusco district, Peru, has been compiled by Mr Sam J Shoemaker, B. Sc., who is a member of the Australasian Institute of Mining and Metallurgy and is an employee of Micon International Limited. Mr Shoemaker 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 Shoemaker consents to the inclusion in this document of the matters based on his information in the form and context in which it appears.

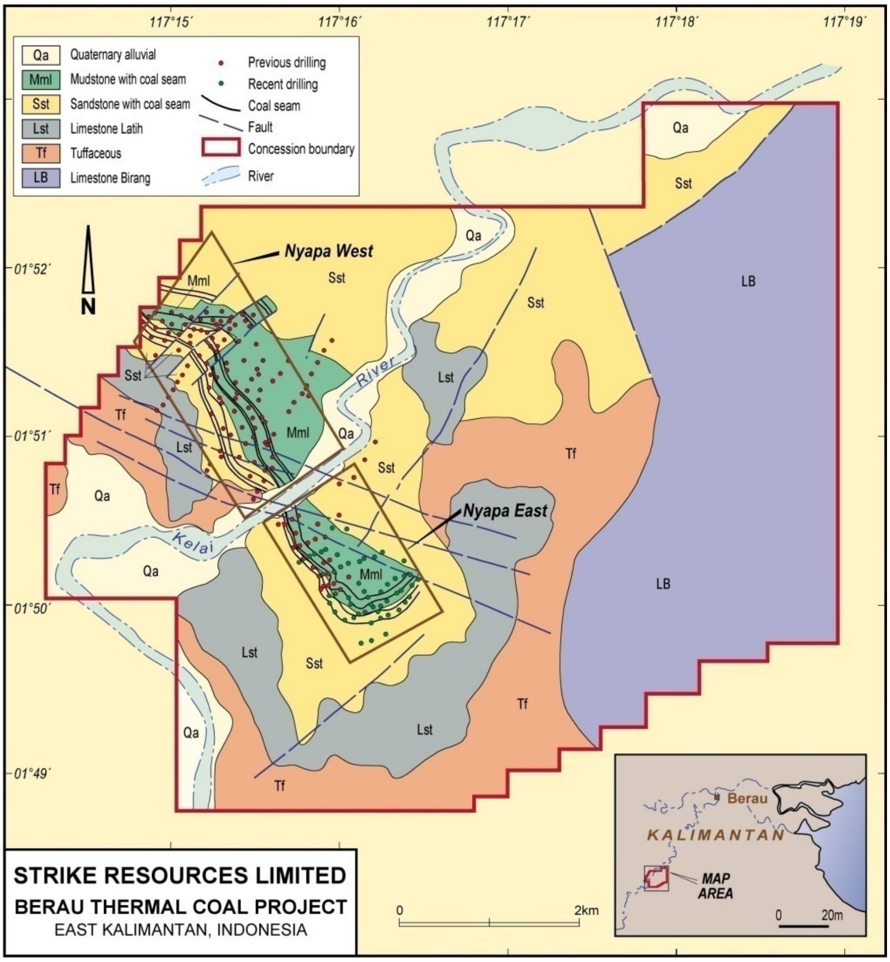
Berau Thermal Coal Project (East Kalimantan, Indonesia)

Overview of Previous Studies (2009 – 2010)

The Berau Project is located 40 kilometres south-west of Tanjungredeb (Berau) and 350 kilometres north of Balikpapan, East Kalimantan, Indonesia. Strike has a 100% interest in the rights to mine a mineral concession (IUP) and sell the product, subject to payment of a royalty to the IUP owner.

The project straddles the Kelai River with the focus for both exploration and studies being initially the Nyapa West area on the western side of the river which hosts over 50% of the resources and has simpler access (see Figure 7 below).

Figure 7 – Berau Drilling and Geology Map



A series of feasibility level studies were completed by Strike in 2009 based on mining and transporting run-of-mine coal by truck approximately 30 km along a proposed haul road to a barge port to be constructed on the Segah River, where it will crushed and stockpiled prior to loading on barges. Barges then transport the coal approximately 90km to the coast and then on to a trans-shipment point 30km offshore, where it will be off-loaded to ships for delivery to customers.

The target production was 1.5 Mt of coal in the first year, expanding to produce at a rate of up to 3 Mtpa in subsequent years. The run-of-mine coal product is expected to have a medium calorific value of approximately 5,550 kcal/kg (gar) with low sulphur (0.66%S as received), ash of 7.3% and total moisture of 16.6%.

The development timetable is assessed at approximately 8 months from receipt of development approvals to production with first shipment of product 2 months after completion of construction.

The study results indicated the project is relatively simple technically and delivers robust financial returns with an estimated capital cost of approximately US$20 million and operating costs estimated at US$40 – 45 per tonne based on a production rate of 3 Mtpa.

Project Approvals

The Project's Environmental Impact Analysis (*Analisis Mengenai Dampak Lingkungan* or AMDAL) was approved by the Regent of Berau in January 2010.

In February 2010 the Berau project coal concession was converted to a Mining Production Operations Licence (*Izin Usaha Pertambangan Operasi Produksi* or IUP Production Operations) under Indonesia's new Mining Law. Obtaining the IUP Production Operations is a key pre-requisite for the conduct of mining activities. This licence allows the mining and sale of coal, subject to final approval of the first year's annual budget and work plan by the Regent of Berau.

Other granted approvals include the Special Area Port License.

Central Forestry approval for the alignment of the proposed mine-site to barge-port haul road and Regional Forestry approval of logging of trees in the area that will be disturbed by the mining operation have been granted, subject to completion of cataloguing tree species and quantities in the area of disturbance.

Analysis of tenders was undertaken in 2010 along with a second round of mining contract proposals. This work confirmed the key capital and operating cost components of the project determined during the 2009 feasibility study.

Current Status

During the year management held extensive discussions with Strike's Indonesian partner with a view to reaching agreement on the restructure of the existing Cooperation Agreement to ensure it complies with the new Indonesian Mining Laws. Despite these efforts the partner has refused to negotiate in good faith and dispute resolution proceedings are likely.

Given the uncertainties regarding the timing and outcomes of the dispute resolution processes the Company has taken a conservative view with regard to the carrying value of the Berau asset.

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

The Paulsens East Project tenements are located approximately 140 kilometres west of Tom Price (close to transport infrastructure) and eight kilometres east-northeast of the Paulsens Gold mine in the northwest of Western Australia.

Under a farm-out agreement between Strike and Process Minerals International Pty Ltd ("**PMI**") - a subsidiary of ASX-listed Mineral Resources Limited - PMI has exclusive rights to explore for and mine iron ore from Paulsens East. Strike retains the rights to other minerals. If PMI mines iron ore at this project it will pay Strike a royalty of A$ 3.20 per tonne, subject to variations in line with movements in an iron ore benchmark price.

In the September Quarter 2010 PMI completed field validation of Strike's previous drilling.

PMI has developed a 35-hole, strategic resource expansion drilling program with a view to extending the projected life of its proposed open-pit mine by extending and better defining the current assessment of iron ore on the tenements and provide geotechnical data for mining studies. PMI's current exploration target is for an additional 9 - 11 million tonnes of iron ore at a grade of 54 – 56%Fe and above.

(The potential quantity and grade of the target iron ore is conceptual in nature. There has been insufficient exploration to define a Mineral Resource in relation to the target iron ore. It is also uncertain whether further exploration will result in the determination of a Mineral Resource in relation to the target iron ore.)

PMI is well advanced in discussions with the Traditional Owners regarding approvals for the planned drilling program. PMI is also awaiting feedback from the Commonwealth Department of Sustainability, Environment, Water, Population and Communities ("**SEWPaC**") on the northern quolls present in the area prior to commencing drilling. Drilling commencement is accordingly not expected before the December 2012 quarter.

SEWPaC and the WA Departments of the Environment and Conservation ("DEC") and Minerals and Petroleum ("DMP") are developing a new set of guidelines for exploration and mine development in areas containing northern quolls. PMI will be required to conduct a quoll survey under the new guidelines before conducting further work on site. A quoll trapping program required for the survey will commence in October, 2011 subject to obtaining the necessary trapping licence and weather conditions.

PMI has carried out an initial internal analysis of potential mine plans, mine cost models and export options for the iron ore with a view to determining the optimum configuration for the project. Further work is required, including the strategic drilling program, to complete this activity.

Discussions with service providers and infrastructure owners are continuing in parallel with the exploration program.

Corporate Matters

Board Restructure

As part of a strategic review of its structure and operations, Strike Resources determined in February 2011 to restructure the composition of its Board of Directors in a move to bring it into line with current leading practice in corporate governance. Specifically, the representation of major shareholders will be reduced and the board will move to a majority of independent directors.

To facilitate the restructure non-executive directors Messrs Farooq Khan and Farhad Moshiri (together with his alternate director Mr Mark Horn) retired from the Strike Board, effective 3 February.

In addition, Strike's Chairman, Mr Shanker Madan, announced his retirement effective 3 February 2011 in order to concentrate on his role as managing director of ASX-listed resource company, Alara Resources Ltd.

Professor Malcolm Richmond, independent non-executive director, was appointed Acting Chairman on 3 February. After considering alternatives, the board appointed Prof. Richmond Chairman on 27 July.

The Company has commenced an international search for at least one additional independent, non-executive director.

Strategic Review of Operations

The Strike Board conducted a strategic review of operations in two rounds, held in April and July 2011. Key outcomes from the review were:

- confirming the aim of becoming the most significant iron ore producer in Peru through establishment of a 15 – 20Mtpa iron-ore business based on the Apurimac and Cusco assets and the assets of Cuervo Resources.
- utilising the firm's strong cash position, strategic strengths and AF's experienced team in Peru to consolidate its landholding and strong iron-ore resource position.
- undertaking vigorous exploration programs through AF and Cuervo Resources to materially increase iron-ore resources over the next 2 years.
- leveraging from our location in the world's largest copper producing belt to establish a strong base metals project portfolio.

Directors' Report

The Directors present their report on Strike Resources Limited ("**Company**" or "**Strike**") and its controlled entities ("**Consolidated Entity**") for the financial year ended 30 June 2011.

Strike is a company limited by shares which is incorporated in Western Australia and has been listed on the Australian Securities Exchange ("**ASX**") since 7 March 2000 (ASX Code: SRK).

Strike has prepared a consolidated financial report incorporating the entities which it controlled during the financial year. Details of Strike's controlled entities during the financial year can be found at Note 12 to the Financial Statements.

No entities became controlled entities after the end of the financial year.

Overview

The 2011 financial year has seen the Company continue with the implementation of the findings from its strategic review. During the year the board of directors underwent further restructuring with the aim of moving towards best practise corporate governance, while also meeting the company's requirements at the present phase of the its operations. The board restructure saw the departure of Messrs Farooq Khan, Shanker Madan and Farhad Moshiri and the appointment of Professor Malcolm Richmond as Acting Chairman in February 2011. In July 2011, Prof. Malcolm Richmond's appointment as Chairman was made permanent.

During the year Apurimac Ferrum appointed Mr. Thomas Kelly as its Chief Executive Officer following a decision by the AF shareholder's to enhance the Peruvian based management team. Mr. Kelly holds a degree in Mining Engineering from the Colorado School of Mines and has over 35 years' experience in mineral exploration, mine production, mineral industry consulting and corporate management. This process also involved the appointment of Mr Luis Orihuela as the Community Relations Manager and Mr Ian Cullen as Exploration Manager. The extensive experience and knowledge of Mr Orihuela and Mr Cullen are seen as a major benefit to the company in accelerating AF's exploration activities at its Opaban and Cusco projects. In December 2011 AF recommenced drilling in Peru after ceasing major exploration activities in 2009 due to a dispute between AF's shareholders. Since settling the dispute in July 2009, Strike and AF's other shareholder, D&C Group, have been working to re-establish relations with the communities located on AF's concession holdings. This process resulted in the first exploration drilling program since the dispute was settled, at the Colcabamba concessions, and is seen as a major step forward for the progress of the company's exploration activities. Details of Strike's operations over the past year can be found in the "Review of Operations" section above.

The optimisation studies conducted during 2010 identified a number of opportunities to enhance the Apurimac iron ore project including the production of lump and fines products as an alternative to a slurry concentrate, and the use of a rope conveyor for both ore and product transport. While these are positive steps the key conclusion from the studies was that a production rate of at least 15Mtpa for more than 15 years is required to deliver robust economic returns based on long term projected iron ore prices. Accordingly AF is re-focussing on exploration to outline sufficient iron ore to support such an operation. This will remain the focus in 2011/12.

During the year Strike commenced negotiations with Cuervo Resources Incorporated ("**Cuervo**"), a Peru focused Canadian iron ore explorer, with the aim of building its interest in quality iron ore exploration concessions within Peru. Subsequent to the reporting period Strike and Cuervo entered into a financing arrangement giving Strike the option to purchase up to 49% of Cuervo's shares through the exercise of share warrants. More details of this agreement can be found in the "Events Subsequent to Reporting Date" section below.

Unfortunately for both management and shareholders, despite significant efforts by management, during the year little progress was made on the resolution of disputes with Strike's partner in the Berau Thermal Coal Project. Due to the position adopted by the Company's partner, there is some uncertainty about whether negotiations will succeed and dispute resolution proceedings are now likely.

On 30 June 2011, Strike entered into an agreement with Iron Associates Corporation ("IAC") to purchase IAC's 12% shareholding in AF for US$1.2m and 9,000,000 shares in Strike. As a result of this agreement Strike's shareholding in AF increased from 44% to 56% on the reporting date. Management see this transaction as a positive step as it reduces the risks associated with the execution of AF's exploration activities. Details of this transaction can be found in the "Significant Changes in the State of Affairs" section of this report below.

With a strong cash balance and with exploration and evaluation work recommenced in Peru on AF's iron ore projects, the company is poised to make significant progress on its Peruvian iron ore concession interests over the coming year.

Principal Activities

The principal activities of the Consolidated Entity during the financial year consisted of the ongoing exploration and evaluation of the Consolidated Entity's interest in the Apurimac and Cusco Iron Ore Projects located in Peru, South America and its Berau Thermal Coal Project in Indonesia.

Significant Changes in the State of Affairs

During the year the Consolidated Entity continued to implement changes which were the result of a strategic review of the company's operations. In February 2011, several long serving members of Strike's board of directors retired from their position with company to facilitate the restructuring of the board's composition to bring it in line with industry best practice. The company announced that it had begun a search for a new chairman and an additional independent non-executive director. In July 2011, the board of directors appointed Professor Malcolm Richmond to the position of Chairman. Prof. Richmond had held the position of Acting Chairman since the board restructuring which took place in February 2011.

On the 30 of June 2011 Strike entered into an agreement with Iron Associates Corporation ("**IAC**") to purchase IAC's 12% share holding in Apurimac Ferrum S.A. ("**AF**"). Key terms of the agreement are as follows:

- Strike acquired IAC's 12% shareholding in AF.
- IAC assigned to Strike a loan of US$ 5.245 million owed by AF to IAC. This loan is convertible to AF shares AF July 2012 under the terms of the Settlement Agreement between the AF shareholders.
- IAC held a right, in certain circumstances, to convert its AF shareholding to a royalty from AF's future production. This royalty right was extinguished as a result of the IAC share purchase transaction.
- Strike paid IAC US$1.2m in cash on the execution of the agreement and will issue IAC 9 million Strike shares as consideration under the agreement. Once issued these shares will represent 6.3% of Strike's issued capital.

The Company believes this transaction will provide significant benefits for shareholders in both the short and longer term. Initially, the simplification of the AF shareholding structure will improve operational efficiency and reduce risks during the exploration and project execution phases. Strike also believes that over the longer term the simplified ownership structure enhances the ability to attract strategic partners to develop the Apurimac and Cusco iron ore projects if required.

Strike also signed an exclusivity agreement with AF's remaining shareholder, the D&C Group, giving Strike 90 days to negotiate in good faith the potential acquisition by Strike of D&C's 44% shareholding in AF on pro rata terms to the IAC transaction described above. If Strike and D&C Group are successful in negotiating a deal Strike will move to 100% ownership and control of AF. If however the parties are unable to agree on the terms of the proposed share sale, then D&C Group has 10 business days to exercise an option to purchase from Strike, 50% of the AF shares Strike acquired from IAC on equivalent terms to the IAC deal. Under this transaction both Strike and D&C Group would hold 50% of the Shares in AF.

In June 2011 Strike announced the initial JORC mineral resource for the Cusco Iron Ore Project in Peru (details or which can be found in the Review of Operations section above). The Cusco mineral resource, which is located on AF's Santo Tomas concessions, is the second of the company's two iron JORC ore mineral resources located in Peru. The Cusco Iron Ore Project is located in the southern highlands of Peru within the highly prospective Andahuaylas-Yauri copper/iron belt. A review of historical drill samples has identified broad zones of anomalous copper, silver and molybdenum values which the company plans to incorporate in a further review of the polymetallic potential for the region.

Towards the end of the financial year Strike entered into negotiations with Canadian iron ore explorer, Cuervo Resources Inc. ("Cuervo") for Strike to provide financing to Cuervo in return for the option for Strike to purchase up to 49% of Cuervo through the exercise of Cuervo Share Warrants. Cuervo is a Peru focused iron ore explorer which has concession within the Cusco geological region which are complementary to Strike's own concession interests. This transaction forms part of Strike's strategy of consolidating its position of as a major holder of high-quality iron ore concessions in the Apurimac and Cusco regions of Peru. These negotiations were successfully concluded in July 2011 and the key terms of the financing agreement can be found in the "Events Subsequent to the Reporting Date" section below and Note 25 to the Financial Statements.

During the year, Strike, through its interest in AF, continued to progress development studies in relation to the Apurimac Iron Ore Project, including product optimisation studies and transport trade off analysis. As a part of the geological review a decision was made to continue the company's focus on increasing the resource inventory at both the Apurimac and Cusco projects. This will principally comprise a major drilling campaign with the objectives of:

- Increasing the current iron ore resources at Apurimac from the current 269 Mt @ 57.3% Fe Resource to at least 500Mt, at a similar grade; and
- Increasing the Measured and Indicated Resource within the total Resource, at a similar grade.

In June, Peru's Presidential election resulted in the election of Ollanta Humala, a former army officer. Mr. Humala's election cast doubt over Peru's ability to continue its strong growth seen over the past years, due to his leftist political views. However, subsequent to the election and appointment of key government ministers the economic outlook for Peru is viewed favourably.

Other Matters

Other than those mentioned above, there were no other material changes in the state of affairs of the Consolidated Entity during the financial year.

Events Subsequent to the Reporting Date

Subsequent to the Reporting Date Strike entered into a financing arrangement with Canadian iron ore exploration company, Cuervo Resources Incorporated ("**Cuervo**"). Under this agreement Strike Resources Ltd has agreed to lend Cuervo up to 15m Canadian dollars, for the consideration of potentially earning up to 49.2% in Cuervo through the issue of share warrants to Strike. The funds loaned by Strike are to be used by Cuervo to advance exploration work on Cuervo's Peruvian iron ore concessions which are located in the same geological region as Strike's concession interests in the Cusco region of Peru. Details about the financing arrangement can be found in Note 25 to the Consolidated Financial Statements.

Operations Review

A detailed review of the operations of the Consolidated Entity can be found on pages 2 to 20 of this Full Year Report.

Other Matters

The Directors are not aware of any other matters or circumstances at the date of this Directors' Report, other than those referred to elsewhere in this Directors' Report or the Financial Statements, that have significantly affected or may significantly affect the operations, the results of operations or the state of affairs of the Consolidated Entity in subsequent financial years.

Operating Results

The Consolidated Entity made an operating loss for the financial year of $24,891,619 (2010: profit $19,961,626).

Gain/Loss per Share

Consolidated	2011	2010
Basic earnings/(loss) per share (cents)	(18.95)	15.35
Diluted earnings/(loss) per share (cents)	(18.95)	14.95
Weighted average number of ordinary shares outstanding during the year used in the calculation of basic earnings/(loss) per share	131,367,145	130,034,268

Dividends

No dividends have been paid or declared during the financial year. At the date of this Report no dividend has been recommended for payment in respect of the reporting period.

Capital Raisings

No capital raisings were undertaken during the current reporting period.

Summary of share capital changes during the reporting periods

Date	Description	Issue price	No. shares	Value of issue	Running balance of issued share capital (No.)
30/06/2009	Opening balance				130,034,268
	Movement in current period	N/A	-	-	-
30/06/2010	Closing balance				130,034,268
	Movement in current period	N/A	3,500,000	$789,667	133,534,268
30/06/2011	Closing balance				133,534,268

Options

Unlisted Directors' and Employee options

During the financial year no unlisted Director or Employee Options were exercised.

The following unlisted Employee's Options were issued during the financial year:

Date of Issue	Description of unlisted options	Exercise price	Expiry date	No. of options	Vesting criteria
6 May 2011	Employee options	$1.30 $1.50 $1.75	23 March 2013	1,200,000	All options vested at grant date

Future Developments

During the reporting year, the Australian government proposed legislating a new tax that was to place an additional tax burden on certain resource mining companies with producing resource projects within Australia. At the date of this Report it is unclear if the proposed tax or a variant of the tax will be imposed on Australian resource projects. As the final structure of the proposed resource tax is unknown, the Company is unable to quantify how the tax will affect the Consolidated Entity's Australian project including its future financial performance.

The Australian Government has proposed the introduction of a "Carbon Tax" which places a price on "carbon" emissions. At the date of this report the proposed legislation has not been enacted, therefore the Company is unable to quantify how the proposed emissions pricing scheme will affect the Consolidated Entities future financial performance.

Environmental Regulation and Performance

The Consolidated Entity notes the reporting requirements of both the *Energy Efficiency Opportunities Act 2006* ("**EEOA**") and the *National Greenhouse and Energy Reporting Act 2007* ("**NGERA**"). The *Energy Efficiency Opportunities Act 2006* requires an affected company to assess its energy usage, including the identification, investigation and evaluation of energy saving opportunities and to report publicly on the assessments undertaken, including what action the company intends to take as a result.

The *National Greenhouse and Energy Reporting Act 2007* requires affected companies to report their annual greenhouse gas emissions and energy use. The Consolidated Entity has determined that it does not operate a recognised facility requiring registration and reporting under the NGERA and in any event, it would fall under the threshold of greenhouse gas emissions required for registration and reporting. Similarly, the Consolidated Entity's energy consumption would fall under the threshold required for registration and reporting under the EEOA.

The Consolidated Entity is not otherwise subject to any particular or significant environmental regulation under either Commonwealth or State legislation. To the extent that any environmental regulations may have an incidental impact on the Consolidated Entity's operations, the Directors are not aware of any breach by the Consolidated Entity of those regulations.

Directors and Company Secretary

On 3 February 2011, Strike's then Chairman, Mr Shanker Madan retired from his position as a director of the Company to focus on his other business interest. Mr Farooq Khan and Mr Farhad Moshiri (along with his alternate director, Mr Mark Horn) also resigned from their positions on Strike's board with the aim of moving the board's composition into line with current leading practice in corporate governance.

Information concerning directors who held office at the reporting date or during the reporting period can be found below.

Current members of the Board of Directors and Company Secretary

Malcolm Richmond	**Chairman**
Appointed	13 July 2011
Previous positions held	Acting Chairman (3 February 2011 to 13 July 2011) Non-Executive director (25 October 2006 to 3 February 2011)
Qualifications	B. Science Hons (Metallurgy) and B. Commerce Merit (Econs) (*New South Wales*)
Experience	Professor Richmond has 30 years experience with the Rio Tinto and CRA Groups in a number of positions including: Vice President, Strategy and Acquisitions; Managing Director, Research and Technology; Managing Director Development (Hamersley Iron Pty Limited) and Director of Hismelt Corporation Pty Ltd. He was formerly Deputy Chairman of the Australian Mineral Industries Research Association and Vice President of the WA Chamber of Minerals and Energy. Professor Richmond also served as a Member on the Boards of a number of public and governmental bodies and other public listed companies. He is a qualified metallurgist and economist with extensive senior executive and board experience in the resource and technology industries both in Australia and internationally. His special interests include corporate strategy and the development of markets for internationally traded minerals and metals - particularly in Asia. Professor Richmond is a nominee director on the board of Cuervo Resources Inc. for Strike Resources Ltd. Professor Richmond is currently a Visiting Professor at the Graduate School of Management and School of Engineering, University of Western Australia, and a Fellow of the Australian Academy of Technological Sciences & Engineering, a Fellow of Australian Institute of Mining and Metallurgy and a Member of Strategic Planning Institute (US).
Special responsibilities	Chairman of the Remuneration and Nomination Committee and member of the Audit Committee
Relevant interest in securities	Shares 100,000 (indirectly) Unlisted directors' options 1,700,000
Other current directorships in listed entities	Non-Executive Director of: MIL Resources Limited (MGK) (appointed August 2001) Advanced Braking Technology Ltd (ABV) (appointed August 2006) Cuervo Resources Incorporated (appointed 29 July 2011)
Former directorships in other listed entities in past 3 years	Structural Monitoring Systems Plc (SMN) (17 October 2006 to 10 November 2010)

Ken Hellsten	**Managing Director**
Appointed	24 March 2010
Qualifications	B. Sc Geology Hons (*Monash University*)
Experience	Mr. Hellsten is a Geologist with over 30 years experience in the resources industry. He has been employed in senior executive roles ranging from exploration to development and operations with both large multi-national and smaller resources companies, including BHP Billiton, Centaur Mining, Ironclad Mining and Polaris Metals. During the past 20 years Mr. Hellsten has lead teams responsible for the definition and development of significant gold and nickel projects. Prior to his appointment to Strike, he served as Managing Director of Polaris Metals NL, where he added significant value for shareholders by progressing the company's iron-ore assets towards development, and leading a strategic partner search, which ultimately resulted in the acquisition of Polaris by Mineral Resources Limited in January 2010. Mr. Hellsten is a nominee director on the board of Cuervo Resources Inc. for Strike Resources Ltd. Mr. Hellsten is a fellow of the Australasian Institute of Mining and Metallurgy and a member of the Australian Institute of Company Directors. He has previously served on the Executive Councils of the Association of Mining and Exploration Companies and the Northern Territory Chamber of Mines.
Relevant interest in securities	Shares 217,083
Other current directorships in listed entities	Non-Executive Director of: Heron Resources Ltd (HRR) (appointed December 2006) Brierty Limited (BYL) (appointed February 2010) Cuervo Resources Incorporated (appointed July 2011)
Former directorships in other listed entities in past 3 years	Polaris Metals NL (18 March 2009 to 7 January 2010)

Matthew Hammond	**Non-Executive Director**
Appointed	25 September 2009
Qualifications	BA (Hons) (Bristol)
Experience	Mr. Hammond is the Group Managing Director of Mail.ru, one of the largest European internet businesses. Prior to that he was Group Strategist at Metalloinvest Holdings, where he had responsibility for part of the non-core asset portfolio. Prior to joining Metalloinvest, Mr. Hammond was a director at Credit Suisse, where he worked for 12 years as an investment analyst. During his time with Credit Suisse Mr. Hammond was ranked number one 8 times in the Extell, Institutional Investor and Reuters surveys.
Special responsibilities	Member of the Audit and Remuneration and Nomination Committees
Relevant interest in securities	Nil
Other current directorships in listed entities	Mail.Ru. (appointed April 2011) Nautilus Minerals (appointed Oct 2009) Puricore Inc. (appointed May 2010)
Former directorships in other listed entities in past 3 years	Nil

William Johnson	**Non-Executive Director**
Appointed	30 April 2010
Previous position held	Executive Director (14 July 2006 to 30 April 2010)
Qualifications	MA (Oxon), MBA
Experience	Mr. Johnson commenced his career in resource exploration and has held senior management and executive roles in a number of public companies in Australia, New Zealand and Asia. Most recently, Mr. Johnson has acted as an executive and non-executive director of a number of ASX listed resource exploration and development companies and brings a considerable depth of experience in business strategy, investment analysis, finance and execution
Special responsibilities	Chairman of the Audit Committee and member of the Remuneration and Nomination Committee
Relevant interest in securities	Unlisted Directors' Options 1,240,000
Other current directorships in listed entities	Executive Director of: Orion Equities Limited (appointed February 2003) Bentley Capital Limited ((appointed March 2009) Alara Resources Limited (appointed October 2009)
Former directorships in other listed entities in past 3 years	Drillsearch Energy Limited (24 October 2006 to 11 August 2008) Scarborough Equities Limited (29 November 2004 to 13 March 2009)

Company Secretary

Stephen Gethin	**Company Secretary**
Appointed	30 April 2010
Qualifications	Barrister and Solicitor of the Supreme Court of Western Australia, GradCert Tax *(Curtin)*
Experience	Mr. Gethin previously served as Company Secretary and general Counsel for ERG Limited from 2006 to 2008, when he joined Strike Resources as General Counsel. Mr. Gethin worked in the Corporate and Finance practice group in a national law firm from 2001 to 2004. He has extensive experience in capital raisings, corporate transactions and project agreements in Australia and overseas.

Directors ceasing to hold office during the year

Farooq Khan	**Past Non-Executive Director (ceased being a director on 3 February 2011)**
Appointed	30 April 2010
Previous position held	Executive Director (3 September 1999 to 30 April 2010)
Qualifications	BJuris, LLB. (*Western Australia*)
Experience	Mr. Khan is a qualified lawyer having previously practised principally in the field of corporate law. Mr. Khan has extensive experience in the securities industry, capital markets and the executive management of ASX-listed companies. In particular, Mr. Khan has guided the establishment and growth of a number of public listed companies in the investment, mining and financial services sectors. He has considerable experience in the fields of capital raisings, mergers and acquisitions and investments.
Special responsibilities	Member of the Audit Committee Member of the Remuneration and Nomination Committee
Relevant interest in securities at the date ceased being a director	Shares 530,010 (directly) Shares 16,890,800 (indirectly) Unlisted directors' options 3,050,000 (directly)
Other current directorships in listed entities	Chairman and Managing Director of: Queste Communications Ltd (QUE) (since 10 March 1998) Chairman of: Orion Equities Limited (appointed October 2006) Bentley Capital Limited (appointed December 2003) Executive Director of: Alara Resources Limited (AUQ) (appointed May 2007)
Former directorships in other listed entities in past 3 years	Interstaff Recruitment Limited (27 April 2006 to 18 March 2011) Scarborough Equities Limited (29 November 2004 to 13 March 2009)

H. Shanker Madan	**Past Chairman (ceased being a director on 3 February 2011)**
Appointed	24 March 2010
Previous position held	Managing Director (26 September 2005 to 24 March 2010)
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 the United States, working on a range of iron ore, diamond, gold, copper and chromate deposits. Mr. Madan has been involved in the discovery of 3 world-class iron deposits in Western Australia for Texas Gulf and BHP Minerals. From 1997 to 2001, Mr. Madan managed the evaluation of resource projects for Hamersley Iron and completed a resource due diligence study of the billion-dollar West Angelas project in the Pilbara region of Western Australia. Mr. Madan is a member of The Australian Institute of Mining and Metallurgy.
Special responsibilities	Chair of the Board Member of the Audit Committee
Relevant interest in securities at the date ceased being a director	Shares 496,343 Unlisted directors' options 6,130,000
Other current directorships in listed entities	Managing Director of: Alara Resources Limited (appointed May 2007)
Former directorships in other listed entities in past 3 years	Nil

A. Farhad Moshiri	**Past Non-Executive Director (ceased being a director on 3 February 2011)**
Appointed	29 July 2008
Qualifications	B.Econ (Hons), FCCA
Experience	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, including its holding in Metalloinvest, a leading Russian mining and metals group where he is Executive Chairman. Farhad Moshiri sits on a number of other Boards.
Relevant interest in securities	Nil
Other current directorships in listed entities	Nil
Former directorships in other listed entities in past 3 years	Nil

Mark P. M. Horn	**Past Alternate Director for A. Farhad Moshiri (ceased being a director on 3 February 2011)**
Appointed	29 July 2008
Qualifications	B.A. (Hons) (First Class), M.A. (Rhodes), LLB (Hons) (London), Dip.B.Admin (Manchester), FSI (dip)
Experience	Mark Horn holds a B.A. (Hons) (First Class), M.A. (Rhodes), LLB (Hons) (London), Dip.B.Admin (Manchester), FSI (dip). He is also qualified as a Barrister of the Honourable Society of Lincoln's Inn. 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 a mining and oil analyst.
Relevant interest in securities	Nil
Special responsibilities	Chairman of the Audit Committee
Other current directorships in listed entities	Nil
Former directorships in other listed entities in past 3 years	Nil

Directors' Meetings

The following table sets out the number of meetings of the Company's directors and board committees held during the financial year (excluding Directors' circulatory resolutions) and the number of meetings attended by each director of the Company:

Name of Director	Board Meetings		Committee Meetings (Audit)		Committee Meetings (Remuneration/ Nomination)	
	Attended	Meetings Held[1]	Attended	Meetings held[1]	Attended	Meetings held[1]
Hammond, M.	5	7	1	1	1	1
Hellsten, K.	7	7	*	*	*	*
Johnson, W.	7	7	1	1	-	-
Khan, F.[2]	4	4	1	1	1	1
Madan, H.S.[3]	4	4	1	1	*	*
Moshiri, F. [4] (represented by Mark Horn as his Alternate Director)	4	4	1	1	*	*
Richmond, M.	6	7	2	2	-	-

1. Meetings held while the director was a member.
2. Mr Khan ceased being a director on 3 February 2011
3. Mr Madan ceased being a director on 3 February 2011.
4. Mr Moshiri ceased being a director on 3 February 2011.

* Not a member of the relevant committee

Board Committees

In addition to the board of director's the Company has an audit committee and a remuneration and nomination committee. Each committee consisted of three non-executive directors.

The audit committee was established to assist the board in overseeing the Consolidated Entity's financial reporting and risk management systems. In addition to these matters, the Audit Committee Charter states that the audit committee assists the board in overseeing the Consolidated Entity's external audit function. The audit committee reports to the board on these matters at least twice a year and more frequently if required.

The remuneration and nomination committee was established to assist the board in the selection and retention of suitably-qualified directors and senior executives. Amongst its duties, the remuneration and nomination committee is responsible for reviewing the performance and remuneration of the board members and senior management of the Company. As part of the process of selecting and retaining suitable senior executives, the remuneration and nomination committee is charged with the setting of goals for senior executives and the establishment of incentive schemes.

Remuneration Report (Audited)

This report details the nature and amount of remuneration for each director and executive, being a company secretary or senior manager with authority and responsibility for planning, directing and controlling the major activities of the Consolidated Entity, directly or indirectly ("**Key Management Personnel**").

The information provided under headings (1) to (5) below has been audited as required under section 308(3C) of the *Corporations Act 2001*.

(1) Remuneration Policy

The board, with guidance from the remuneration and nomination committee, determines the remuneration structure of all Key Management Personnel having regard to the Consolidated Entity's strategic goals, scale and scope of operations and other relevant factors, including experience and qualifications, length of service, market practice (including available data concerning remuneration paid by other listed companies, in particular companies of comparable size and nature) and the duties and responsibilities of the Key Management Personnel.

Fixed cash short-term employment benefits: The Key Management Personnel of the Company are paid a fixed amount per annum plus applicable employer superannuation contributions, where applicable. The non-executive directors of the Company are paid a maximum aggregate base remuneration of $500,000 per annum inclusive of employer superannuation contributions where applicable, to be divided as the board determines appropriate.

During the year the aggregate fees paid to non-executive directors of the Company were as follows:

Director	Office held	Gross salary/fees and superannuation for the period			
		Fees	Special exertions	Super-annuation	Total fees
Hammond, M.	Non-Executive Director	40,635	5,600	-	46,235
Horn, M.[3]	Alternate Director for Farhad Moshiri	-	33,600	-	33,600
Johnson, W.	Executive/Non-Executive Director	45,000	14,000	5,310	64,310
Khan, F.[1]	Executive/Non-Executive Director	61,602	32,000	8,424	102,026
Madan, H.S.[2]	Non-Executive Chairman	35,821	14,000	4,483	54,304
Moshiri, F.[3]	Non-Executive Director	22,404	-	-	22,404
Richmond, M.	Non-Executive Director/ Chairman	-	-	55,436	55,436
Total		**205,462**	**99,200**	**73,653**	**378,315**

1. Mr. Khan ceased being a director on 3 February 2011.
2. Mr. Madan ceased being a director on 3 February 2011.
3. Mr. Moshiri ceased being a director on 3 February 2011.

Special exertions and reimbursements: Pursuant to the Company's Constitution, each Director is also entitled to receive:

- Payment for the performance of extra services and the undertaking of any executive or other work for the Company beyond his or her general duties; and
- 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.

Long-term benefits: Other than termination benefits disclosed in the section titled "Service Agreements" below, Key Management Personnel have no right to termination payments save for payment of accrued unused leave.

Post-employment benefits: Other than the legislated contributions to nominated complying superannuation funds of employees, the Company does not presently provide retirement benefits to Key Management Personnel.

Performance-related benefits: Details of performance-related benefits provided to Key Management Personnel can be found in the section below titled "Service Agreements".

Financial performance of the Company: There is no relationship between the Company's current remuneration policy and the Company's financial performance other than the exercise price of options issued to Key Management Personnel being priced at values higher than the trading price of the underlying shares at the time the options are granted. The exercise price of these options are structured to incentivise KMP to generate value for shareholders through the increase in the value of the company.

Equity-based benefits: Eligible Key Management Personnel are offered equity-based remuneration where the board decides that it is appropriate to do so.

(2) Details of Remuneration of Key Management Personnel

Amounts of remuneration

Details of the remuneration of the directors, the Key Management Personnel of the Group (as defined in *AASB 124 Related Party Disclosures*) and the five highest-paid executives of Strike Resources Limited and the Consolidated Entity are set out in the following tables.

The Key Management Personnel of the Group are the directors of Strike Resources Limited (see pages 25 to 29 above) and those executives that report directly to the Managing Director during the year being:

- Stephen Gethin — *Company Secretary & General Counsel*
- David Lim — *Chief Financial Officer*
- Michael Lowry — *General Manager – Berau*
- Andrew Napier — *Principal Process Engineer*

The above-listed Key Management Personnel are also among the 5 highest remunerated Group and/or company executives as must be disclosed by the *Corporations Act 2001.*

Key Management Personnel of the Group and other executives of the Company and the Group

Key Management Personnel	Short-term benefits			Post-employment benefits	Other long-term benefits	Termin-ation benefits	Equity-based benefits	Total	Options as a % of total remuner-ation
2011	**Cash salary and fees $**	**Cash bonus $**	**Non-cash benefit $**	**Super-annuation $**	**Long-service leave $**	**$**	**Options $**	**$**	**%**
Non-Executive Directors:									
Hammond, M.	46,235	-	-	-	-	-	-	46,235	-
Horn, M.[3]	33,600	-	-	-	-	-	-	33,600	-
Johnson, W.	59,000	-	-	5,310	-	-	-	64,310	-
Khan, F.[1]	93,602	-	-	8,424	-	-	-	102,026	-
Madan, H.S.[2]	49,821	-	-	4,483	-	-	-	54,304	-
Moshiri, F.[3]	22,404	-	-	-	-	-	-	22,404	-
Richmond, R.	-	-	-	55,436	-	-	-	55,436	-
Executive Director:									
Hellsten, K.	325,000	25,000	41,230	29,250	-	-	-	420,480	-
Other key management personnel									
Gethin, S.	131,738	3,431	7,016	67,550	-	-	12,197	221,932	5%
Lim, D.	193,211	3,600	-	17,713	-	-	12,197	226,721	5%
Lowry, M.[4]	295,973		13,324	21,181	-	-	-	330,478	-
Napier, A.	160,655	2,050	1,456	14,481	-	-	-	178,642	-
Total	**1,411,239**	**34,081**	**63,026**	**223,828**	**-**	**-**	**24,394**	**1,756,568**	

Key Management Personnel	Short-term benefits			Post-employment benefits	Other long-term benefits	Termina-tion benefits	Equity-based benefits	Total	Options as a % of total remuner-ation
2010	**Cash salary and fees $**	**Cash bonus**	**Non-cash benefit $**	**Super-annuation $**	**Long-service leave $**	**$**	**Options $**	**$**	**%**
Non-Executive Directors:									
Hammond, M.	22,962	-	-	-	-	-	-	22,962	-
Ho,V.	99,629	-	-	9,097	21,848	-	-	130,574	-
Horn, M.	36,400	-	-	-	-	-	-	36,400	-
Khan, F.	244,580	-	-	22,203	61,196	-	-	327,979	-
Johnson, W.	95,725	-	-	8,589	-	-	-	104,314	-
Madan, H.S.	312,435	-	4,445	42,631	-	-	423,719	783,230	54%
Moshiri, F.	30,000	-	-	-	-	-	-	30,000	-
Richmond, M.	53,200	-	-	33,706	-	-	-	86,906	-
Stephenson, J.	42,054	-	-	3,785	-	-	-	45,839	-
Executive Director:									
Hellsten, K.	85,000	-	74	7,650	-	-	-	92,724	-
Other key management personnel									
Gethin,S.	121,965	-	6,575	65,343	-	-	-	193,883	-
Hobson, M.	231,651	-	-	20,849	-	152,905	-	405,405	-
Lim, D.	101,077	-	926	9,097	-	-	-	111,100	-
Lowry, M.	230,942	-	19,236	51,071	-	-	5,729	306,978	2%
Total	**1,707,620**	**-**	**31,256**	**274,021**	**83,044**	**152,905**	**429,448**	**2,678,294**	

1. Mr. Khan ceased being a director on 3 February 2011.
2. Mr. Madan ceased being a director on 3 February 2011.
3. Mr. Moshiri ceased being a director on 3 February 2011 (Mr. Horn was Mr. Moshiri's alternate).
4. Mr. Lowry ceased being an officer of the company on 30 April 2011.

Cash fees paid to the non-executive directors during the year include payments for additional services or the undertaking of any executive or other work for the Consolidated Entity beyond their general non-executive director's duties.

The value of equity-based benefits are based on the fair value of KMP's options (vested and unvested as at the reporting date). This is described in more detail in section three (3) of this Remuneration Report.

The relative proportions of remuneration received during the year that are linked to performance and those that are fixed are as follows:

Name	Fixed remuneration	At risk – STI	At risk – LTI#
Executive Directors			
Hellsten, K.	93%	7%	-
Other Key Management Personnel			
Gethin, S.	93%	2%	5%
Lim, D.	93%	2%	5%
Lowry, M.	100%	-	-
Napier, A.	99%	1%	

Long-term incentives relate to options issued to Key Management Personnel and the percentages disclosed are based on the value of the options expensed during the reporting period.

Service agreements: Details of the material terms of Service Agreements with Key Management Personnel are as follows:

- Mr S. Gethin's service agreement does not contain any incentive bonuses. Details of Mr Gethin's service agreement are as follows:
  - Commencement date – 4 March 2008
  - Base salary - $206,422 p.a.
- Mr K. Hellsten's service agreement contains incentive bonuses linked to the successful increase in the Consolidated Entity's resource inventory, completion of feasibilities studies and the successful development of the Consolidated Entity's projects. These bonuses are designed to incentivise Mr Hellsten to advance the Consolidated Entity's projects to the production phase. Details of Mr Hellsten's service agreement are as follows:
  - Commencement date – 24 March 2010
  - Base salary - $325,000 p.a.
  - Performance incentives:
    - Gross cash bonus of $100,000 or 30% of base salary per year. In the first year the bonus will be up to $100,000 in 3 tranches as outlined below:
      - $50,000, payable if Apurimac Ferrum S.A. ("**AF**") increases the JORC iron ore Resource at its Apurimac Project to 400 million tonnes ("**Mt**") within 12 months of his commencement date;
      - $25,000 payable if AF commences a bankable feasibility study into an iron ore mine on its Apurimac Project concessions within 12 months of his commencement date; and
      - $25,000 payable if Strike develops or disposes of its interest in the Berau coal project within 6-9 months from his commencement date.

  During the reporting period the above cash bonuses were forfeited by Mr. Hellsten as the performance criteria were not met.

  - Options – Mr Hellsten is to be issued the following options over the shares of Strike Resources, subject to shareholder approval.
    - 333,334 options, with an exercise price of $2.25, vesting on shareholder approval of the issue of the options;
    - 333,333 options, with an exercise price of $2.50, vesting on shareholder approval of the issue of the options; and
    - 333,333 options, with an exercise price of $2.75, vesting on shareholder approval of the issue of the options.

  At the date of this report no options have been granted to Mr Hellsten.

  - Termination Benefit – 6 months gross base salary on termination other than for termination due to:
    - Misconduct;
    - Breach of contract; or
    - Removal as a director by shareholders.
- Mr D. Lim's service agreement does not contain any incentive bonuses. Details of Mr Lim's service agreement are as follows:
  - Commencement date – 9 December 2009
  - Base salary - $206,422 p.a.

- All contracts with Key Management Personnel may be terminated by each party, with notice periods from 1 - 3 months. No specific termination benefits are payable on termination of the service agreements other than those payable to Mr Hellsten.
- Other than those listed above, no other member of Key Management Personnel have entitlements to cash bonuses included in their service agreements.
- Members of the Consolidated Entity's Key Management Personnel are entitled to participate in the Consolidated Entity's employee share option plan.

(3) Unlisted Directors' and Employee Options

During the year 1,200,000 options over ordinary shares of the Company were granted to members of the Consolidated Entity's Key Management Personnel for no consideration. Key inputs for the valuation of the granted options are contained in the following table:

Grant date	Description of unlisted options	Exercise price	Share price at grant date	Risk-free rate	Vesting date/ condition	Expected volatility of Company's share price	Dividend yield
6/5/11	$1.30 (23 March 2013) Employee Options	$1.30	$0.365	5.090%	Vested on issue	68%	nil
6/5/11	$1.50 (23 March 2013) Employee Options	$1.50	$0.365	5.090%	Vested on issue	68%	nil
6/5/11	$1.75 (23 March 2013) Employee Options	$1.75	$0.365	5.090%	Vested on issue	68%	nil

The fair value of director and employee options are expensed on a pro rata basis, from their grant date, over their vesting period. Fair values are determined as at grant date using a Black-Scholes option valuation model that takes into account conditions such as the exercise price, the term of the option, the underlying share price as at grant date, dividends paid, the expected price volatility of the underlying shares and the risk-free interest rate for the term of the option.

Details of options over ordinary shares in the company provided as remuneration to each member the Consolidated Entity's Key Management Personnel are set out below. When exercisable, each option is convertible into one ordinary share of Strike Resources Ltd.

Name	Number of options granted	Value of options at grant date[1]	Number of options vesting during the year	Number of options lapsed during the year	Value of lapsed options
Gethin, S.	600,000	$12,197	600,000	-	-
Lim, D.	600,000	$12,197	600,000	-	-
Total	**1,200,000**	**$24,394**	**1,200,000**	**-**	**-**

1. The value at grant date calculated in accordance with AASB 2 Share-based Payment of options granted during the year as part of remuneration.

There were no shares issued as a result of the exercise of directors or employee options which were issued as part of remuneration, during the current year (2010: nil).

For each cash bonus and grant of options included in the tables on pages 32 and 34, the percentage of the available bonus or grant that was paid, or that vested, in the financial year, and the percentage that was forfeited because the person did not meet the service or performance criteria is set out below. No part of the bonus is payable in a future periods.

Name	Bonus		Share-based compensation benefits (options)				
	Paid %	Forfeited %	Year granted	Vested %	Forfeited %	Financial years in which the options may vest	Maximum total value of grant yet to vest $
Gethin, S.	100%	-	2011	100%	-	-	-
Hellsten, K.	20%	80%	-	-	-	-	-
Lim, D.	100%	-	2011	100%	-	-	-

Unlisted options held by Key Management Personnel as at the reporting date are as follows:

	No. Granted	Grant date	Vested	Vest date & exercisable	Expiry date	Exercise price $	Value per option at grant date $	Fair value at grant date $
Directors								
Johnson, W.	390,000	03/12/2007	195,000	03/12/2007	02/12/2012	3.978	0.9541	186,050
			195,000	03/12/2008	02/12/2012	3.978	0.9541	186,050
	500,000	13/09/2006	150,000	13/09/2006	12/09/2011	0.938	0.5580	83,700
			150,000	13/09/2007	12/09/2011	0.938	0.5580	83,700
			200,000	13/09/2008	12/09/2011	2.788	0.5580	111,600
	350,000	07/09/2007	105,000	07/03/2007	06/03/2012	2.788	1.1357	119,249
			105,000	07/03/2008	06/03/2012	2.788	1.1357	119,249
			140,000	07/03/2009	06/03/2012	2.788	1.1357	158,998
Richmond, M.	600,000	03/12/2007	300,000	03/12/2007	02/12/2012	3.978	0.9541	286,230
			300,000	03/12/2008	02/12/2012	3.978	0.9541	286,230
	500,000	07/03/2007	150,000	07/03/2007	06/03/2012	2.078	1.3628	204,426
			150,000	07/03/2008	06/03/2012	2.078	1.3628	204,426
			200,000	07/03/2009	06/03/2012	2.078	1.3628	272,568
	600,000	07/03/2007	180,000	07/03/2007	06/03/2012	2.788	1.0626	191,265
			180,000	07/03/2008	06/03/2012	2.788	1.0626	191,265
			240,000	07/03/2009	06/03/2012	2.788	1.0626	255,020
Other Key Management Personnel								
Gethin, G.	250,000	04/06/2008	83,334	04/03/2008	05/03/2013	2.880	1.2865	107,213
			83,333	04/09/2008	05/03/2013	2.880	1.2865	107,212
			83,333	04/03/2009	05/03/2013	2.880	1.2865	107,212
	600,000	06/05/2011	200,000	06/05/2011	23/03/2013	1.300	0.0232	4.632
			200,000	06/05/2011	23/03/2013	1.500	0.0217	4,349
			200,000	06/05/2011	23/03/2013	1.750	0.0161	3,216
Lim, D.	600,000	06/05/2011	200,000	06/05/2011	23/03/2013	1.300	0.0232	4.632
			200,000	06/05/2011	23/03/2013	1.500	0.0217	4,349
			200,000	06/05/2011	23/03/2013	1.750	0.0161	3,216

(4) Other Benefits Provided to Key Management Personnel

No Key Management Personnel has, during or since the end of the 30 June 2011 financial year, received or become entitled to receive a benefit, other than a remuneration benefit as disclosed above by reason of a contract made by the Company or a related entity or with a firm of which the Key Management Personnel is a member, or with a company in which they have a substantial interest.

(5) Securities Trading Policy

The Company's Share Trading Policy regulates Key Management Personnel's dealings in the Company's securities. The Policy prohibits:

(a) subscribing for, purchasing or selling Company securities or entering into an agreement to do any of those things; and

(b) advising, procuring or encouraging another person (including a family member, friend, associate, colleague, family company or family trust) to trade in Company securities,

whilst in possession of market-sensitive information, prior to disclosure of that information to the market and thereafter until adequate time has elapsed for this to be reflected in the security's price, in accordance with the Corporations Act. The Policy also prohibits communicating inside information to any other person when the Key Management Personnel should reasonably know that they may deal in the Company's securities or encourage another person to do so.

In order to further reduce the risk of inappropriate securities dealing, Key Management Personnel must not deal in Company securities without the written consent of the "Trading Officers" nominated in the Company's Share Trading Policy. Consent will not be given during certain "Prohibited Periods" before key reporting dates or while inside information exists. Key Management Personnel must inform the Company Secretary of all transactions they enter into involving the Company's securities to enable disclosure to the market, where required.

A copy of Strike's Share Trading Policy can be found on the company's website as www.strikeresources.com.au.

This concludes the audited remuneration report.

Directors' and Officers' Insurance

The Directors have not included details of the nature of the liabilities covered or the amount of premiums paid in respect of a Directors' and Officers' liability and legal expenses insurance contract, as such disclosure is prohibited under the terms of the contract.

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 (other than Matthew Hammond and Ken Hellsten) to regulate certain matters between the Company and each director. The deeds cover the periods whilst the director holds office with the company and subsequent to the director ceasing to be an officer of the Company. Matters dealt with by the deeds include the following:

(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); and

(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.

Payments to Auditors

Details of the amounts paid or payable to the auditor (BDO Audit (WA) Pty Ltd) and to other parties for work performed on behalf of the auditor, for audit and non-audit services provided during the financial year are set out below:

Audit & Review Fees – BDO Audit (WA) Pty Ltd	51,934
Fees for non-audit services	795
Other affiliated practices of the BDO International Network	7,187
Total	**59,916**

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 APES 110 Code of Ethics for Professional Accountants, 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.

BDO Audit (WA) Pty Ltd continues in office in accordance with section 327B of the *Corporations Act 2001*.

Auditors' Independence Declaration

A copy of the Auditor's Independence Declaration as required under section 307C of the Corporations Act 2001 forms part of this Directors' Report and is set out on page 37.

Legal Proceedings (Derivative Actions) on Behalf of Company

No person has applied for leave of a court to bring proceedings on behalf of the Consolidated Entity or intervene in any proceedings to which the Consolidated Entity is a party for the purpose of taking responsibility on behalf of the Consolidated Entity for all or any part of such proceedings. The Consolidated Entity was not a party to any such proceedings during and since the financial year ended 30 June 2011.

Signed for and on behalf of the directors in accordance with a resolution of the board.

Malcolm Richmond
Chairman

Ken Hellsten
Managing Director

23 September 2011

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38 Station Street
Subiaco, WA 6008
PO Box 700 West Perth WA 6872
Australia

23 September 2011

The Directors
Strike Resources Limited
Level 8, The Forrest Centre
221 St George's Terrace
PERTH WA 6000

Dear Sirs,

DECLARATION OF INDEPENDENCE BY BRAD MCVEIGH TO THE DIRECTORS OF STRIKE RESOURCES LIMITED

As lead auditor of Strike Resources Limited for the year ended 30 June 2011, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

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

This declaration is in respect of Strike Resources Limited and the entities it controlled during the period.

Brad McVeigh
Director

BDO

BDO Audit (WA) Pty Ltd
Perth, Western Australia

Consolidated Statement of Comprehensive Income

for the year ended 30 June 2011

	Note	Consolidated Entity 2011 $	Consolidated Entity 2010 $
Revenue from continuing operations	2	2,663,221	2,191,586
Other income	2	1,704,408	1,797,640
		4,367,629	3,989,226
Operating expenses		(346,057)	(392,261)
Personnel costs		(2,210,535)	(3,400,012)
Other corporate costs		(1,682,301)	(3,020,361)
Net gain on financial instruments held as fair value through profit and loss		-	440,295
Impairment expense	2	(22,644,435)	(6,315,256)
Gain on loss of control of subsidiaries		-	28,659,995
Profit on sale of as available-for-sale financial assets		1,785,620	-
Loss on sale of fixed assets		(85,665)	-
Foreign exchange loss		(3,636,311)	-
Profit/(loss) before income tax		(24,452,055)	19,961,626
Income expense tax	3	(439,564)	-
Profit/(loss) for the year		(24,891,619)	19,961,626
Profit/(loss) is attributable to:			
Equity holders of Strike Resources Limited		(24,891,619)	19,961,626
Other comprehensive losses			
Exchange differences on translation of foreign operations		(271,626)	(4,669,610)
Other comprehensive losses net of tax		(271,626)	(4,669,610)
Total comprehensive income/(loss) for the year		(25,163,245)	15,292,016
Total comprehensive income/(loss) for the year is attributable to:			
Equity holders of Strike Resources Limited		(25,163,245)	15,292,016
Basic earnings/(loss) per share (cents)	6	(18.95)	15.35
Diluted earnings/(loss) per share (cents)	6	(18.95)	14.95

This consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position

as at 30 June 2011

	Note	Consolidated Entity 2011 $	2010 $
Current assets			
Cash and cash equivalents	7	34,176,329	41,445,175
Trade and other receivables	8	688,261	890,338
Financial assets at fair value through profit and loss	11	-	327,190
Total current assets		34,864,590	42,662,703
Non-current assets			
Trade and other receivables	8	97,806	539
Property, plant and equipment	10	849,460	1,237,714
Available-for-sale financial assets	11	-	1,096,500
Exploration and evaluation expenditure	13	8,239,883	21,129,916
Total non-current assets		9,187,149	23,464,669
Total assets		44,051,739	66,127,372
Current liabilities			
Trade and other payables	14	2,785,485	564,586
Provisions	15	56,545	118,335
Total current liabilities		2,842,030	682,921
Non-current liabilities			
Trade and other payables	14	132,999	14,631
Total non-current liabilities		132,999	14,631
Total liabilities		2,975,029	697,552
Net assets		41,076,710	65,429,820
Equity			
Issued capital	16	145,632,412	144,846,669
Reserves	17	12,149,433	12,632,008
Accumulated losses		(116,705,135)	(92,048,857)
Total equity		41,076,710	65,429,820

This consolidated statement of financial position should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity

for the year ended 30 June 2011

	Issued Capital $	Currency Translation Reserve $	Share-based Payments Reserve $	Accumulated Losses $	Total $	Non-Controlling Interest $	Total Equity $
Balance as at 30 June 2009	**144,846,669**	**4,310,336**	**12,561,834**	**(112,010,483)**	**49,708,356**	**439,850**	**50,148,206**
Total income for the period							
Current period profit	-	-	-	19,961,626	19,961,626	-	19,961,626
Other comprehensive income							
Exchange differences on translation of foreign operations	-	(4,669,610)	-	-	(4,669,610)	-	(4,669,610)
Total comprehensive income for the year	-	(4,669,610)	-	19,961,626	15,292,016	-	15,292,016
Transactions with owners in their capacity as owners:							
Share options	-	-	429,448	-	429,448	-	429,448
Movement in non-controlling interest	-	-	-	-	-	(439,850)	(439,850)
Balance as at 30 June 2010	**144,846,669**	**(359,274)**	**12,991,282**	**(92,048,857)**	**65,429,820**	**-**	**65,429,820**
Total income for the period							
Current period loss	-	-	-	(24,891,619)	(24,891,619)	-	(24,891,619)
Other comprehensive income							
Exchange differences on translation of foreign operations	-	(271,626)	-	-	(271,626)	-	(271,626)
Total comprehensive income for the year	-	(271,626)	-	(24,891,619)	(25,163,245)	-	(25,163,245)
Transactions with owners in their capacity as owners:							
Share options	-	-	(210,949)	235,341	24,392	-	24,392
Option conversion	789,667	-	-	-	789,667	-	789,667
Share issue costs	(3,924)	-	-	-	(3,924)	-	(3,924)
Balance as at 30 June 2011	**145,632,412**	**(630,900)**	**12,780,333**	**(116,705,135)**	**41,076,710**	**-**	**41,076,710**

This consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows

for the year ended 30 June 2011

	Note	Consolidated Entity 2011 $	2010 $
Cash flows from operating activities			
Payments to suppliers and employees		(3,188,005)	(5,464,554)
Tax paid		(439,564)	(188)
Net cash outflow from operating activities	7a	(3,627,569)	(5,464,742)
Cash flows from investing activities			
Exploration and evaluation expenditure		(713,279)	(2,396,344)
Payments for property, plant and equipment		(114,215)	(726,684)
Proceeds from sale of investments		3,209,309	-
Proceeds from sale of fixed assets		37,140	-
Investment in associate		(1,149,115)	(1,138,786)
Interest received		1,956,266	1,886,613
Loan to associate – Apurimac Ferrum		(7,578,294)	(6,519,966)
Loan to others		(97,751)	-
Net cash outflow from investing activities		(4,449,939)	(8,895,167)
Cash flows from financing activities			
Proceeds from exercise of share options		789,667	-
Payments for share issue cost		(3,924)	-
Net cash inflow from financing activities		785,743	-
Net increase/(decrease) in cash and cash equivalents		(7,291,765)	(14,359,909)
Cash and cash equivalents at beginning of the year		41,445,175	55,726,752
Effect of exchange rate changes on cash balance		22,919	78,332
Cash and cash equivalents at year end	7	34,176,329	41,445,175

This consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the Consolidated Financial Statements

1. Statement of Significant Accounting Policies

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

The financial statements presented are for the Consolidated Entity consisting of Strike, its subsidiaries and its interest in associate entities. Separate financial statements for Strike Resources Limited the entity are no longer presented as a consequence of a change to the *Corporations Act 2001* and Australian Accounting Standards, however summary financial information for the Company as a separate entity is included in Note 19.

Strike Resources Limited is a company limited by shares, incorporated and domiciled in Australia.

a) Basis of Preparation

The financial statements have 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 status of the Consolidated Entity is dependent 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 statements have been appropriately prepared on a going-concern basis.

The financial statements (comprising the financial statements and notes thereto) are general-purpose financial statements that have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board (AASB), Australian Accounting Interpretations and the *Corporations Act 2001*.

b) Compliance with IFRS

The consolidated financial statements of Strike Resources Ltd also comply with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board (IASB).

c) Basis of Measurement

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets, financial liabilities and capitalised exploration expenditure to their fair value.

d) Critical Accounting Estimates and Judgements

The preparation of financial statements in conformity with AIFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Consolidated Entity's accounting policies. These estimates and underlying assumptions are reviewed on an ongoing basis. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are:

Impairment of capitalised exploration and evaluation expenditure

The future recoverability of capitalised exploration and evaluation expenditure is dependent on a number of factors, including the Consolidated Entity's ability to develop the relevant area of interest itself or, if not, whether it can successfully recover the capitalised exploration and evaluation asset through sale.

Factors that could impact the future recoverability include the grade and quantity of mineral resources, future technological changes which impact the cost of mining, future legal changes (including changes to environmental restoration obligations), changes to commodity prices and right of tenure.

The Consolidated Entity, through a co-operation agreement with the concession holder PT KJB, holds a coal mining right over the Berau coal concession. As a result of changes to the Indonesian mining law which resulted in inconsistencies between the enacted legislation and the Co-operation Agreement, both parties to the agreement are in the process of negotiating to resolve the issues that have arisen. The Co-operation Agreement provides that if any of its provisions conflict with any law the parties must negotiate in good faith to agree on amendments to address the issue(s). Due to drawn out nature of the negotiations and the failure to date of Strike and PT KJB to resolve the dispute over the future development of the Berau Thermal Coal Project, management has deemed it prudent to impair the carrying value of the capitalised exploration and evaluation expenditure in relation to this project.

The impairment charge against the value of the capitalised exploration and evaluation expenditure in relation to the Berau Project has been expensed through the Consolidated Statement of Comprehensive Income in the calculation of profit or loss in the current period. Management continues to monitor the status of negotiations with PT KJB in relation to the Berau Project and will review the carrying value of the exploration and evaluation asset accordingly.

Share-based payment transactions

The Consolidated Entity measures the cost of equity-settled transactions with directors and employees by reference to the fair value of the equity instruments at the date at which they are granted, and applying an estimated probability that they will vest. The fair value is determined using a Black-Scholes option valuation model, with the assumptions detailed in Note 22. The accounting estimates and assumptions relating to equity-settled, share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact expenses and equity.

Impairment of property, plant and equipment

Property, plant and equipment are reviewed for impairment if there is any indication that the carrying amount may not be recoverable. Where a review for impairment is conducted, the recoverable amount is assessed by reference to the higher of 'value in use' (being the net present value of expected future cash flows of the relevant cash-generating unit) and 'fair value less costs to sell'.

In determining value in use, future cash flows are based on:

- Economic benefits derived from the use of the asset;
- Estimates of the quantities of ore reserves and mineral resources for which there is a high degree of confidence of economic extraction;
- Future production levels;
- Future commodity prices; and
- Future cash costs of production and capital expenditure.

Variations to the expected future cash flows and timing thereof could result in significant changes to any impairment losses recognised, if any, which could in turn impact future financial results.

Fair value of investment in associate

On the reclassification of a subsidiary to an associate and due to the "loss of control", the Consolidated Entity is required to fair-value the investment in the associate on initial recognition. Where the investment relates to an investment in an entity with quoted securities the Consolidated Entity values the investment with reference to the bid price of the securities on the day the control is lost. Where there is no active market in the securities of the fair-valued financial asset the Consolidated Entity determines the fair value of the investment by reference to, among other things, the following:

- Current market conditions;
- Expected future cash flows; and
- Fair value of similar financial instruments or entities based on arm's length market transactions between knowledgeable willing parties.

When determining the fair value of an investment for which there is no active market the Consolidated Entity uses valuation techniques that best suit the financial asset being valued. Valuations are inherently subjective and the Consolidated Entity makes critical judgements and estimates when determining both the type and quantum of inputs used in the valuation model.

During a prior reporting period the Consolidated Entity engaged an "Independent Expert" to fair-value its investment in an associate entity (Apurimac Ferrum S.A.). As the value of the associate was deemed to be represented by the value of the underlying exploration projects held by the entity and, due to the early exploration phase of the project, it was determined that the empirical/yardstick valuation method would be the most appropriate method to use in determining a fair value.

After receiving an initial independent valuation of the investment, due to the inherently uncertain nature of the inputs used in the valuation model, including the uncertainty surrounding the global economic climate, at the reporting date the board of the Consolidated Entity exercised its discretion and decided that for financial reporting purposes, it would be prudent to maintain a full impairment of the value of its shareholding in Apurimac Ferrum S.A. (2010: $nil). The board and management of the Consolidated Entity continue to pursue the development of the iron ore projects held by Apurimac Ferrum S.A., along with its partners, and expect to re-evaluate the carrying value of the asset when a more robust valuation model is able to be used.

Treatment of investment in Apurimac Ferrum S.A. as an Associate

On 30 June 2011 Strike Resources Ltd increased its shareholding in Apurimac Ferrum S.A. ("AF") from 44% to 56%. Pursuant to *AASB 127 Consolidated and Separate Financial Statements* control is defined as "the power to govern the financial and operating policies so as to obtain a benefit from those activities", and is normally presumed for a shareholding of greater than 50%. However, in the case of Strike's investment in AF, the voting rights of AF's shareholders are governed by the terms of the "AF Settlement Agreement", which was executed in July 2009, until July 2012. This agreement requires unanimous support from all AF shareholders for a motion to be carried at a shareholders meeting. As a result of this requirement the board of Strike has determined that "control" does not exist and therefore Strike doesn't consolidated AF when presenting its consolidated financial statements.

e) 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 12 to the financial statements. All inter-company balances and transactions between entities in the consolidated group, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with those policies applied by the Company.

Changes in ownership interests

The Consolidated Entity treats transactions with non-controlling interests that do not result in a loss of control as transactions with the equity owners of the Consolidated Entity. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve with equity attributable to owners of Strike Resources Limited.

When the Consolidated Entity ceases to have control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying value recognised in profit or loss. The fair value is the initial carrying value amount for the purposes of subsequently accounting for the retained interest as an associate, joint controlled entity or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in a jointly-controlled entity or an associate is reduced but joint control or significant influence is retained, only a portion of the share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

f) Investments in Associates

Associates are all entities over which the Group has significant influence but not control or joint control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for in the parent entity financial statements using the cost method, or at fair value on transition from a subsidiary, and in the consolidated financial statements using the equity method of accounting after initially being recognised at cost, or at fair value on transition from a subsidiary.

The Consolidated Entity's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in reserves is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends received from associates are recognised in the parent entity's profit or loss, while in the consolidated financial statements they reduce the carrying amount of the investment.

When the Consolidated Entity's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured long-term receivables, the Consolidate Entity does not recognise any further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Consolidated Entity and its associate are eliminated to the extent of the Group's interest in the associate.

The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition (refer Note 9).

Accounting for Strike's investment in Apurimac Ferrum S.A.

On 30 June 2011 Strike Resources entered into an agreement with Iron Associates Corporation ("**IAC**") to purchase IAC's 12% shareholding in Apurimac Ferrum S.A. ("**AF**"). As a result of this transaction Strike's shareholding in AF increased from 44% to 56%. Management has considered whether the increase of Strike's shareholding in AF to more than 50% has resulted in Strike moving to a position of control as defined by *AASB 127 Consolidated and Separate Financial Statements.* Management has determined that due the certain terms contained in the "AF Settlement Agreement" to which Strike and AF's other shareholder, D&C Group, are parties, Strike does not have the power to govern the financial and operating policies of AF is therefore not required to consolidated AF for financial reporting purposes.

g) Mineral Exploration and Evaluation Expenditure

Exploration and evaluation expenditure incurred is initially capitalised in respect of each identifiable area of interest where the Company has right of tenure. 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.

h) Operating Segments

The Group determines and presents operating segments based on the information which is provided to the Managing Director internally, who is the Group's chief operating decision maker.
An operating segment is a component of the Consolidated Entity which engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses which relate to transactions with any of the Group's other components. An operating segment is identified as a segment whose operating results are reviewed regularly by the Managing Director to make decisions about resources to be allocated to the segment, assess its performance, and for which discrete financial information is available.

Segment results which are reported to the Managing Director include items directly attributable to a segment as well as those which can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily the Company's headquarters), head office expenses, foreign exchange movements and gain on loss of control of subsidiaries.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment and intangible assets other than goodwill.

i) Revenue Recognition

Revenue is measured as the fair value of the consideration received or receivable. 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 value added taxes ("**VAT**"). The following specific recognition criteria must also be met before revenue is recognised:

(i) 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 and the risks and rewards of ownership of the goods/assets to the buyer.

(ii) Interest revenue

Interest revenue is recognised using the effective interest method, whereby interest is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

(iii) 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.

(iv) Other revenues

Other revenues are recognised on a receipts basis.

j) 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.

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 reporting date exchange rate. Exchange differences arising on the translation of monetary items are recognised in the Consolidated Statement of Comprehensive Income, 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 Consolidated Statement of Comprehensive Income.

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 exchange rates prevailing at the 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 Consolidated Statement of Financial Position. These differences are recognised in the Consolidated Statement of Comprehensive Income in the period in which the operation is disposed.

k) Income Tax

The income tax expense or income for the period is the tax payable or receivable 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 for 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, which 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 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 will 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.

l) Value added taxes (including GST) ("VAT")

Revenues, expenses and assets are recognised net of the amount of any VAT, except where the amount of VAT incurred is not recoverable from the taxation authority. In these circumstances the VAT is recognised as part of the cost of acquisition of the asset or as part of an item of expense. Receivables and payables in the Consolidated Statement of Financial Position are shown inclusive of VAT where applicable. Cash flows are presented in the Statement of Cash Flows on a gross basis, except for the VAT component of investing and financing activities, which are disclosed as operating cash flows.

m) Employee Benefits

Provision is made for the Company's liability for employee benefits arising from services rendered by employees to the reporting 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 hence 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.

n) Director/Employee Options

The fair value of options granted by the Company to directors and employees are recognised as an employment 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 (vesting period). The fair value at grant date is determined using the Black-Scholes option valuation model that takes into account the exercise price, term of the option, vesting criteria, share price at grant date, dividends, 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.

o) 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 six months or less and bank overdrafts. Bank overdrafts (if any) are shown within short-term borrowings in current liabilities on the Consolidated Statement of Financial Position.

p) Receivables

Trade receivables are recognised and carried at original invoice amount less any provision for impairment.

A provision for impairment of trade receivables is made when there is objective evidence that the Consolidated Entity will not be able to collect debts. Indicators of impairment would include financial difficulties of the debtor, likelihood of the debtor's insolvency and default in payment. Any impairment is recognised in the Consolidated Statement of Comprehensive Income.

q) Investments and Other Financial Assets

Recognition

The Consolidated Entity recognises receivables on the date that they originate. All other financial assets are recognised initially on the trade date at which the Consolidated Entity becomes a party to the contractual provisions of the instrument.

Financial assets are classified based on the objective of the Consolidated Entity's business model for managing the financial assets and the characteristics of the contractual cash flows.

The Consolidated Entity derecognises a financial asset when the contractual cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows such that substantially all the risks and rewards of ownership of the financial asset are transferred.

Financial assets at fair value are measured initially at fair value plus, in the case of financial assets not at fair vale through profit or loss, transaction costs directly attributable to the acquisition of the financial asset. Subsequent movements in fair value are recognised in profit or loss.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Assets in this category are classified as current assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting period, in which case they are classified as non-current assets.

Available-for-sale financial assets

Available-for-sale financial assets comprising principally marketable equity securities are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of the investment within 12 months of the end of the reporting period. Investments are designated as available-for-sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long term.

Profit or loss arising on the sale of equity investments is recognised in profit or loss

Impairment

Impairment losses on financial assets at fair value are recognised in profit or loss.

Impairment losses on equity instruments that were recognised in profit or loss are not reversed through profit or loss in subsequent periods

r) 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 impairment has arisen. Impairment losses are recognised in the Consolidated Statement of Comprehensive Income.

s) 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 reporting 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 reporting 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.

t) Property, Plant and Equipment

All property, plant and equipment are 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 property, 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 Consolidated Statement of Comprehensive Income during the financial period in which they are incurred.

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

Furniture & fittings	15% to 66.67%
Computer equipment	33.33% to 66.67%
Plant & equipment	20%
Leasehold improvements	15%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting 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 consideration received with carrying amount. These are included in the Consolidated Statement of Comprehensive Income in the period in which the disposal occurs.

u) 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 Consolidated Statement of Comprehensive Income. 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.

v) Trade and other payables

These amounts represent liabilities for goods and services provided to the Consolidated Entity prior to the end of the financial year, which remain unpaid at reporting date. The amounts are unsecured and are usually paid within 30 days of invoice date.

w) 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.

x) Earnings per Share

Basic earnings per share are 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 arise from the exercise of dilutive options outstanding during the financial period.

y) Discontinued Operations

A discontinued operation is a component of the Consolidated Entity's business that represents a separate major line of business that has been disposed of or is held for sale, or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative Consolidated Statement of Comprehensive Income is restated as if the operation had been discontinued from the start of the comparative period.

z) Leases

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Consolidated Entity as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the Consolidated Statement of Comprehensive Income on a straight-line basis over the period of the lease.

aa) Parent Entity Financial Information

The financial information for the parent entity, Strike Resources Limited, disclosed in Note 19 has been prepared on the same basis as the consolidated financial statements.

ab) Business Combinations

The acquisition method of accounting is used to account for all business combinations regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of the consideration transferred to the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

ac) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Consolidated Entity’s share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates. Goodwill is not amortised. Instead, goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

ad) Rehabilitation and Restoration Costs

Long-term environmental obligations are based on the Consolidated Entity's environmental management plans, in compliance with current environmental and regulatory requirements.

Full provision is made based on the net present value of the estimated cost of restoring the environmental disturbance that has occurred up to the reporting date. Increases due to additional environmental disturbances, relating to the development of an asset, are capitalised and amortised over the remaining life of the relevant project.

Annual increases in the provision relating to the change in the net present value of the rehabilitation and restoration costs are accounted for in the Consolidated Statement of Comprehensive Income as borrowing costs.

The estimated cost of rehabilitation is reviewed annually and adjusted as appropriate for changes in legislation, technology or other circumstances. Cost estimates are not reduced by potential proceeds from the sale of assets.

ae) New Standards and Interpretations Released but not yet Adopted

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 July 2010:

- AASB 2009-5 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project;
- AASB 2009-8 Amendments to Australian Accounting Standards ‑ Group Cash‑settled Share‑based Payment Transactions;
- AASB 2009-10 Amendments to Australian Accounting Standards ‑ Classification of Rights Issues; and
- AASB 2010-3 Amendments to Australian Accounting Standards arising from the Annual Improvements Project.

The adoption of these standards did not have any impact on the current period or any prior period and is not likely to affect future periods.

(ii) New accounting standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2011 reporting periods and have not yet been applied in the financial report. The Group’s assessment of the impact of these new standards and interpretations is set out below.

- AASB 2010-6 Amendments to Australian Accounting Standards - Disclosures on Transfers of Financial Assets (effective for annual reporting periods beginning on or after 1 July 2011). Amendments made to AASB 7 Financial Instruments: Disclosures in November 2010, introduce additional disclosures in respect of risk exposures arising from transferred financial assets. The amendments are not expected to have any significant impact on the Group's disclosures. The Group intends to apply the amendment from 1 July 2011.
- AASB 10 Consolidated Financial Statements (effective for the annual reporting periods commencing on or after 1 January 2013). AASB 10 introduces certain changes to the consolidation principles, including the concept of de facto control and changes in relation to the special purpose entities. Strike is continuing to assess the impact of the standard.
- AASB 11 Joint Arrangements (effective for the annual reporting periods commencing on or after 1 January 2013). AASB 11 introduces certain changes to the accounting for joint arrangements. Joint arrangements will be classified as either joint operations (where parties with joint control have rights to assets and obligations for liabilities) or joint ventures (where parties with joint control have rights to the net assets of the arrangement). Joint arrangements structured as a separate vehicle will generally be treated as joint ventures and accounted for using the equity method. Strike is continuing to assess the impact of the standard.
- AASB 13 Fair Value Measurement (effective for annual reporting periods commencing on or after 1 January 2013). AASB 13 establishes a single framework for measuring fair value of financial and non-financial items recognised at fair value on the Consolidated Statement of Financial Position or disclosed in the notes to the financial statements. Strike is continuing to assess the impact of the standard.
- IAS 1 Presentation of Financial Statements (effective for annual reporting periods commencing on or after 1 July 2013). IAS 1, amended in June 2011, introduces amendments to align the presentation items of other comprehensive income with US GAAP. Strike will apply the amended standard from 1 July 2013. When the standard is first adopted, there will be changes to the presentation of the Consolidated Statement of Comprehensive Income. However, there will be no impact on any of the amounts recognised in the financial statements.
- AASB 1054 Australian Additional Disclosures (effective for annual reporting periods beginning on or after 1 July 2011). AASB 1054, issued in May 2011, moves additional Australian specific disclosure requirements for for-profit entities from various Australian Accounting Standards into this Standard as a result of Trans-Tasman Convergence Project. AASB 1054 Australian Additional Disclosures removes the requirement to disclose each class of capital commitments contracted for at the end of the reporting period (other than commitments for the supply of inventories). When the standard is adopted for the first time for the financial year ending 30 June 2012, the financial statements will no longer include disclosures about capital and other expenditure commitments as these are no longer required by AASB 1054.
- Revised AASB 124 Related Party Disclosures and AASB 2009-12 Amendments to Australian Accounting Standards (effective for annual reporting periods beginning on or after 1 January 2011). In December 2009 the AASB issued a revised AASB 124 Related Party Disclosures. It is effective for accounting periods beginning on or after 1 January 2011 and must be applied retrospectively. The amendment clarifies and simplifies the definition of a related party. Strike will apply the amended standard from 1 July 2011. When the amendments are applied, Strike will need to disclose any transactions between its subsidiaries and its associates. However, there will be no impact on any of the amounts recognised in the financial statements.
- AASB 1053 Application of Tiers of Australian Accounting Standards and AASB 2010-2 Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements (effective from 1 July 2013). On 30 June 2010 the AASB officially introduced a revised differential reporting framework in Australia. Under this framework, a two-tier differential reporting regime applies to all entities that prepare general purpose financial statements. Strike is listed on the ASX and is not eligible to adopt the new Australian Accounting Standards - Reduced Disclosure Requirements. The two standards will therefore have no impact on the financial statements of the entity.
- AASB 2010-8 Amendments to Australian Accounting Standards - Deferred Tax: Recovery of Underlying Assets (effective from 1 January 2012). In December 2010, the AASB amended AASB 112 Income Taxes to provide a practical approach for measuring deferred tax liabilities and deferred tax assets when investment property is measured using the fair value model. AASB 112 requires the measurement of deferred tax assets and liabilities to reflect the tax consequences that would follow from the way management expects to recover or settle the carrying amount of the relevant assets or liabilities, which is through use or through sale. The amendment introduces a rebuttable presumption that investment property which is measured at fair value is recovered entirely by sale. The amendment is not expected to have any significant impact on Strike's financial statements. Strike intends to apply the amendment from 1 July 2012.
- AASB 119 - employee benefits "expected to be settled" (as opposed to "due to settled" under current standard) within 12 months after the end of the reporting period are short-term benefits, and therefore not discounted when calculating leave liabilities. Annual leave not expected to be used within 12 months of end of reporting period will in future be discounted when calculating leave liability. This standard has no impact, as there are no annual leave provision amounts that are non-current. Strike will apply this from 1 July 2013.

2. Profit/(Loss) for the Year

		Consolidated Entity 2011 $	2010 $
(a)	*Revenue*		
	Revenue from continuing operations		
	Interest received – other	2,663,221	2,191,586
	Other income		
	Foreign exchange gain	-	1,797,640
	Consulting fees	1,655,546	-
	Other income	48,862	-
		1,704,408	1,797,640
	Total revenue and other income	4,367,629	3,989,226
(b)	*Expenses*		
	Operating expenses		
	Occupancy costs	327,309	353,840
	Finance costs	18,748	38,254
	Borrowing costs – interest paid	-	167
		346,057	392,261
	Personnel costs		
	Cash remuneration	2,186,141	2,970,564
	Directors' and employees' options	24,394	429,448
		2,210,535	3,400,012
	Administration costs		
	Consultancy fees	229,255	501,352
	Professional fees	417,507	1,515,062
	Depreciation	146,629	56,893
	Other corporate expenses	888,910	947,054
		1,682,301	3,020,361
	Impairment losses		
	Resource projects	13,467,910	-
	Investment in associate entity	3,399,115	-
	Loans to associated entity	5,777,410	6,315,256
		22,644,435	6,315,256
	Fair value adjustment – financial assets held as fair value through profit or loss	-	(440,295)
	Profit on sale of shares	1,785,620	-
	Loss on disposal of property, plant and equipment	85,665	-
	Foreign exchange loss	3,636,311	-
	Gain on deconsolidation of subsidiary – Apurimac Ferrum S.A.	-	(29,802,852)
	Loss on deconsolidation of subsidiary – Iron Associates Corporation	-	1,142,857
		1,936,356	(29,100,290)
		28,819,684	(15,972,400)

3. Income Tax Expense

		Consolidated Entity 2011 $	2010 $
(a)	Income tax expense		
	Current tax	439,564	-
	Deferred tax	-	-
		439,564	-
(b)	*Numerical reconciliation between tax expense and pre-tax net profit/(loss)*		
	Profit/(loss) before income tax	(24,452,055)	19,961,626
	Income-tax expense/(benefit) on above at 30%	(7,335,616)	5,988,488
	Increase in income tax due to:		
	Non-deductible expenses and foreign losses	4,320,752	2,891,995
	Movement in unrecognised temporary differences	-	(2,559)
	Capital gains	731,811	
	Decrease in income tax expenses due to:		
	Non assessable income	1,096,202	-
	Utilisation of prior year tax losses	(731,811)	-
	Deductible equity raising costs	(328,368)	(335,240)
	Net gain on loss of control of AF and IAC	-	(8,597,999)
	Effect of current-year revenue losses not recognised	2,247,029	55,315
	Under provision for prior year taxable income	653	-
	Foreign jurisdiction withholding tax	438,911	-
	Income-tax expense attributable to operating profit	439,564	-
(c)	Deferred tax assets not brought to account		
	On Income-Tax Account		
	Carry-forward tax losses	7,448,146	6,096,618
	Other	-	760,920
		7,448,146	6,857,538
	On Capital Account		
	Carry-forward tax losses	-	64,676
	Unrealised capital losses	-	-
		-	64,676
	Total deferred tax assets not brought to account	7,448,146	6,922,214
(d)	Deferred tax liabilities		
	Timing differences	628,619	1,568,372
	Offset by deferred tax assets recognised	(628,619)	(1,568,372)
		-	-

(e) The deferred tax asset not brought to account for the 2011 and 2010 years will only be obtained if:

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

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

(iii) in relation to Australian carry forward income tax losses the Consolidated Entity is able to meet the continuity of ownership and/or continuity of business tests.

(f) The Company and controlled entities of the Company have not elected to consolidate for taxation purposes and have not entered into a tax sharing and funding agreement in respect of such arrangements.

4. Key Management Personnel Disclosures

(a) Details of Key Management Personnel during the financial year:

Current

Stephen Gethin	Company Secretary & General Counsel
Matthew Hammond	Non-Executive Director
Ken Hellsten	Managing Director
William Johnson	Non-Executive Director
David Lim	Chief Financial Officer
Malcolm Richmond	Acting Chairman/Non-Executive Director

Past

Mark Horn	Alternate Director for Mr. F. Moshiri (resigned 3 February 2011)
Farooq Khan	Non-Executive Director (resigned 3 February 2011)
Mike Lowry	General Manager – Berau (resigned 30 April 2011)
H. Shanker Madan	Non-Executive Chairman (resigned 3 February 2011)
Farhad Moshiri	Non-Executive Director (resigned 3 February 2011)
Andrew Napier	Process Engineer (resigned 29 April 2011)

(b) Compensation of Key Management Personnel

	Consolidated Entity	
	2011	2010
	$	$
Short-term employee benefits	1,508,346	1,738,876
Post-employment benefits	223,828	274,021
Long-term benefits	-	83,044
Termination benefits	-	152,905
Share-based payments	24,394	429,448
	1,756,568	2,678,294

Detailed remuneration disclosures are provide in the remuneration report on pages 30 to 35

(c) Number of shares held by Key Management Personnel

	Balance at beginning of year	Received during the year on the exercise of options	Net change other	Balance at the end of the year
2011				
Gethin, S.	-	-	-	-
Hammond, M.	-	-	-	-
Hellsten, K.	187,083	-	-	187,083
Horn, M.[4]	-	-	-	-
Johnson, W.	-	-	-	-
Khan, F.[1]	13,941,605	-	(13,941,605)	-
Lim, D.	38,100	-	-	38,100
Lowry, M.[2]	-	-	-	-
Madan, H.S.[4]	496,343	-	(496,343)	-
Moshiri, F.[5]	-	-	-	-
Napier, A.[6]	-	-	-	-
Richmond, R.	100,000	-	-	100,000
Total	**14,763,131**	**-**	**(14,437,948)**	**325,183**

	Balance at beginning of year	Received during the year on the exercise of options	Net change other	Balance at the end of the year
2010				
Gethin, S.	-	-	-	-
Hammond, M.	-	-	-	-
Hellsten, K.	-	-	187,083	187,083
Horn, M.	-	-	-	-
Johnson, W.	-	-	-	-
Khan, F.	24,751,791	-	(10,810,186)	13,941,605
Lim, D.	-	-	38,100	38,100
Lowry, M.	-	-	-	-
Madan, H.S.	610,838	-	(114,495)	496,343
Moshiri, F.	-	-	-	-
Napier, A.	-	-	-	-
Richmond, R.	102,460	-	(2,460)	100,000
Total	**25,465,089**	**-**	**(10,701,958)**	**14,763,131**

1. Mr. Khan ceased being a director on 3 February 2011.
2. Mr. Lowry ceased being a member of Key Management Personnel on 30 April 2011.
3. Mr. Madan ceased being a director on 3 February 2011.
4. Mr. Moshiri ceased be a director on 3 February 2011. (Mr. Horn was alternate director for Mr. Moshiri).
5. Mr. Napier was deemed to be a member of Key Management Personnel from 7 July 2010 to 29 April 2011.

Options provided as remuneration and shares issued on exercise of such options.

Details of options provided as remuneration are disclosed in the Remuneration Report section of the Directors' Report. There were no shares issued on the exercise of these options during the financial year.

(d) Number of Options Held by Key Management Personnel

	Balance at 1 July 2010	Balance at appointment	Granted as compensation	Net change other[7]	Balance at 30 June 2011	Vested and exercisable
2011						
Gethin, S.	250,000	-	600,000	-	850,000	850,000
Hammond, M.	-	-	-	-	-	-
Horn, M[1]	-	-	-	-	-	-
Hellsten, K.	-	-	-	-	-	-
Johnson, W.	1,240,000	-	-	-	1,240,000	1,240,000
Khan, F.[2]	3,050,000	-	-	(3,050,000)	-	-
Lim, D.	-	-	600,000	-	600,000	600,000
Lowry, M.[3]	250,000	-	-	(250,000)	-	-
Madan, H.S.[4]	6,130,000	-	-	(6,130,000)	-	-
Moshiri, F.[5]	-	-	-	-	-	-
Napier, A.	-	-	-	-	-	-
Richmond, M.	1,700,000	-	-	-	1,700,000	1,700,000
Total	12,620,000	-	1,200,000	(9,430,000)	4,390,000	4,390,000

1. Mr. Horn ceased holding the office of alternate director on 3 February 2011.
2. Mr. Khan ceased holding the office of director on 3 February 2011.
3. Mr. Lowry ceased being a member of Key Management Personnel on 30 April 2011.
4. Mr. Madan ceased holding the office of director on 3 February 2011.
5. Mr. Moshiri ceased holding the office of director on 3 February 2011.
6. Mr. Napier was deemed to be a member of Key Management Personnel from 7 July 2010 to 29 April 2011.
7. Figures in "net change other" column represent final holding when the individual ceased being a KMP.

	Balance at 1 July 2009	Balance at appointment	Granted as compensation	Net change other[5]	Balance at 30 June 2010	Vested and exercisable
2010						
Gethin, S[1]	-	250,000	-	-	250,000	250,000
Hammond, M.	-	-	-	-	-	-
Ho, V.[2]	1,380,000	-	-	(1,380,000)	-	-
Hobson, M.	-	-	-	-	-	-
Horn, H.	-	-	-	-	-	-
Hellsten, K.[3]	-	-	-	-	-	-
Johnson, W.	1,240,000	-	-	-	1,240,000	1,240,000
Khan, F.	3,050,000	-	-	-	3,050,000	3,050,000
Lim, D.	-	-	-	-	-	-
Lowry, M.	-	250,000	-	-	250,000	250,000
Madan, H.S.	3,880,000	-	2,250,000	-	6,130,000	6,130,000
Moshiri, F.	-	-	-	-	-	-
Richmond, M.	1,700,000	-	-	-	1,700,000	1,700,000
Stephenson, J.[4]	1,650,000	-	-	(1,650,000)	-	-
Total	12,900,000	500,000	2,250,000	(3,030,000)	12,620,000	12,620,000

1. Mr. Gethin was deemed to be a member of Key Management Personnel from 1 May 2010.
2. Mr. Ho ceased holding the office of Director on 25 September 2010 and ceased holding the office of Company Secretary on 30 April 2010.
3. Mr. Hellsten commenced as Managing Director on 24 March 2010.
4. Mr. Stephenson ceased holding office as a Director on 19 February 2010.
5. Figures in "net change other" column represent final holding when the individual ceased being a KMP.

(e) Loans to Key Management Personnel

There were no loans to Key Management Personnel (or their personally-related entities) during the financial year.

(f) Other Transactions with Key Management Personnel

Fees for services provided by Mr. Mark Horn, Alternate Director for Mr. Farhad Moshiri, are paid to M. Horn and Co, a business of which Mr. Horn is a principal.

There were no other transactions with Key Management Personnel (or their personally-related entities) during the financial year.

5. Auditors' Remuneration

	Consolidated Entity	
	2011 $	2010 $
Auditors of the Consolidated Entity		
Audit and review of financial statements		
- BDO Audit (WA) Pty Ltd	51,934	72,450
Other services – technical updates		
- BDO (WA) Pty Ltd	795	-
Auditors of the Peruvian subsidiaries		
Audit and review of financial statements		
- BDO Pazos, Lopez de Romana S.C	7,187	8,334
	59,916	80,784

6. Earnings per Share

	Consolidated Entity	
	2011 cents	2010 cents
Basic earnings/(loss) per share	(18.95)	15.35
Diluted earnings/(loss) per share	(18.95)	14.95
	$	$
Net profit/(loss)	(24,891,619)	19,961,626
	Number	Number
Weighted average number of ordinary shares outstanding during the year used in calculation of basic earnings/(loss) per share	131,367,145	130,034,268
Weighted average number of ordinary shares outstanding during the year used in calculation of diluted earnings/(loss) per share	131,367,145	133,534,268

Under *AASB 133 Earnings per share*, potential ordinary shares such as options will only be treated as dilutive when their conversion to ordinary shares would decrease/increase the earning/(loss) per share from continuing operations.

Diluted earnings/(loss) per share is not disclosed if it does not increase the basic loss per share.

7. Cash and Cash Equivalents

	Consolidated Entity	
	2011 $	2010 $
Cash at bank	1,651,165	6,069,121
Term deposits	32,525,164	35,376,054
	34,176,329	41,445,175

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

	Consolidated Entity 2011 $	Consolidated Entity 2010 $
Operating profit/(loss) after tax	(24,891,619)	19,961,626
Interest income	(2,663,221)	(2,191,586)
Non cash flows in profit/(loss) from ordinary activities:		
Depreciation - plant & equipment	146,629	56,893
Adjustment for movement in foreign exchange	3,979,521	147,548
Adjustment on deconsolidation of subsidiary	-	6,338,417
Fair value adjustments		
Loans	5,777,410	-
Fair value through profit and loss financial assets	-	(440,295)
Available-for-sale financial assets	(2,268,015)	-
Investment in associate	1,149,115	-
Exploration and evaluation projects	13,467,910	-
Directors' and employee options	24,394	429,448
Loss on sale of fixed assets	85,665	-
Loss on sale of investments	482,395	-
Decrease/(increase) in assets:		
Receivables	(897,206)	5,752,527
Increase/(decrease) in liabilities:		
Trade creditors and accruals	2,640,742	(24,270,023)
Provisions	(661,289)	(11,249,297)
Net cash outflows from operating activities	(3,627,569)	(5,464,742)

8. Trade and Other Receivables

	Consolidated Entity 2011 $	Consolidated Entity 2010 $
Current:		
Amounts receivable from sundry debtors	697,759	853,680
Provision for doubtful debts	(32,675)	-
	665,084	853,680
Goods and service tax (GST) recoverable in Australia	9,152	13,109
Prepayments	14,025	23,549
	688,261	890,338

	Consolidated Entity 2011 $	Consolidated Entity 2010 $
Non-Current:		
Amounts receivable from sundry debtors	55	539
Loans to associated entity	20,675,505	14,874,697
Provision for impairment*	(20,675,505)	(14,874,697)
Loans	97,751	-
	97,806	539

* 2010 - $8,559,441of this loan was provided for while the entity was a subsidiary.

Refer to Note 21 for the Consolidated Entity's exposure to credit risk, foreign exchange risk and interest rate risk.

9. Investments Accounted for using the Equity Method

Apurimac Ferrum S.A. ("**AF**") is a company incorporated and domiciled in Peru, South America. During the financial year Strike Resources Limited's shareholding in AF increased from 44% as at 30 June 2010 to 56% on 30 June 2011. Due to the operation of an agreement between the AF shareholders executed on 5th of August 2009 Strike is not deemed to control AF pursuant to *AASB 127 Consolidated and Separate Financial Statements* and therefore does not consolidated the accounts of AF.

Summarised financial information of associate entity:

The Consolidated Entity's share of the results of its associate and it's aggregate assets and liabilities are as follows:

	Ownership interest[1]	**Assets**	**Liabilities**	**Loss**
Apurimac Ferrum S.A.		**$**	**$**	**$**
2011	56%	11,441,652	12,108,636	941,005
2010	44%	9,832,629	4,148,281	800,515

1. Strike Resources Ltd increased its shareholding in Apurimac Ferrum to 56% from 44% on 30 June 2011.

Consolidated Entity's share of associate losses not bought to account:

	2011	**2010**
	$	**$**
Opening share of carry-forward associate losses	800,515	-
Current year share of associate loss	941,005	800,515
Closing share of carry-forward associate losses	1,741,520	800,515

The Consolidated Entity's share of the associate's loss has not been brought to account as the investment in the associate is fully impaired, refer Note 1(f).

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10. Property, Plant and Equipment

2011 Consolidated	Capital WIP $	Land $	Plant and equipment $	Leasehold improvements $	Total $
Carrying value at 1 July 2010	218,856	678,267	273,957	66,634	1,237,714
Adj. to opening balance	(102,891)	(37,628)			(140,519)
Additions to CWIP	35,252	-			35,252
Transfers out of CWIP	(150,257)	-			(150,257)
Transfers from CWIP			30,853	119,070	149,923
Depreciation expense		-	(125,103)	(21,526)	(146,629)
Cost of asset disposals		-	(217,518)	(93,262)	(310,780)
Accumulated depreciation on disposed assets		-	143,046	31,710	174,756
Carrying value at 30 June 2011	**960**	**640,639**	**105,235**	**102,626**	**849,460**
At 1 July 2010					
Cost or fair value	218,856	678,267	510,068	95,935	1,503,126
Accumulated depreciation and impairment	-	-	(236,111)	(29,301)	(265,412)
Net carrying amount	218,856	678,267	273,957	66,634	1,237,714
At 30 June 2011					
Cost or fair value	960	640,639	219,755	121,743	983,097
Accumulated depreciation and impairment	-	-	(114,520)	(19,117)	(133,637)
Net carrying amount	**960**	**640,639**	**105,235**	**102,626**	**849,460**

2010 Consolidated	$	$	$	$	$
Carrying value at 1 July 2009	-	627,474	312,736	37,138	977,348
Additions	381,043	15,955	27,870	37,079	461,947
Additions from capital WIP	-	-	159,514	2,673	162,187
Disposal of asset	-	-	(286,745)	-	(286,745)
Transfers to property, plant and equipment	(162,187)	-	-	-	(162,187)
Depreciation expense	-	-	(46,637)	(10,256)	(56,893)
Accumulated depreciation on disposed assets	-	-	104,534	-	104,534
Foreign exchange adjustment	-	34,838	2,685	-	37,523
Carrying value at 30 June 2010	**218,856**	**678,267**	**273,957**	**66,634**	**1,237,714**
At 1 July 2009					
Cost or fair value	-	627,474	501,663	56,183	1,185,320
Accumulated depreciation and impairment	-	-	(188,927)	(19,045)	(207,972)
Net carrying amount	-	627,474	312,736	37,138	977,348
At 30 June 2010					
Cost or fair value	218,856	678,267	510,068	95,935	1,503,126
Accumulated depreciation and impairment	-	-	(236,111)	(29,301)	(265,412)
Net carrying amount	**218,856**	**678,267**	**273,957**	**66,634**	**1,237,714**

11. Financial Assets

Investments comprise:	Consolidated Entity 2011 $	2010 $
Financial assets at fair value through profit and loss		
Shares in listed companies – at cost	-	575,182
Add: net change in fair value	-	(247,992)
	-	327,190
Available-for-sale financial assets		
Shares in listed companies – at cost	-	2,188,160
Less: provision for impairment	-	(1,091,660)
	-	1,096,500
Fair value of shares in listed companies	-	1,423,690

Changes in fair value of financial assets at fair value through profit and loss are recorded as an expense in the current reporting period (Note 1(q)). The fair value of listed shares in financial assets at fair value through profit and loss and available-for-sale financial assets have been determined directly by reference to bid prices in an active market.

Information about the Consolidated Entity's exposure to market and price risk is provided in Note 21(d).

All financial assets categorised as financial assets through profit and loss and available-for-sale financial assets were disposed of during the current financial year.

12. Investment in Controlled Entities

	Country of incorporation	Percentage of Ownership 2011	2010
Strike Finance Pty Ltd	Australia	100%	100%
Strike Australian Operations Pty Ltd	Australia	100%	100%
Strike Operations Pty Ltd ("**SOPL**")	Australia	100%	100%
PT Indo Batubara (100% beneficially owned by SOPL)	Indonesia	100%	100%
Strike Indo Operations Pty Ltd ("**SIOPL**")	Australia	100%	100%
PT Orion Indo Mining (100% beneficially owned by SIOPL)	Indonesia	100%	100%
Ferrum Holdings Limited	British Anguilla	100%	100%
Strike Resources Peru S.A.C.	Peru	100%	100%

13. Exploration and Evaluation Expenditure

	Consolidated Entity 2011 $	2010 $
Balance at the beginning of the year	21,129,916	18,642,548
Exploration and evaluation expenditure additions	577,877	2,301,920
Impairment loss – exploration and evaluation (Note 2(b))	(13,467,910)	-
Foreign exchange adjustment	-	185,448
Balance at the end of the year	8,239,883	21,129,916

The ultimate recoverability of deferred exploration and evaluation expenditure is dependent on the successful development or sale of the relevant area of interest. Refer to Note 1(d) & (g).

14. Trade and Other Payables

	Consolidated Entity 2011 $	2010 $
Current		
Trade creditors	504,781	326,323
Other creditors and accruals	2,254,934	136,296
Tax payable	25,770	101,967
	2,785,485	564,586
Non Current		
Loan from associate	132,999	14,631

(a) Risk exposure

Details of the Consolidated Entity's exposure to risks arising from current payables are set out in Note 21.

15. Provisions

	Consolidated Entity	
	2011	2010
Current	$	$
Provision for employee entitlements – annual leave	56,545	110,160
Other	-	8,175
	56,545	118,335

16. Issued Capital

133,534,268 (2010: 130,034,268) fully-paid ordinary shares	145,632,412	144,846,669

Each fully-paid, ordinary share carries one vote per share and the right to participate in dividends.

	Date of movement	No.	$
Movement in ordinary share capital			
At 1 July 2009		130,034,268	144,846,669
At 30 June 2010		**130,034,268**	**144,846,669**
Shares issued on exercise of options	11 Feb 2011	3,500,000	789,667
Share issue expenses		-	(3,924)
At 30 June 2011		**133,534,268**	**145,632,412**

Capital risk management

The Consolidated Entity's objectives when managing capital are to safeguard their ability to continue as a going concern so that they can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure the Consolidated Entity may return capital to shareholders, issue new shares or sell assets to reduce debt. The Consolidated Entity's non-cash investments can be realised to meet accounts payable arising in the normal course of business.

17. Reserves

	Consolidated Entity	
	2011	2010
	$	$
Foreign currency translation reserve	(630,900)	(359,274)
Share-based payments reserve	12,780,333	12,991,282
	12,149,433	12,632,008

Foreign Currency Translation Reserve

Nature and purpose of reserve
Exchange differences arising on translation of a foreign controlled entity are taken to the foreign currency translation reserve as described in Note 1(j). The reserve is recognised in profit and loss when the net investment is disposed of.

Share-Based Payment Reserve

Nature and purpose of reserve
The share-based payments reserve records the consideration (net of expenses) received by the Company on the issue of options. In relation to options issued to Directors and employees for nil consideration, the fair values of these options are included in the share-based payments reserve.

2011 - Movement in share-based payment reserve	Grant date	Consolidated Entity No.	$
The number of unlisted options outstanding over unissued ordinary shares at the reporting date is as follows:			
Opening balance at 1 July 2010		20,086,404	12,991,282
Ganted options			
Employee Options			
Unlisted options exercisable at $1.30; expiring 23 Mar 13	6 May 11	400,000	9,264
Unlisted options exercisable at $1.50; expiring 23 Mar 13	6 May 11	400,000	8,698
Unlisted options exercisable at $1.75; expiring 23 Mar 13	6 May 11	400,000	6,432
Exercised options			
Other Options			
Unlisted options exercised at $0.178	13 Feb 07	(1,833,333)	-
Unlisted options exercised at $0.278	13 Feb 07	(1,666,667)	-
Lapsed options			
Other Options			
Lapsed options exercisable at $0.178; expired 30 Jun 08		-	(235,343)
Closing balance at 30 June 2011		**17,786,404**	**12,780,333**

2010 - Movement in share-based payment reserve	Grant date	Consolidated Entity No.	$
The number of unlisted options outstanding over unissued ordinary shares at the reporting date is as follows:			
Opening balance at 1 July 2009		18,286,404	12,561,834
Granted options			
Directors' Options			
Unlisted options exercisable at $2.50; expiring 24 Nov 12	25 Nov 09	750,000	155,197
Unlisted options exercisable at $2.75; expiring 24 Nov 12	25 Nov 09	750,000	143,759
Unlisted options exercisable at $3.25; expiring 24 Nov 12	25 Nov 09	750,000	124,763
Employees' Options			
Lapsed options			
Employee Options			
Unlisted options exercisable at $2.75; expiring 13 Oct 13	14 Oct 08	-	5,729
Lapsed options exercisable at $2.878; expiring 1 May 12	8 May 07	(100,000)	-
Lapsed options exercisable at $1.178; expiring 3 Oct 11	6 Oct 06	(150,000)	-
Lapsed options exercisable at $2.878; expiring 5 Sep 12	5 Sep 07	(200,000)	-
Closing balance at 30 June 2010		**20,086,404**	**12,991,282**

Equity-based Remuneration

On 6 May 2011 the Company granted 1,200,000 unlisted Employee Options with exercise prices of $1.30 (200,000), $1.50 (200,000) and $1.75 (200,000) and a term of 1.9 years, vesting immediately. The expiry date of these options is 23 March 2013.

The fair value of these options are expensed over the period from their date of grant to each respective vesting date, fair value is calculated using a Black-Scholes options valuation model with an assumed volatility rate of 68% for the underlying SRK shares (Note 22).

18. Related-Party Disclosures

(a) Subsidiaries

Interests in subsidiaries are set out in Note 12.

During the year $6,232,056 (2010: $8,391,752) was loaned to subsidiaries to fund exploration activities.

(b) Associates

Apurimac Ferrum S.A. is an associate as set out in Note 9.

On 21 July 2009, through the AF Settlement Agreement, Strike Resources entered into a replacement loan agreement with Apurimac Ferrum S.A.("**AF**") in which US$21 million may be advanced to AF to undertake exploration on the Apurimac and Cusco Iron Ore projects. This loan is interest bearing (USD Monthly LIBOR rate + 2% per annum) as provided for under the AF Settlement Agreement.

Loans to associates - Apurimac Ferrum	**2011**	**2010**
	$	**$**
Balance on recognition of investment in associate	14,930,769	8,615,492
Loans advanced	8,901,390	6,571,038
Interest charged	347,692	123,736
Loan revalued due to foreign exchange movements	(3,504,348)	(379,497)
Balance at 30 June	20,675,503	14,930,769
Less provision for impairment	20,675,503	(14,930,769)
Carrying value	-	-

(c) Transactions with related parties

	2011	**2010**
	$	**$**
Fees for services provided by Mr. Mark Horn, Alternate Director for Mr. Farhad Moshiri, are paid to M. Horn and Co, a business of which Mr. Horn is a principal.	33,600	36,400
Amounts payable at year end to related parties:		
M. Horn & Co	-	-

19. Parent Entity Information

The following details information related to the parent entity, Strike Resources Limited, at 30 June 2011. The information presented here has been prepared using consistent accounting policies as presented in Note 1(a).

	2011	**2010**
	$	**$**
Current assets	34,670,794	41,458,968
Non-current assets	19,023,382	37,159,607
Total assets	53,694,176	78,618,575
Current liabilities	2,793,974	697,290
Non-current liabilities	-	-
Total liabilities	2,793,974	697,290
Net assets	50,900,202	77,921,285
Contributed equity	145,632,412	144,846,669
Accumulated losses	(107,502,540)	(79,916,666)
Option reserve	12,780,330	12,991,282
Total equity	50,910,202	77,921,285
Profit/(loss) for the year	(27,831,217)	15,830,109
Other comprehensive income/(loss) for the year	-	-
Total comprehensive income/(loss) for the year	(27,831,217)	15,830,109

The parent entity does not have any contingent assets or liabilities.

20. Segment Reporting

The Consolidated Entity is based in Australia but has investment exposure to resource projects in Indonesia and Peru.

2011	**Indonesia (Coal)**	**Peru (Iron Ore)**	**Total**
Depreciation and amortisation	15,729	2,158	17,887
Total segment results	(13,802,875)	1,407,120	(12,395,755)
Total segment assets	8,663,617	391,028	9,054,645
Total segment liabilities	36,387	140,297	176,684

2010	**Indonesia (Coal)**	**Peru (Iron Ore)**	**Total**
Depreciation and amortisation	5,170	7,257	12,427
Total segment results	(357,192)	(386,543)	(743,735)
Total segment assets	21,577,500	899,439	22,476,939
Total segment liabilities	-	14,631	14,631

Profit and loss	2011	2010
	$	$
Segment profit/(loss)	(12,395,757)	(743,735)
Interest revenue	2,314,822	2,191,586
Other income	151,083	-
Other corporate costs	(3,733,952)	(6,023,780)
Foreign exchange gain/(loss)	(3,636,975)	1,796,986
Impairment losses	(9,197,356)	(6,315,256)
Fair-value adjustments	2,268,015	440,295
Depreciation	(128,741)	(44,465)
Gain/(loss) on control of subsidiaries	-	28,659,995
Loss on disposal of available-for-sale financial assets	(482,395)	-
Loss on disposal of fixed assets	(49,710)	-
Tax expense	(653)	-
Proft and loss	(24,891,619)	19,961,626

Assets	2011	2010
	$	$
Segment assets	9,054,645	22,476,939
Unallocated		
Cash and cash equivalents	34,101,109	41,445,175
Trade and other debtors	589,692	317,404
Other receivables	97,751	-
Property, plant & equipment	208,542	482,651
Exploration expenditure	-	(18,487)
Available-for-sale financial assets	-	1,096,500
Financial assets at fair value through profit or loss	-	327,190
Total assets as per the consolidated Statement of Financial Position	44,051,739	66,127,372

Liabilities	2011	2010
	$	$
Segment liabilities	176,684	14,631
Unallocated		
Trade & other payables	2,382,615	682,921
Accruals and provisions	415,730	-
Total liabilities as per consolidated Statement of Financial Position	2,975,029	697,552

21. Financial Risk Management

Financial Risk Management Objectives and Policies

The Consolidated Entity's financial instruments mainly consist of deposits with banks, accounts receivable and payable and loans to related parties. The main risks arising from the Consolidated Entity's financial instruments are interest rate risk, foreign currency risk, credit risk, equity price risk and liquidity risk.

The board of directors is responsible for the overall internal control framework (which includes risk management) but no cost-effective internal control system will preclude all errors and irregularities. The system is based, in part, on the appointment of suitably-qualified management personnel in conjunction with a range of policies and procedures, which incorporate monitoring and reporting mechanisms, to assist in the management of the various risks to which the business is exposed. The effectiveness of the system is continually reviewed by management and at least annually by the Board.

The financial receivables and payables of the Consolidated Entity in the table below are due or payable within 30 days. The financial investments are held for trading and are realised at the discretion of the Board of Directors.

	Variable interest rate		Fixed interest rate		Non-interest bearing		Total	
Consolidated Entity	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**
Financial assets	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Cash	1,152,637	4,695,190	32,525,164	35,376,064	498,528	1,373,921	34,176,329	41,445,175
Receivables	-	-	-	-	786,067	854,219	786,067	854,219
Financial assets	-	-	-	-	-	1,423,690	-	1,423,690
	1,152,637	4,695,190	32,525,164	35,376,064	1,284,595	3,651,830	34,962,396	43,723,084
Financial liabilities								
Payables	-	-	-	-	(2,703,170)	(462,619)	(2,703,170)	(462,619)
Net financial assets	1,152,637	4,695,190	32,525,164	35,376,064	(1,418,575)	3,189,211	32,259,226	43,260,465

(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 cash deposits.

	Consolidated Entity 2011 $	Consolidated Entity 2010 $
Cash at bank	1,651,165	6,069,121
Term deposit	32,525,164	35,376,054
	34,176,329	41,445,175
Weighted average interest rates	6.04%	5.55%

(b) Foreign Currency Risk

The Consolidated Entity is exposed to foreign currency risk on cash held by the Company and its controlled foreign entities, foreign resource project investment commitments and exploration and evaluation expenditure on foreign resource projects. The currencies giving rise to this risk are primarily US dollars (USD) and Indonesian Rupiah (IDR). The Consolidated Entity has a policy of not hedging foreign currency risk and therefore has not entered into any hedging against movements in foreign currencies against the Australian dollar, including forward exchange contracts, as at the reporting date and is currently fully exposed to foreign exchange risk. The Consolidated Entity's exposure to foreign currency risk expressed in Australian dollars at the reporting date was as follows:

Consolidated Entity	USD		CAD		IDR	
	2011	2010	2011	2010	2011	2010
Financial assets						
Cash at bank	350,179	1,161,900	-	-	23,566	39,196
Receivables	-	12,296	97,750	-	-	-
Financial liabilities						
Payables	(174,719)	-	(149,145)	-	(36,090)	-
	175,460	1,174,196	(51,395)	-	(12,524)	39,196

(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. This financial year there was no necessity to obtain collateral.

The credit quality of the financial assets are neither past due nor impaired and can be assessed by reference to external credit ratings (if available with Standard & Poor's) or to historical information about counterparty default rates:

	Consolidated Entity 2011 $	Consolidated Entity 2010 $
Cash and cash equivalents		
AA	27,466,469	27,894,767
A+	6,300,000	-
A	403,717	1,212,399
BB	-	6,001
BBB+	-	12,276,064
No external credit rating available	6,143	55,944
	34,176,329	41,445,175
Receivables		
AA	474,692	171,690
A+	92,032	-
A	-	-
BB	-	-
BBB+	-	36,478
No external credit rating available	219,343	646,051
	34,962,396	42,299,394

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.

All receivables noted above, except interest on term deposits, are due within 30 days. None of the above receivables are past due.

(d) Equity Price Risk

Equity-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.

Equity-securities price risk arises on the financial assets at fair value through profit or loss and available-for-sale financial assets.

At the share investment portfolio level, the Consolidated Entity is not overly exposed (by majority of its net assets) to one company or one particular industry sector of the market.

(e) Liquidity Risk

Liquidity risk is the risk that the Consolidated Entity will encounter difficulty in meeting obligations associated with financial liabilities. The Consolidated Entity's non-cash investments can be realised to meet accounts payable arising in the normal course of business.

The financial liabilities disclosed have the following maturity obligation:

	Consolidated Entity	
	2011	**2010**
Non-interest bearing	**$**	**$**
less than 6 months	2,785,485	462,619
6 to 12 months	-	-
	2,785,485	564,586
Interest-bearing		
between 1 & 2 years	132,999	14,631
between 2 & 5 years	-	-
	132,999	14,631

(f) Net Fair Value of Financial Assets and Liabilities

The carrying amounts of financial instruments recorded in the financial statements represent their fair value determined in accordance with the accounting policies disclosed in Note 1(s). The aggregate fair value and carrying amount of financial assets at the reporting date are set out in Notes 8 and 11. The carrying amount of the financial liabilities at the reporting date as set out in Note 14 approximates the current fair value.

(g) Fair Value Measurements

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

As of 1 July 2009, Strike Resources Limited has adopted the amendment to *AASB 7 Financial Instruments*: *Disclosures* that requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

(a) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);

(b) inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2); and

(c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

The following table presents the Consolidated Entity's assets and liabilities measured and recognised at fair value.

2011	Level 1 $	Level 2 $	Level 3 $	Total $
Assets				
Financial assets at fair value through profit and loss				
Trading securities	-	-	-	-
Available-for-sale financial assets				
Equity securities	-	-	-	-
Total assets	-	-	-	-

2010	Level 1 $	Level 2 $	Level 3 $	Total $
Assets				
Financial assets at fair value through profit and loss				
Trading securities	327,190	-	-	327,190
Available-for-sale financial assets				
Equity securities	1,096,500	-	-	1,096,500
Total assets	1,423,690	-	-	1,423,690

All financial assets categorised as financial assets through profit and loss and available-for-sale were disposed of during the current reporting period.

(h) Sensitivity Analysis

Interest rate risk analysis

The Consolidated Entity has performed a sensitivity analysis on its exposure to interest rate risk at the reporting date. The management assessment is based upon an analysis of current and future market conditions, in particular comments from the Reserve Bank of Australia on the likely movement of interest rates. The analysis demonstrates the potential effect on the current year results and equity which could result from a change in these risks.

	Consolidated Entity	
	2011	2010
Change in profit	$	$
increase by 25bps (2010: 25bps)	81,438	115,103
decrease by 25bps (2010: 25bps)	(81,438)	(115,103)
Change in equity		
increase by 25bps (2010: 25bps)	81,438	115,103
decrease by 25bps (2010: 25bps)	(81,438)	(115,103)

Equity price risk analysis

The Consolidated Entity has performed a sensitivity analysis on its exposure to market price risk at the reporting date. The management assessment is based upon an analysis of current and future market positions. The analysis demonstrates the effect on the current-year results and equity which could result from a change in these risks. The All Ordinaries Index was utilised as the benchmark for the listed share investments categorised as at fair value through profit or loss and available-for-sale financial assets.

	Consolidated Entity	
	2011	2010
Change in profit	$	$
increase by 15%	-	213,553
decrease by 15%	-	(213,553)
Change in equity		
increase by 15%	-	213,553
decrease by 15%	-	(213,553)

Foreign currency risk analysis

The Consolidated Entity has performed a sensitivity analysis on its exposure to currency risk. The management assessment is based upon an analysis of current and future market position. The analysis demonstrates the effect on the current-year results and equity when the Australian dollar strengthened or weakened by 10% (2010: 5%) against the foreign currencies detailed in Note 21(b), with all the other variables held constant.

	Consolidated Entity	
	2011	2010
Change in profit	$	$
increase by 5%	(17,397)	(55,914)
decrease by 5%	(4,298)	61,800
Change in equity		
increase by 5%	(17,397)	(55,914)
decrease by 5%	(4,298)	61,800

22. Share-Based Payments

A total of 1,200,000 Employee Options were granted during the year (Note 17). These options were issued as part of Strike's employee share scheme. The reasons for the grant of these options to the employees are as follows:

(a) The options issue was designed to act as an incentive for the recipients to strive to achieve the Company's goals with the aim of enhancing shareholder value.

(b) The options provide an equity holding opportunity for the recipients which is linked to the Company's share price performance.

(c) Based on the option exercise price and the rate at which the options vest, the exercise of the options by the recipient is potentially only likely to occur if there is sustained upward movement in the Company's share price.

(d) The number of options issued to recipients has been determined having regard to the level of directors' fees and employees' salaries being paid and is a cash free, effective and efficient way of providing an appropriate level of remuneration as well as providing ongoing equity-based incentives for the recipients to remain with the Company with a view to improving the future growth of the Company.

(e) As a relatively-small 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 and employees within the industry in which it operates.

Directors' and employees' options carry no dividend or voting rights.

	Consolidated Entity	
	2011	2010
	$	$
Share-based payments expense	24,394	429,448

Grant date	Expiry date	Exercise price $	Balance at start of year	Granted during the year	Exercised during the year	Forfeited during the year	Balance at end of the year	Vested and exercisable at end of year
Consolidated entity - 2011								
21 Jul 06	20 Jul 11	0.938	3,200,000	-	-	(3,200,000)*	-	-
13 Sep 06	12 Sep 11	0.938	500,000	-	-	-	500,000	500,000
07 Mar 07	06 Mar 12	2.078	500,000	-	-	-	500,000	500,000
07 Mar 07	06 Mar 12	2.788	2,600,000	-	-	(1,650,000)*	950,000	950,000
03 Dec 07	02 Dec 12	3.978	3,070,000	-	-	(2,080,000)*	990,000	990,000
04 Jun 08	03 Mar 13	2.878	250,000	-	-	-	250,000	250,000
14 Oct 08	13 Oct 13	2.750	250,000	-	-	(250,000)*	-	-
25 Nov 09	25 Nov 12	2.500	750,000	-	-	(750,000)*	-	-
25 Nov 09	25 Nov 12	2.750	750,000	-	-	(750,000)*	-	-
25 Nov 09	25 Nov 12	3.250	750,000	-	-	(750,000)*	-	-
6 May 11	23 Mar 13	1.300	-	400,000	-	-	400,000	400,000
6 May 11	23 Mar 13	1.500	-	400,000	-	-	400,000	400,000
6 May 11	23 Mar 13	1.750	-	400,000	-	-	400,000	400,000
			12,620,000	1,200,000	-	(9,430,000)	4,390,000	4,390,000
Weighted-average exercise price			*2.28*	*1.52*		*2.12*	*2.42*	*2.42*

* options issued to individuals who ceased employment with Strike Resources Ltd during the year, these options were not forfeited and did not lapse during the year.

Grant date	Expiry date	Exercise price $	Balance at start of year	Granted during the year	Exercised during the year	Forfeited during the year	Balance at end of the year	Vested and exercisable at end of year
Consolidated entity - 2010								
21 Jul 06	20 Jul 11	0.938	4,600,000	-	-	(1,400,000)*	3,200,000	3,200,000
13 Sep 06	12 Sep 11	0.938	500,000	-	-	-	500,000	500,000
06 Oct 06	05 Oct 11	1.178	150,000	-	-	(150,000)	-	-
07 Mar 07	06 Mar 12	2.078	500,000	-	-	-	500,000	500,000
07 Mar 07	06 Mar 12	2.788	3,300,000	-	-	(700,000)*	2,600,000	2,600,000
01 May 07	01 May 12	2.878	100,000	-	-	(100,000)	-	-
05 Jun 07	01 May 12	2.878	33,000	-	-	(33,000)*	-	-
03 Dec 07	02 Dec 12	3.978	4,000,000	-	-	(930,000)*	3,070,000	3,070,000
04 Mar 08	04 Sep 12	2.878	200,000	-	-	(200,000)	-	-
04 Jun 08	03 Mar 13	2.878	250,000	-	-	-	250,000	250,000
14 Oct 08	13 Oct 13	2.750	250,000	-	-	-	250,000	250,000
24 Nov 10	23 Mar 13	1.300	-	750,000	-	-	750,000	750,000
24 Nov 10	23 Mar 13	1.500	-	750,000	-	-	750,000	750,000
24 Nov 10	23 Mar 13	1.750	-	750,000	-	-	750,000	750,000
			13,883,000	2,250,000	-	(3,513,000)	12,620,000	12,620,000
Weighted-average exercise price			*2.41*	*1.52*		*2.31*	*2.28*	*2.28*

* options issued to individuals who ceased employment with Strike Resources Ltd during the year, these options were not forfeited and did not lapse during the year.

No options were exercised during the period.

The weighted-average remaining contractual life of share options outstanding at the end of the period was 1.14 years (2010: 1.82 years).

Fair value of options granted

The assessed fair value at grant date of options granted during the year ended 30 June 2011 was $0.023 for $1.30 options, $0.022 for $1.50 options and $0.016 for $1.75 options (2010: $0.21 for $2.50 options, $0.19 for $2.75 options and $0.17 for $3.25 options). The fair value at grant date is independently determined using the Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

The model inputs for options granted during the year ended 30 June 2011 included:

(a) options are granted for no consideration and vest immediately. Vested options are exercisable for a period of three years after vesting.

(b) exercise prices of $1.30, $1.50 and $1.75 (2010: $2.50, $2.75 and $3.25)

(c) grant date: 6 May 2010 (2010: 25 November 2009)

(d) expiry date: 23 March 2013 (2010: 24 November 2012)

(e) share price at grant date: $0.365 (2010: $0.77)

(f) expected price volatility of the Company's shares: 68% (2010: 80%)

(g) expected dividend yield: 0% (2010: 0%)

(h) risk-free interest rate: 5.145% (2010: 4.97%)

The expected price volatility is based on the historic volatility adjusted for any expected changes to future volatility due to publicly available information.

23. Commitments

a) Lease Commitments

	Consolidated Entity 2011	2010
Non-cancellable operating lease commitments:		
not longer than one year	220,365	230,372
between 1 year and 5 years	675,212	957,338
	895,577	1,187,710

The Consolidated Entity leases offices in Perth, Australia and Jakarta, Indonesia under non-cancellable operating leases with expiry dates between 2 and 4 years. Significant terms of each lease are as follows:

Perth office lease

The lease rent is subject to a fixed 4% increase on the anniversary of the commencement date. Strike is required to pay a portion of the annual outgoings incurred by the lessor. This figure is reviewed on an annual basis. The lease does not contain an option to renew the lease at expiry date.

Jakarta office lease

The lease does not contain an option to renew the lease on expiry.

b) Mineral Tenement/Concession/Mining Rights - Commitments for Expenditure

Australian tenements

In order to maintain current rights of tenure to exploration tenements, the holders of Australian mineral tenements are required to outlay lease rentals and meet minimum expenditure commitments. In the financial year ended 30 June 2010 the Consolidated Entity entered into a farm-in agreement with Process Minerals International Pty Ltd ("**PMI**"), a subsidiary of ASX-listed Mineral Resources Limited. Under this agreement PMI is required to meet the minimum expenditure commitments over the Australian tenements in which Strike holds an interest. Financial commitments for subsequent periods are contingent upon the continuity of the farm-in arrangement with PMI, future exploration and evaluation results, and as such cannot be reliably estimated.

Peruvian concessions

The Consolidated Entity is required to pay annual licence fees by 30 June of each year, at rates which vary on an amount per-hectare basis. The total amount of this commitment will depend upon the area of concessions relinquished (if any) and the area of new concessions granted (if any) and therefore cannot be reliably estimated. As a result of finalising the arbitration process with the shareholders of Apurimac Ferrum S.A.("**AF**"), the Consolidated Entity granted on option over Peruvian tenements held by its subsidiary, Strike Resources Peru S.A.C. Under the terms of the AF Settlement Agreement AF is obliged to make all necessary payments to keep the concessions in good standing. Financial commitments for subsequent periods are contingent upon the continuity of the agreement with AF, future exploration and evaluation results, and as such cannot be reliably estimated.

Australian 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 in Western Australia. The Heritage Protection Agreements require the Consolidated Entity 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.

Agreements with Peruvian landowners and community groups

The Company notes that holding a mineral concession in Peru does not grant automatic access to the surface land. Notwithstanding an easement procedure is contemplated in Peruvian law, in practice, mining companies have to negotiate and enter into private agreements with landowners/community groups in order to have access to their land for the purposes of conducting mining activities (exploration, evaluation, development and mining). Multiple landowners/community groups are affected by the Consolidated Entity's proposed mining activities on a majority of the Consolidated Entity's Peruvian concessions. To date, approvals have been sought and obtained for drilling on a programme by programme basis.

Obtaining approvals from landowners/community groups can be a complicated and lengthy process. The Consolidated Entity will have to commit funds to community groups and/or landowners to secure land access agreements to develop its Peruvian projects. There can be no guarantees that such approvals will be obtained, or the terms upon which they will be obtained. At this stage it is not possible to quantify the potential financial obligation of the Consolidated Entity in this regard.

24. Contingent Assets and Liabilities

(a) Strike Resources Peru S.A.C. option

Strike Resources Peru S.A.C. (the Company's Peruvian subsidiary) granted Apurimac Ferrum S.A. an option over its mining concessions exercisable for US$1.75 million.

(b) Cristoforo Agreement

On 15 June 2010, Strike Resources Peru S.A.C. ("**Strike Peru**") entered into an assignment of mining rights and option agreement with the Peruvian owner of three mineral concessions in the Apurimac District totalling 1,900 hectares, being the Cristoforo 14, Cristoforo 28 and Ferroso 29 concessions ("**Cristoforo Agreement**"). The consideration paid (and payable) under the agreement was US$31,250 (paid on execution), US$50,000 payable within 12 months and 15 business days from execution, US$50,000 payable within 6 months thereafter and a further US$1.05 million is payable if Strike Peru exercises the option to acquire the concessions. The option may be exercised on or before 14 June 2012. Under the terms of the AF Settlement Agreement Strike Peru was required to assign the Cristoforo Agreement to Apurimac Ferrum S.A. (**AF**) for no consideration (other than reimbursement of the money paid by Strike Peru to the Cristoforo vendor). Accordingly, Strike Peru is currently in the process of executing the assignment.

(c) Native Title

The Consolidated Entity's 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 Consolidated Entity.

(d) Government Royalties

The Consolidated Entity is liable to pay royalties on production obtained from its mineral tenements/concessions. For example, the applicable Government royalties in Peru are between 1% to 3% based on the value of production. At this stage it is not possible to quantify the potential financial obligation of the Consolidated Entity under Government royalties.

(e) Berau Coal Project Royalties

The Consolidated Entity is liable to pay a royalty to PT Kaltim Jaya Bara ("**KJB**"), the owner of the mining concession on which the Consolidated Entity's Berau Coal Project is located. As a result of changes to the Indonesian mining law it is unclear if Strike would legally be able to pay this royalty should it commence production at Berau. Due to uncertainty created by the mining law changes and issues concerning the estimation of such a royalty at this stage of the project, it is not possible to quantify the potential financial obligation of the Consolidated Entity to pay a royalty to KJB.

(f) Directors' Deeds

The Consolidated Entity has entered into deeds of indemnity with certain Strike Resources Limited Directors, indemnifying them against liability incurred in discharging their duties as Directors/officers of the Consolidated Entity. As at the reporting date, no claims have been made under any such indemnities and, accordingly, it is not possible to quantify the potential financial obligation of the Consolidated Entity under these indemnities.

(g) Paulsens East Royalty

The Consolidated Entity entered into a farm-in agreement with Process Minerals International Pty Ltd ("**PMI**"), a subsidiary of ASX listed Mineral Resources Limited for the potential mining of iron ore from Strike's Paulsens East project (EL47/1328 and PL47/1170) located in the Pilbara. Under this agreement PMI will pay Strike A$ 3.20 per dry tonne of ore mined. As this royalty is contingent on the successful development of a mine and due to the uncertain nature of mine production it is not possible to quantify the potential financial benefit to the Consolidated Entity of this royalty.

25. Events after the Reporting Date

During July 2011 Strike entered into an agreement with Canadian explorer, Cuervo Resources Inc ("**Cuervo**"), to potentially earn up to 49.2% in Cuervo in return for Strike loaning Cuervo up to $15m Canadian dollars ("**C$**"). These funds are to be used by Cuervo to undertake advanced exploration activities on their Peruvian iron ore concession. The program of work to be undertaken has been agreed by both parties and is included in the terms of the financing agreement. Cuervo is a junior iron ore explorer with concessions in Peru that are complementary to AF's concessions in the Apurimac and Cusco regions in southern Peru. Cuervo's main project area, Cerro Ccopane, is 65km south of the city of Cusco and hosts four (4) zones of magnetite mineralisation being the Aurora, Orcopura, Huillque and Bob 1 prospects.

Financing Arrangement

Key terms agreed by Strike and Cuervo are as follows:

- Strike to loan Cuervo up to C$15m by way of zero coupon secured promissory notes in two tranches.
- Tranche 1 loan of C$5.25m will be advanced on the pre-registration of the mortgage and will have a term of 3 years from the execution date of the financing agreements
- Tranche 2 loan of C$9.75m is to be advanced at Strike's election. This loan will be in the form of a zero coupon secured promissory note with a term of 3 years from the execution date of the financing agreement.
- Security for the loans is in the form of a mortgage over Cuervo's Peruvian concessions and a pledge over the shares of Cuervo's 100% owned Peruvian subsidiary and holder of Cuervo's interest in its Peruvian concessions.
- As interest consideration for the loans Cuervo will grant Strike two warrants[8] to purchase common shares of Cuervo. If both warrants are exercised Strike will own over 49% of Cuervo's issued common shares (approximately 46% of Cuervo on a fully diluted basis).

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[8] A warrant is in all material respects identical to an option – giving the holder the right, but not the obligation, to buy shares at a specified price during a specified period.

- The Tranche 1 Warrant will give Strike the right to purchase 17,500,000 common shares in Cuervo (32.5% of Cuervo, undiluted) at an exercise price of C$0.30 and have a term of 3 years, subject to adjustment in certain circumstances. This warrant will be issued on the advance of the Tranche 1 loan.
- The Tranche 2 Warrant will give Strike the right to purchase up to 17,727,273 common shares in Cuervo (49.2% of Cuervo cumulative on the Tranche 1 Warrant, undiluted) at an exercise price of C$0.55 and have a term of 3 years. This Warrant will also be issued on the advance of the Trance 1 loan and will terminate if Strike elects not to advance the Tranche 2 Loan (C$9.75m) to Cuervo.
- The Warrants will be required to be exercised on the occurrence of any of the following events:
    - Cuervo's shares trade for 20 consecutive days above C$1.00, with a minimum 20 day trading volume of 1.5 million shares; or
    - Cuervo files a Canadian National Instrument 43-101 compliant mineral resource estimate of at least 700Mt of iron ore with a grade of 40% Fe or above.
- If the Loans are outstanding the Warrants may be exercised by offsetting the outstanding loan amount with the amount due on the exercise of the warrants.
- During the term of the Tranche 1 Loan, Strike has the right to nominate 2 directors to Cuervo's board and will have the right to nominate a further director if Strike advances the Tranche 2 Loan or exercises the Tranche 2 Warrant. Strike's Chairman, Prof. Malcolm Richmond and Managing Director, Mr. Ken Hellsten, have been appointed to Cuervo's Board.

Directors' Declaration

In the Directors' opinion:

1. The Financial Statements, comprising the Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Changes in Equity and Consolidated Statement of Cash Flows and accompanying notes as set out on pages 38-71 above, 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 Consolidated Entity's financial position as at 30 June 2011 and its performance for the year ended on that date;
2. 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 remuneration disclosures set out in the Directors' Report on pages 30-35 (as the audited Remuneration Report) comply with section 300A of the *Corporations Act 2001*;
4. The Directors have been given the declarations by the Managing Director (the person who performs the chief executive function) and the Chief Financial Officer as required by section 295A of the *Corporations Act 2001*; and
5. Note 1 confirms that the Financial Statements also comply with the International Financial Reporting Standards as issued by the International Accounting Standards Board.

This declaration is made in accordance with a resolution of the Directors and is signed for and on behalf of the Directors by:

Malcolm Richmond
Chairman

23 September 2011

Ken Hellsten
Managing Director

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INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF STRIKE RESOURCES LTD

Report on the Financial Report

We have audited the accompanying financial report of Strike Resources Ltd, which comprises the consolidated balance sheet as at 30 June 2011, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Strike Resources Ltd, would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion:

(a) the financial report of Strike Resources Ltd is in accordance with the *Corporations Act 2001*, including:
   (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2011 and of its performance for the year ended on that date; and
   (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

Emphasis of Matter

Without qualifying our audit opinion, we draw attention to the matter disclosed in Note 1 (d). There remains a dispute as to the mining rights of the Berau coal concession. Given this dispute there may be uncertainty as to the recoverability of the deferred exploration, evaluation and development expenditure assets of Strike Resources Limited. The recoverability of the deferred exploration and evaluation expenditure asset is dependent upon successful resolution of this dispute and the successful development and commercialisation of the underlying areas of interest or their sale. This material uncertainty may cast doubt about the company's ability to realise the asset at the values stated in the balance sheet. Our opinion is not qualified in respect of this matter.

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2011. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Strike Resources Ltd for the year ended 30 June 2011 complies with section 300A of the *Corporations Act 2001*.

BDO Audit (WA) Pty Ltd

BDO

Brad McVeigh
Director

Perth, Western Australia
Dated this 23rd day of September 2011