# Annual Financial Report

## Strike Resources Limited and its controlled entities
## for the year ended 30 June 2014


**Strike Resources Limited**
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**ASX Code: SRK**


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# Corporate Directory

| | |
|---|---|
| **Directors** | Mr Malcolm Richmond<br>Chairman / Non-Executive Director<br><br>Mr William Johnson<br>Managing Director<br><br>Mr Matthew Hammond<br>Non-Executive Director<br><br>Ms Samantha Tough<br>Non-Executive Director<br><br>Mr Victor Ho<br>Non-Executive Director<br><br>Mr Farooq Khan<br>Alternate Director for Mr Ho |
| **Company Secretary** | Mr David Palumbo |
| **Registered Office** | Level 11, 216 St George's Terrace<br>Perth, Western Australia, 6000<br>Telephone: +61 8 9481 0389<br>Facsimile: +61 8 9463 6103 |
| **Web Site** | www.strikeresources.com.au |
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| **Auditors** | BDO Audit (WA) P/L<br>38 Station Street<br>Subiaco, Western Australia 6008<br>Telephone: +61 8 9382 4600<br>Facsimile: +61 8 9382 4601<br>Website: www.bdo.com.au |
| **Stock Exchange Listing** | Strike Resource Limited's shares are listed on the Australian Securities Exchange ("**ASX**")<br><br>ASX Code: **SRK** |

# Directors' Report

Your Directors present their report on the Consolidated Entity consisting of Strike Resources Limited ("**Company**" or "**Strike**") and the entities it controlled at the end of, or during, the year ended 30 June 2014.

## Directors

The following persons were Directors of Strike during the whole of the financial year and up to the date of this report:

Malcolm Richmond
Matthew Hammond
William Johnson
Samantha Tough
Victor Ho was appointed as a Non-Executive Director on 20 January 2014
Farooq Khan was appointed as an alternate Director for Victor Ho on 20 January 2014

## 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. On 14 April 2014, the Company announced that it was undertaking a full strategic review of all of its assets and has determined to close its office and operations in Peru.

## 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.

## Review of Operations

During the first half of the 2014 year, the Company continued to focus on advancing its large scale Apurimac Iron Ore Project in Peru. Activities included close consultation with and support for local communities, the undertaking of an Environmental Impact Assessment Study as a pre-cursor to further exploration drilling and the evaluation of opportunities for small scale iron ore mining activities.

However, in the second half of the year the Company decided to suspend its Peru operations.

The decision was taken mainly due to prevailing negative market conditions. In an environment of declining iron ore prices and negative market sentiment towards junior companies developing projects with large capital expenditure requirements, the Company believed that continued investment in the project was not in the best interests of shareholders.

As a consequence, the Company suspended all Peru operations, closed its office in Peru and the Managing Director (who had re-located to Peru in April 2013) returned to Perth, Australia.

A number of parties have subsequently expressed an interest in and undertaken due diligence on the Peru assets, but as of the date of this report no transaction has been concluded. The Company is able to continue to maintain title to its concessions in Peru so long as it continues to pay the necessary fees and penalties relating to those concessions; whist the Company holds a large number of concessions in Peru, not all are directly related to the key Apurimac project and the Company may consider releasing some non-core concessions in June 2015 when the annual fees are due. This would enable the Company to considerably reduce the holding costs of its key assets in Peru.

As well as its wholly owned assets in Peru, Strike has an interest in Canadian listed Cuervo Resources Inc. ("Cuervo") which holds the Cerro Ccopane iron ore project adjacent to Strike's Cusco project in Peru. Strike holds security over shares in the Peruvian company which holds title to the Cerro Ccopane project and in December 2013 Strike issued a Demand Notice to Cuervo for C$5,250,000 plus interest, following concerns about the solvency of Cuervo. Strike continues to consider its options regarding its position with Cuervo.

The Company continues to maintain a healthy statement of financial position, with approximately $10 million in cash.

## Significant Changes in the State of Affairs

On 30 July 2013 the Company advised of the increased resources reported at Cuervo Resources Inc.'s Cerro Ccopane project.

On 15 August 2013, the Company confirmed it had made a confidential non-binding offer to Cuervo Resources Inc. in respect of certain Peruvian iron ore assets including the Cerro Ccopane project. This offer was subsequently rejected by Cuervo.

On 9 September 2013, the Company reached an agreement with local Apurimac community to enable commencement of regulatory approvals for future drilling program.

On 11 December 2013, the Company announced that it had issued a demand notice to Canadian listed Cuervo Resources Inc ("Cuervo"), in respect of the Investment Agreement between the two Companies, relating to the financing of the Cerro Ccopane iron ore project in Peru. The demand notice was for C$5,250,000 plus applicable interest. The demand notice was issued following Strike's concerns regarding the solvency of Cuervo and events of default occurring under the current agreements between the Companies. Strike also issued a notice of its intention to enforce its security held over 90% of the shares of the Peruvian company holding the key assets of the Cerro Ccopane project.

On 24 January 2014, Mr Victor Ho was appointed to the Board as a Non-Executive Director and Mr Farooq Khan as an alternate director to Mr Ho.

In February 2014 a court injunction was temporarily issued against Strike subsidiary company Apurimac Ferrum S.A.C ("AF") in Peru, preventing it from working on its mineral concessions. The injunction arose from a legal dispute with certain Peruvian parties, regarding a 2006 agreement. The Company viewed the application behind the injunction as having no legal basis and the Company's lawyers in Peru quickly had the injunction revoked on 13 March 2014.

On 14 April 2014, following a strategic review the Company decided to closed its office and operations in Peru. All Peru staff were released and the Managing Director, who had been living in Peru since May 2013, returned to Perth, Australia.

In May 2014 a long running legal dispute with Peruvian companies Millenium Trading S.A.C. ("Millenium") and Minera Apu ("Apu") was resolved, with an award issued by the appointed arbitrator in favour of Strike subsidiary AF, on all accounts and completely rejecting all of Millenium and Apu's arguments. The award also determined that Millenium's mining operation activities shall take place on AF's Sillaccassa 1 and Sillaccassa 2 mining concessions for a maximum quantity of 400,000 tons per annum over a maximum term of ten years.

Since determining to suspend its operations in Peru, the Company has been in discussions with a number of parties with regard to the disposal of some or all of its Peru assets.

## Events since the End of the Financial Year

In July 2014 the Company received an offer to acquire its Peru assets. However the Company was unable to reach agreement with the party making the offer and in August 2014 the offer was withdrawn.

## Likely Developments and Expected Results of Operations

Having suspended its Peru operations, the Company continues to explore opportunities to realise some value from its Peru assets. The Company is able to maintain its title to the key mineral concessions through payment of appropriate annual fees and penalties. The next scheduled payments are due in June 2015. The Company also continues to ensure that it's other key assets in Peru such as drilling cores and samples are stored securely.

With regard to its interest in Cuervo, the Company continues to review its options. The Company has concerns regarding the financial solvency of Cuervo and as its only secured creditor may consider take administrative proceedings to recover its security.

The Company retains a strong balance with cash of approximately $10 million. With outsourced accounting and company secretarial services and no office lease expenses, corporate overhead is relatively low.

The Company is reviewing opportunities to deploy some if its cash in other projects and or companies in the resources sector.

## Information on Directors

| | |
|---|---|
| **Malcolm Richmond** | **Chairman** |
| *Appointed* | 13 July 2011 |
| *Previous positions held* | Acting Chairman (3 February 2011 to 13 July 2011)<br>Non-Executive director (25 October 2006 to 3 February 2011) |
| *Qualifications* | BSc Hons (Metallurgy) and B. Comm. 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 has also served as a Member on the Boards of a number of public and governmental bodies and other public listed companies.<br><br>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.<br><br>Professor Richmond served as Visiting Professor at the Graduate School of Management and School of Engineering, University of Western Australia until January 2012, and is 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 Chairman of the Audit Committee |
| *Relevant Interests in shares and options* | 100,000 Shares (indirectly) |
| *Other current directorships in listed entities* | Non-Executive Director of:<br>Argonaut Resources Ltd (appointed March 2012) |
| *Former directorships in other listed entities in past 3 years* | MIL Resources Limited (August 2001 to November 2011)<br>Advanced Braking Technology Ltd (August 2006 – April 2013)<br>Cuervo Resources Inc (July 2011 – March 2013 )<br>Water Resources Group Ltd (July 2012 – June 2013) |
| **William Johnson** | **Managing Director** |
| *Appointed* | 25 March 2013 |
| *Previous position held* | Executive Director (January 2013 to March 2013)<br>Non-Executive Director (April 2010 to January 2013)<br>Executive Director (July 2006 to 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* | None |
| *Relevant Interests in shares and options* | 3,000,000 Unlisted Directors' Options ($0.30, 17 June 2018)<br>249,273 Shares |
| *Other current directorships in listed entities* | Non-Executive Director of:<br>Bentley Capital Limited (appointed March 2009) |
| *Former directorships in other listed entities in past 3 years* | Orion Equities Limited (February 2003 – May 2013)<br>Cuervo Resources Inc (March 2013 – December 2013)<br>Alara Resources Limited (October 2009 – October 2013) |

## Information on Directors (continued)

| | |
|---|---|
| **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 Interests in shares and options* | Nil |
| *Other current directorships in listed entities* | Managing Director of:<br>Mail.Ru. (appointed April 2011)<br><br>Non-Executive director of:<br>Puricore Inc. (appointed May 2010) |
| *Former directorships in other listed entities in past 3 years* | Nautilus Minerals Inc (October 2009 – September 2013) |

| | |
|---|---|
| **Samantha Tough** | **Non-Executive Director** |
| *Appointed* | 23 January 2012 |
| *Qualifications* | LLB, BJuris (Western Australia), GAICD |
| *Experience* | Ms Tough is a professional company director and chairman, with more than 14 years' experience in public and private companies, including four positions as Chairman. She has strong, proven strategic expertise, particularly in identifying and implementing growth strategies for complex and substantial businesses and early-stage propositions.<br><br>Ms Tough has served at senior executive level or on the Board in a wide range of industries, including metals and mining in particular iron ore, oil and gas, engineering services, infrastructure, energy and energy efficiency, venture capital, e-commerce, international telecommunications and law. Her previous executive roles include Senior Vice President, Strategic Counsel – Natural Resources at the Commonwealth Bank, General Manager North West Shelf at Woodside Energy Ltd and Director Strategy Hardman Resources Ltd. She also led the Pilbara Power Project on behalf of the Premier's Department. Samantha's involvement in these industries has given her a sound understanding of conducting business internationally. |
| *Special responsibilities* | Member of the Audit Committee |
| *Relevant Interests in shares and options* | Nil |
| *Other current directorships in listed entities* | Non-Executive Director of:<br>Saracen Mineral Holdings Limited (appointed October 2013) |
| *Former directorships in other listed entities in past 3 years* | Murchison Metals Ltd (May 2011 - Feb 2012)<br>Enerji Ltd (February 2010 - July 2010)<br>Southern Cross Goldfields Ltd (July 2007 – 23 September 2013) |

## Information on Directors (continued)

| | |
|---|---|
| **Victor P. H. Ho** | **Non-Executive Director** |
| *Appointed* | 24 January 2014 |
| *Qualifications* | BCom, LLB (Western Australia), CTA |
| *Experience* | Mr Ho is a previous Director and Company Secretary of Strike Resources (2000 to 2010) and has been in executive roles with a number of public listed companies since 2000. Previously, Mr Ho had 9 years' experience in the taxation profession with the Australian Tax Office and in a specialist tax law firm.<br><br>Mr Ho has extensive experience in the structuring and execution of commercial and corporate transactions, capital raisings, capital management matters, public company administration, corporations' law, stock exchange compliance and shareholder relations. |
| *Special responsibilities* | None |
| *Relevant Interests in shares and options* | Nil |
| *Other current directorships in listed entities* | Executive Director of:<br>Orion Equities Limited (appointed July 2003)<br>Queste Communications Ltd (appointed April 2013) |
| *Former directorships in other listed entities in past 3 years* | None |

| | |
|---|---|
| **Farooq Khan** | **Alternate Director for Mr Victor Ho** |
| *Appointed* | 24 January 2014 |
| *Qualifications* | LLB, BJuris (Western Australia) |
| *Experience* | Mr Khan is a qualified lawyer having previously practised principally in the field of corporate law. Mr Khan is a previous Director of Strike Resources (1999 to 2011) and has extensive experience in the securities industry, capital markets and the executive management of ASX-listed companies.<br><br>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* | None |
| *Relevant Interests in shares and options* | 17,220,812 Shares (directly and indirectly[1]) |
| *Other current directorships in listed entities* | Executive Chairman of:<br>Orion Equities Limited (appointed October 2006)<br>Bentley Capital Limited (appointed December 2003)<br><br>Executive Chairman and Managing Director of:<br>Queste Communications Ltd (appointed March 1998) |
| *Former directorships in other listed entities in past 3 years* | Alara Resources Limited (May 2007 – August 2012) |

[1] Includes 16,690,802 shares held by Orion Equities Limited (ASX:OEQ); Queste Communications Ltd (ASX:QUE) is a controlling shareholder of OEQ; Mr Farooq Khan (and an associated company) is deemed to have a relevant interest in the securities in which QUE has a relevant interest by reason of having a greater than 20% voting power in QUE.

## Company Secretary

**David Palumbo** **Company Secretary**

*Appointed* 14 August 2013

*Qualifications* BCom, CA

*Experience* Mr Palumbo is a Chartered Accountant with over six years' experience in the auditing and financial reporting of ASX listed and unlisted companies. Mr Palumbo has been involved in the listing of junior explorer companies on the ASX and has experience in corporate advisory and company secretarial services. Mr Palumbo is currently Company Secretary of Krakatoa Resources Limited and Western Mining Network Limited. Mr Palumbo is a Corporate Compliance & Accounting Manager at Mining Corporate.

## Meetings of Directors

The numbers of meetings of the Company's Board of Directors and of each Board Committee held during the year ended 30 June 2014, and the numbers of meetings attended by each director were:

| Name of Director | Board Meetings | | Committee Meetings (Audit) | | Committee Meetings (Remuneration/ Nomination) | |
|---|---|---|---|---|---|---|
| | Attended | Meetings Held[1] | Attended | Meetings held[1] | Attended | Meetings held[1] |
| M Richmond | 9 | 9 | 1 | 1 | 1 | 1 |
| W Johnson | 9 | 9 | * | * | * | * |
| M Hammond | 8 | 9 | 1 | 1 | 1 | 1 |
| S Tough | 9 | 9 | 1 | 1 | ** | ** |
| V Ho(i) | - | - | - | - | - | - |
| F Khan (i) *** | 4 | 4 | - | - | - | - |

* Attended by invitation, not a member of the relevant committee
** Not a member of the relevant committee
*** Attended 4 Board Meetings as an alternate director for Mr Ho.
(i) Mr Ho was appointed as a Non-Executive Director on 20 January 2014. Mr Khan was appointed as an alternate Director for Mr Ho on 20 January 2014.

## Retirement, Election and Continuance in Office of Directors

Mr Richmond retired as Director by rotation under the Company's Constitution at the November 2013 AGM and was re-elected at that meeting.

On 24 January 2014, the Company announced the appointment of Non-Executive Director Mr Victor Ho and Mr Farooq Khan as an alternate Director for Mr Ho.

## Remuneration Report (Audited)

The Directors are pleased to present the Company's 2014 remuneration report which sets out remuneration information for Strike Resources Limited's Non-Executive Directors, Executive Director and other key management personnel.

### *Key management personnel disclosed in this report*

| Non-Executive and Executive Directors (see pages 5 to 7 for details about each director) | |
|---|---|
| M Richmond | Chairman |
| W Johnson | Managing Director |
| M Hammond | Non-Executive Director |
| S Tough | Non-Executive Director |
| V Ho[1] | Non-Executive Director |
| F Khan[2] | Alternate Director for Mr Ho |

1. Mr Ho was appointed as a Non-Executive Director on 20 January 2014.
2. Mr Khan was appointed as an alternate Director for Mr Ho on 20 January 2014

### *Remuneration Governance (under which details of remuneration committee is disclosed)*

The Remuneration and Nomination Committee is a committee of the Board. It is primarily responsible for making recommendations to the Board on:

- the necessary and desirable competencies of Directors and the extent to which these are reflected in the Board
- suitable candidates for the position of Managing Director, when required
- the development and review of Board succession plans
- the appointment and re-election of Directors
- making recommendations to the Board on policy governing the benefits of the Managing Director and any other Executive Director, including equity-based remuneration
- making recommendations to the Board on the specific benefits to be provided to the Managing Director within the policy
- conducting an annual review of Non-Executive Directors' fees and determining whether the limit on the Non-Executive Directors' fee pool remains appropriate, and
- assisting the Managing Director to determine the remuneration (including equity- based remuneration) of Senior Management and advise on those determinations

The purposes of the Remuneration and Nomination Committee are to:

- assist the Managing Director and the Board to adopt and implement a remuneration system that is required to attract, retain and motivate the personnel who will enable the Company to achieve long-term success; and
- identify appropriate candidates for membership of the Board and, when necessary, identify suitable candidates for the role of Managing Director.

In doing this, the Remuneration and Nomination Committee seeks advice from independent remuneration consultants and consults market and industry surveys.

Ultimate responsibility for the Company's remuneration and nomination policies and practices remains with the full Board.

The Corporate Governance Statement provides further information on the role of this Committee.

A copy of Strike's Remuneration and Nomination Committee Charter can be found on the Company's website at www.strikeresources.com.au.

### *Non-Executive Director Remuneration Policy*

Fees and payments to Non-Executive Directors reflect the demands which are made on, and the responsibilities of, the directors. The Remuneration and Nomination Committee is responsible to review Non-Executive Directors' fees annually and makes recommendation to the Board. The Board has also considered the advice of independent market consultants to ensure Non-Executive Directors' fees and payments are appropriate and in line with the market. The Chair's fees are determined independently to the fees of Non-Executive Directors' based on comparative roles in the external market.

Pursuant to the Company's Constitution, each Director is 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.

Historically the Board had resolved to remunerate Non-Executive Directors for work over and above that included in their base Director's fee under a Special Exertion Policy. Where additional services are approved by the Board the Non-Executive Director is entitled to receive $350 per hour plus reimbursement of expenses.

With the exception of the above Special Exertion Policy, Non-Executive Directors do not receive performance-based pay. The Board had also previously resolved and issued Non-Executive Directors with options at various exercise prices and maturity dates as deemed appropriate at that time, however, in line with Corporate Governance Principles and Recommendations this is no longer the practice.

### *Directors' fees*

Non-executive Directors' fees are determined within an aggregate Directors' fee pool limit, which is periodically recommended for approval by shareholders. The maximum currently stands at $500,000 per annum and was approved by shareholders at the annual general meeting on 25 November 2009.

The Chair's remuneration was reviewed upon his appointment, in February 2011.

Each Non-Executive Director receives $45,000 per year, except for Ms Tough. Ms Tough receives a higher fee, being the market rate that the Company determined was appropriate at the time she was appointed.

During the year the aggregate fees paid or due to be 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 | Superannuation | Total |
| | | $ | $ | $ | $ |
| M Richmond | Chairman | 70,000 | - | 6,475 | 76,475 |
| M Hammond[1] | Non-Executive Director | 45,000 | - | - | 45,000 |
| S Tough [2] | Non-Executive Director | 80,000 | - | 7,200 | 87,200 |
| V Ho[3] | Non-Executive Director | 5,050 | - | 480 | 5,530 |
| F Khan[4] | Alternate Director for Mr Ho | 15,151 | - | 1,439 | 16,590 |

1. The Director's fee for Mr Hammond was reviewed in October 2010.
2. Ms Tough was appointed as a Non-Executive Director on 23 January 2012. Her Director's fee was approved upon appointment.
3. Mr Ho was appointed as a Non-Executive Director on 20 January 2014. His Director's fee was approved upon appointment.
4. Mr Khan was appointed as an alternate Director for Mr Ho on 20 January 2014.

### *Retirement Allowances for Non-Executive Directors*

In line with the guidance from the ASX Corporate Governance Council on Non-Executive Directors' remuneration, no Non-Executive Directors receive retirement allowances. Superannuation contributions required under the Australian superannuation guarantee legislation continue to be made and are deducted from the directors' overall fee entitlements.

### *Executive Remuneration Policy and Framework*

In determining executive remuneration, the Board aims to ensure that remuneration practices are:

- competitive and reasonable, enabling the Company to attract and retain key talent
- aligned to the Company's strategic and business objectives and the creation of shareholder value
- transparent, and
- acceptable to shareholders.

The executive remuneration framework has three components:

- base pay and benefits, including superannuation
- short-term performance incentives, and
- long-term incentives through participation in the Strike Resources Limited Employee Option Plan.

### *Base Pay and Benefits*

Executives receive their base pay and benefits structured as a total employment cost (TEC) package which may be delivered as a combination of cash and prescribed non-financial benefits at the executive's discretion.

Executives are offered a competitive base pay that comprises the fixed component of pay and rewards. Independent remuneration consultants and/or reports provide analysis and advice to ensure base pay is set to reflect the market for a comparable role. Base pay for executives is also reviewed on promotion.

There are no guaranteed base pay increases included in the executives' contracts.

### *Short-term Incentives*

The Managing Director has the opportunity to earn an annual short-term incentive (STI) if predefined targets are achieved. The targets are reviewed annually.

STI targets for the Managing Director in the 2014 financial year were set by the Remuneration Committee for the Managing Director as follows.

**STI targets – Managing Director**

| Metrics | Weighting |
|---|---|
| Execution of key Community approvals in Peru | 50% |
| Securing additional funding to advance exploration activities and/or securing a strategic investor into the Apurimac and/or Cusco Projects. | 50% |

The Remuneration and Nomination Committee is responsible for assessing whether the KPIs are met. To assist in this assessment, the Committee receives detailed reports on performance from management which are verified by industry surveys and, where deemed appropriate, independent remuneration consultants. The Committee will make recommendations to the Board to adjust short-term incentives downwards in light of unexpected or unintended circumstances. Other senior executives currently do not have any short term incentives such as cash bonuses included in their employment contracts. The executives' performance is assessed on an annual basis and bonuses may be awarded on achievement of key performance objectives by recommendation of the Managing Director and at the discretion of the Board.

### *Long-term Incentives*

Long-term incentives are provided to certain employees via the Strike Resources Limited Employee Option Plan which was approved by shareholders at the 6 November 2008 annual general meeting. The Employee Option Plan was subsequently amended on 8 November 2011.

The Strike Resources Limited Employee Option Plan is designed to provide long-term incentives for executives to deliver long-term shareholder returns. Under the plan, participants are granted options which are vested on issue. The Board has discretion to determine the exercise price and maturity date. Participation in the plan is at Board discretion and will often form part of an employment contract.

Director options were granted during the 2013 financial year which contributed to the long-term incentives. Details are contained within the notes to the accounts.

### *Share Trading Policy*

The Company's Share Trading Policy regulates all Directors' and, employees' of Strike Resources Limited and its subsidiaries, and certain contractors', dealings in the Company's securities. The Policy prohibits:

- subscribing for, purchasing or selling Company securities or entering into an agreement to do any of those things; and
- 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 2001*. The Policy also prohibits communicating inside information to any other person when directors, employees of Strike Resources Limited and its subsidiaries, and certain contractors 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, directors, employees of Strike Resources Limited and its subsidiaries, and certain contractors, 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.

Directors, employees of Strike Resources Limited and its subsidiaries, and certain contractors 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.

## *Voting and Comments Made at the Company's 2013 Annual General Meeting*

Strike Resources Limited received more than 99% (2012: 99%) of "yes" votes on its remuneration report for the 2013 financial year. The Company did not receive any specific feedback at the AGM or throughout the year on its remuneration practices.

## *Detail of Remuneration*

The following tables show details of the remuneration received or due to be received by the Directors and the key management personnel of the Consolidated Entity for the current and previous financial years.

| | Short-term employee benefits | | | | Post-employment benefits | Long-term benefits | | Share-based payments | Total |
|---|---|---|---|---|---|---|---|---|---|
| | Cash salary and fees | Cash bonus | Non-monetary benefit | Other | Super-annuation | Long-service leave | Termination benefits | Options | |
| **2014** | **$** | **$** | **$** | **$** | **$** | **$** | **$** | **$** | **$** |
| **Non-Executive Directors:** | | | | | | | | | |
| M Richmond | 70,000 | - | - | - | 6,475 | - | - | - | 76,475 |
| M Hammond | 45,000 | - | - | - | - | - | - | - | 45,000 |
| S Tough | 80,000 | - | - | - | 7,200 | - | - | - | 87,200 |
| V Ho[1] | 5,050 | - | - | - | 480 | - | - | - | 5,530 |
| F Khan[1] | 15,151 | - | - | - | 1,439 | - | - | - | 16,590 |
| **Executive Director:** | | | | | | | | | |
| W Johnson | 400,000 | - | - | - | 37,000 | - | - | - | 437,000 |
| **Total** | **615,201** | **-** | **-** | **-** | **52,594** | **-** | **-** | **-** | **667,795** |

1. Mr Ho was appointed as a Non-Executive Director and Mr Khan was appointed as an Alternate Director for Mr Ho on 20 January 2014.

| | Short-term employee benefits | | | | Post-employment benefits | Long-term benefits | | Share-based payments | Total |
|---|---|---|---|---|---|---|---|---|---|
| | Cash salary and fees | Cash bonus | Non-monetary benefit | Other | Super-annuation | Long-service leave | Termination benefits | Options | |
| **2013** | **$** | **$** | **$** | **$** | **$** | **$** | **$** | **$** | **$** |
| **Non-Executive Directors:** | | | | | | | | | |
| M Richmond | 70,000 | - | - | - | 6,300 | - | - | - | 76,300 |
| M Hammond | 45,000 | - | - | - | - | - | - | - | 45,000 |
| W Johnson[2] | 26,250 | - | - | - | 2,362 | - | - | - | 28,612 |
| S Tough | 80,000 | - | - | - | 7,200 | - | - | - | 87,200 |
| **Executive Director:** | | | | | | | | | |
| K Hellsten[1] | 216,666 | 70,000 | 6,750 | - | 19,500 | - | - | - | 312,916 |
| W Johnson[2] | 142,356 | - | - | - | 6,812 | - | - | 42,000 | 191,168 |
| **Other key management personnel** | | | | | | | | | |
| J Tambyrajah[3] | 151,630 | - | - | - | 18,559 | - | 128,229 | - | 298,418 |
| I Cullen[4] | 13,977 | - | - | - | 1,420 | - | 5,402 | - | 20,799 |
| **Total** | **745,879** | **70,000** | **6,750** | **-** | **62,153** | **-** | **133,631** | **42,000** | **1,060,413** |

1. Mr Hellsten ceased from position of Managing Director on 21 January 2013
2. Mr Johnson ceased from a position of Non-Executive Director and was appointed as Executive Director on 21 January 2013 and as Managing Director on 25 March 2013.
3. Mr Tambyrajah ceased as Chief Financial Officer on 11 April 2013.
4. Mr Cullen ceased as General Manager Exploration and Development on 15 July 2012.

### *Detail of Remuneration (continued)*

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

| Name | Fixed remuneration | | At risk - STI | | At risk – LTI # | |
|---|---|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| **Executive Director** | | | | | | |
| K Hellsten[1] | - | 70% | - | 25% | - | 27% |
| W Johnson | 100% | 78% | - | - | - | 22% |
| **Other Key Management Personnel** | | | | | | |
| J Tambyrajah[2] | - | 100% | - | - | - | - |
| I Cullen[3] | - | 100% | - | - | - | - |

# Long-term incentives are provided exclusively by way of options, the percentages disclosed also reflect the value of remuneration consisting of options, based on the value of options expensed during the year. Negative amounts indicate expenses reversed during the year due to a failure to satisfy the vesting conditions.

1. Mr Hellsten resigned as a Managing Director on 21 January 2013
2. Mr Tambyrajah ceased as Chief Financial Officer on 11 April 2013.
3. Mr Cullen ceased as General Manager Exploration and Development on 15 July 2012.

### *Service Agreements*

Appointment to the Board as a Director is via resolution which outlines the Director's agreed remuneration. The appointment is later ratified by shareholders at the next general meeting. No formal service agreements are executed for Non-Executive Directors. On the appointment to the Board, the Company enters into a deed with each Non-Executive Director to regulate certain matters between the Company and that Non-Executive Director, however Matthew Hammond has not executed such a deed.

Remuneration and other terms of employment for the Managing Director and other key management personnel are formalised in Employment Agreements. The Employment Agreement of the Managing Director provides for the provision of performance-related cash bonuses, which are reviewed annually by the Remuneration and Nomination Committee. No specific cash bonuses are provided in the Employment Agreements of other key management personnel.

All agreements with Executives may be terminated early by either party with notice periods from 1-3 months, except for the Managing Director who has a 6 month notice period.

### *Share-based Compensation*

There were no options granted to Directors' or key management person as part of their remuneration during the current year (2013: 3,000,000).

Details of options over ordinary shares in the Company that were granted as compensation and details of options that were vested are as follows:

| Director/Key Management Personnel | Number Options Granted During Period | Grant date | Vesting and exercise date | Expiry date | Exercise price | Value per option at grant date | % Vested |
|---|---|---|---|---|---|---|---|
| W Johnson | 3,000,000 | 18 June 2013 | 18 June 2013 | 17 June 2018 | $0.30 | $0.014 | 100% |

Options granted under the plan carry no dividend or voting rights.

When exercisable, each option is convertible into one ordinary share within 5 business days after the exercise.

### *Shares Provided on Exercise of Remuneration Options*

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 (2013: nil).

## *Details of Remuneration: Bonuses and Share-based Compensation Benefits*

For each cash bonus and grant of options included in the tables on page 13, 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 and performance criteria is set out below. No part of the bonus is payable in future years. The options vest immediately and will lapse on termination of employment, except due to redundancy or disability, in which case they will continue for 12 months or until any earlier expiry date. The Board has discretion to vary the lapse dates of terminating employees' options.

| Name | Bonus | | Share-based compensation benefit (options) | | | |
|---|---|---|---|---|---|---|
| | Paid | Forfeited | Year granted | Vested | Forfeited/ Lapsed | Financial years in which options may vest |
| M Richmond | - | - | - | - | - | - |
| M Hammond | - | - | - | - | - | - |
| W Johnson | - | 100% | 2013 | 100% | - | 2013 |
| S Tough | - | - | - | - | - | - |
| V Ho | - | - | - | - | - | - |
| F Khan | - | - | - | - | - | - |

## *Equity instrument disclosures relating to key management personnel*

### *i. Options holdings*

The numbers of options over ordinary shares in the Company held during the financial year by each director of Strike Resources Limited and other key management personnel of the Consolidated Entity, including their personally related parties, are set out below:

| | Balance at 1 July 2013 | Balance at appointment | Granted as compensation | Net change other[1] | Balance at 30 June 2014 | Vested and exercisable | Unvested |
|---|---|---|---|---|---|---|---|
| **2014** | | | | | | | |
| M Richmond | - | - | - | - | - | - | - |
| M Hammond | - | - | - | - | - | - | - |
| W Johnson | 3,000,000 | - | - | - | 3,000,000 | 3,000,000 | - |
| S Tough | - | - | - | - | - | - | - |
| V Ho[2] | - | - | - | - | - | - | - |
| F Khan[2] | - | - | - | - | - | - | - |
| **Total** | **3,000,000** | **-** | **-** | **-** | **3,000,000** | **3,000,000** | **-** |

1. Figures in "net change other" column represent final holding when the options have been cancelled or have lapsed.
2. Mr Ho was appointed as Non-Executive Director on 20 January 2014. Mr Khan was appointed as alternate Director for Mr Ho on 20 January 2014.

### *ii. Share holdings*

The numbers of shares in the Company held during the financial year by each director of Strike Resources Limited and other key management personnel of the Consolidated Entity are set out below. There were no shares granted during the reporting period as compensation.

| | Balance at beginning of year | Received during the year on the exercise of options | Net change other | Balance at the end of the year |
|---|---|---|---|---|
| **2014** | | | | |
| M Richmond | 100,000 | - | - | 100,000 |
| M Hammond | - | - | - | - |
| W Johnson | 249,273 | - | - | 249,273 |
| S Tough | - | - | - | - |
| V Ho[1] | - | - | 116,001 | 116,001 |
| F Khan[1] | - | - | 17,220,812 | 17,220,812 |
| **Total** | **349,273** | **-** | **17,336,813** | **17,686,086** |

1. Mr Ho was appointed as Non-Executive Director on 20 January 2014. Mr Khan was appointed as alternate Director for Mr Ho on 20 January 2014.
2. The disclosures of share holdings above are in accordance with the accounting standards which require disclosure of shares held directly, indirectly or beneficially by each key management person, a close member of the family of that person, or an entity over which either of these persons have, directly or indirectly, control, joint control or significant influence (as defined under Accounting Standard AASB 124 Related Party Disclosures).

## *Loans to Key Management Personnel*

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

## *Other Transactions with Key Management Personnel*

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

**This concludes the Audit Remuneration Report**

## Shares under Options

Unissued ordinary shares of Strike Resources Limited under option at the date of this report are as follows:

| Date of options granted | Expiry date | Issue price of shares | Number under option |
|---|---|---|---|
| 24 November 2011 | 23 November 2016 | $0.36 | 833,334 |
| 24 November 2011 | 23 November 2016 | $0.42 | 833,333 |
| 24 November 2011 | 23 November 2016 | $0.56 | 833,333 |
| 5 April 2012 | 23 November 2016 | $0.36 | 333,334 |
| 5 April 2012 | 23 November 2016 | $0.42 | 333,333 |
| 5 April 2012 | 23 November 2016 | $0.56 | 333,333 |
| 18 June 2013 | 17 June 2018 | $0.30 | 3,000,000 |

No option holder has any right under the options to participate in any other share issue of the Company.

## Insurance of Officer

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.

The Company has entered into deeds of indemnity with each director whereby, to the extent permitted by the Corporations Act 2001, the Company agreed to indemnify each director against all loss and liability incurred as an officer of the Company, including all liability in defending any relevant proceedings.

## Environmental Regulation

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 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.

## Proceedings on Behalf of the Company

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the *Corporations Act 2001*.

## Non-audit Services

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company and/or the Consolidated Entity are important. 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 year are set out below.

The Board of Directors has considered the position and, in accordance with advice received from the Audit Committee, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The Directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed by the Audit Committee to ensure they do not impact the impartially and objectivity of the auditor.
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*.

During the year there were no non-audit fees paid or payable for the services provided by the auditor of the Company, its related practices and non-related audit firms.

## Auditor's Independence Declaration

A copy of the Auditor's Independence Declaration as required under section 307C of the *Corporations Act 2001* is set out on page 17.

## Auditor

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

This report is made in accordance with a resolution of directors.

**William Johnson**

Managing Director

30 September 2014

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Australia

DECLARATION OF INDEPENDENCE BY WAYNE BASFORD TO THE DIRECTORS OF STRIKE RESOURCES LIMITED

As lead auditor of Strike Resources Limited for the year ended 30 June 2014, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. No contraventions of 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.

Wayne Basford
Director

BDO Audit (WA) Pty Ltd

Perth, 30 September 2014

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended 30 June 2014

| | Note | 2014 $ | 2013 $ |
|---|---|---|---|
| Revenue | 5 | 609,339 | 34,444,551 |
| | | | |
| Operating expenses | 5 | (241,090) | (220,076) |
| Personnel costs | 5 | (1,504,730) | (1,765,610) |
| Other corporate costs | 5 | (3,346,285) | (1,655,322) |
| Fair value adjustment -financial assets held as fair value through profit and loss | | (109,616) | (1,869,704) |
| Impairment expense | 5 | (44,077,886) | (3,014,621) |
| Loss on sale of fixed assets | | (14,411) | (18,318) |
| Loss on sale of asset classified as held for sale | | - | (138,186) |
| Foreign exchange loss | | - | (2,068,395) |
| Profit/(loss) before income tax | | (48,684,679) | 23,694,319 |
| Income tax expense | 6 | (76,771) | (97,132) |
| | | | |
| **Profit/(loss) after income tax for the year** | | (48,761,450) | 23,597,187 |
| | | | |
| Profit/(loss) is attributable to: | | | |
| Equity holders of Strike Resources Limited | | (48,761,450) | 23,597,187 |
| | | | |
| **Other comprehensive income** | | | |
| *Items that may be reclassified subsequently to Profit or Loss* | | | |
| Exchange differences on translation of foreign operations | | 494,292 | 3,086,017 |
| **Other comprehensive income net of tax** | | 494,292 | 3,086,017 |
| **Total comprehensive income/(loss) for the year** | | (48,267,158) | 26,683,204 |
| | | | |
| Total comprehensive income/(loss) for the year is attributable to: | | | |
| Equity holders of Strike Resources Limited | | (48,267,158) | 26,683,204 |
| | | | |
| **Earnings / (Loss) per share for the year attributable to the members of Strike Resources Limited** | | | |
| Basic earnings/(loss) per share (cents) | 27 | (33.55) | 16.44 |
| Diluted earnings/(loss) per share (cents) | 27 | (33.55) | 16.44 |

This consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

# Consolidated Statement of Financial Position

as at 30 June 2014

| | Note | 2014 $ | 2013 $ |
|---|---|---|---|
| **Current assets** | | | |
| Cash and cash equivalents | 7 | 10,350,983 | 14,414,971 |
| Trade and other receivables | 8 | 74,328 | 1,119,228 |
| Financial assets at fair value through profit or loss | 9 | - | 40,982 |
| Non-Current assets held for sale | 11 | 498,992 | - |
| **Total current assets** | | 10,924,303 | 15,575,181 |
| | | | |
| **Non-current assets** | | | |
| Trade and other receivables | 8 | - | 8,483 |
| Financial assets at fair value through profit or loss | 9 | - | 68,634 |
| Property, plant and equipment | 10 | - | 592,572 |
| Exploration and evaluation expenditure | 12 | - | 41,842,078 |
| **Total non-current assets** | | - | 42,511,767 |
| | | | |
| **Total assets** | | 10,924,303 | 58,086,948 |
| | | | |
| **Current liabilities** | | | |
| Trade and other payables | 13 | 2,414,711 | 573,657 |
| Provisions | 14 | 70,355 | 100,600 |
| **Total current liabilities** | | 2,485,066 | 674,257 |
| | | | |
| **Non-current liabilities** | | | |
| Trade and other payables | 13 | - | 706,296 |
| **Total non-current liabilities** | | - | 706,296 |
| | | | |
| **Total liabilities** | | 2,485,066 | 1,380,553 |
| | | | |
| **Net assets** | | 8,439,237 | 56,706,395 |
| | | | |
| **Equity** | | | |
| Issued capital | 15 | 148,439,925 | 148,439,925 |
| Reserves | 16 | 15,627,214 | 15,132,922 |
| Accumulated losses | | (155,627,902) | (106,866,452) |
| | | | |
| **Total equity** | | 8,439,237 | 56,706,395 |

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 2014

| | Contributed Equity $ | Currency Translation Reserve $ | Share-based Payments Reserve $ | Accumulated Losses $ | Total Equity $ |
|---|---|---|---|---|---|
| **Balance as at 30 June 2012** | **148,109,255** | **(1,186,121)** | **13,191,026** | **(130,463,639)** | **29,650,521** |
| *Total income for the period* | | | | | |
| Current period profit | - | - | - | 23,597,187 | 23,597,187 |
| *Other comprehensive income* | | | | | |
| Exchange differences on translation of foreign operations | - | 3,086,017 | - | - | 3,086,017 |
| Total comprehensive income for the year | - | 3,086,017 | - | 23,597,187 | 26,683,204 |
| Transactions with owners in their capacity as owners: | | | | | |
| Ordinary shares | 336,000 | - | - | - | 336,000 |
| Share options | - | - | 42,000 | - | 42,000 |
| Share issue costs | (5,330) | - | - | - | (5,330) |
| **Balance as at 30 June 2013** | **148,439,925** | **1,899,896** | **13,233,026** | **(106,866,452)** | **56,706,395** |
| *Total income for the period* | | | | | |
| Current period (loss) | - | - | - | (48,761,450) | (48,761,450) |
| *Other comprehensive income* | | | | | |
| Exchange differences on translation of foreign operations | - | 494,292 | - | - | 494,292 |
| Total comprehensive income/(loss) for the year | - | 494,292 | - | (48,761,450) | (48,267,158) |
| Transactions with owners in their capacity as owners: | | | | | |
| Ordinary shares | - | - | - | - | - |
| Share options | - | - | - | - | - |
| Share issue costs | - | - | - | - | - |
| **Balance as at 30 June 2014** | **148,439,925** | **2,394,188** | **13,233,026** | **(155,627,902)** | **8,439,237** |

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 2014

| | Note | 2014 $ | 2013 $ |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Receipts from customers | | 161,724 | - |
| Payments to suppliers and employees | | (3,247,511) | (4,739,748) |
| Tax paid | | - | (97,132) |
| Interest received | | 467,326 | 803,088 |
| **Net cash outflow from operating activities** | 25 | (2,618,461) | (4,033,792) |
| **Cash flows from investing activities** | | | |
| Exploration and evaluation expenditure | | (1,439,803) | (1,279,099) |
| Payments for property, plant and equipment | | (5,586) | (29,539) |
| Investment in listed entity | | - | (120,703) |
| Loan to associate – Apurimac Ferrum | | - | (4,954,844) |
| Other – Net Inflow from acquisition of subsidiary | 21 | - | 209,723 |
| Proceeds from held for sale assets | | - | 4,110,051 |
| **Net cash outflow from investing activities** | | (1,445,389) | (2,064,411) |
| **Cash flows from financing activities** | | | |
| Payments for share issue cost | | - | (5,100) |
| **Net cash inflow from financing activities** | | - | (5,100) |
| **Net increase/(decrease) in cash and cash equivalents** | | (4,063,850) | (6,103,303) |
| Cash and cash equivalents at beginning of the year | | 14,414,971 | 20,551,679 |
| Effect of exchange rate changes on cash balance | | (138) | (33,405) |
| **Cash and cash equivalents at year end** | 7 | 10,350,983 | 14,414,971 |

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

# Notes to the Consolidated Financial Statements

## 1. Summary of Significant Accounting Policies

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated. The financial statements are for the consolidated entity consisting of Strike Resources Limited and its subsidiaries.

### a. Basis of Preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 2001.* Strike Resources Limited is a for-profit entity for the purpose of preparing the financial statements.

(i) *Compliance with IFRS*

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

(ii) *New and amended standards adopted by the Consolidated Entity*

The consolidated entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are mandatory for the current reporting period. Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted. Any significant impact on the accounting policies of the consolidated entity from the adoption of these Accounting Standards and Interpretations are disclosed below. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity.

The following Accounting Standards and Interpretations are most relevant to the consolidated entity:

AASB 10 Consolidated Financial Statements

The consolidated entity has applied AASB 10 from 1 July 2013, which has a new definition of 'control'. Control exists when the reporting entity is exposed, or has the rights, to variable returns from its involvement with another entity and has the ability to affect those returns through its 'power' over that other entity. A reporting entity has power when it has rights that give it the current ability to direct the activities that significantly affect the investee's returns. The consolidated entity not only has to consider its holdings and rights but also the holdings and rights of other shareholders in order to determine whether it has the necessary power for consolidation purposes.

AASB 12 Disclosure of Interests in Other Entities

The consolidated entity has applied AASB 12 from 1 July 2013. The standard contains the entire disclosure requirement associated with other entities, being subsidiaries, associates, joint arrangements (joint operations and joint ventures) and unconsolidated structured entities. The disclosure requirements have been significantly enhanced when compared to the disclosures previously located in AASB 127 'Consolidated and Separate Financial Statements', AASB 128 'Investments in Associates', AASB 131 'Interests in Joint Ventures' and Interpretation 112 'Consolidation – Special Purpose Entities'.

AASB 119 Employee Benefits (September 2011) and AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119 (September 2011)

The consolidated entity has applied AASB 119 and its consequential amendments from 1 July 2013. The standard eliminates the corridor approach for the deferral of gains and losses; streamlines the presentation of changes in assets and liabilities arising from defined benefit plans, including requiring re-measurements to be presented in other comprehensive income; and enhances the disclosure requirements for defined benefit plans. The standard also changed the definition of short-term employee benefits, from 'due to' to 'expected to' be settled within 12 months.

(iii) *Early adoption of standards*

The Consolidated Entity has not elected to apply any pronouncements before their operative date in the annual reporting period beginning 1 July 2014 apart from the early adoption of AASB 9 'Financial Instruments'.

(iv) *Historical cost convention*

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and liabilities at fair value though profit or loss, assets of disposal group held for sale and capitalised exploration and evaluation expenditure.

(v) *Critical accounting estimates*

The preparation of financial statements 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. The area involving a higher degree of judgement or complexity, or area where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

## 1. Summary of Significant Accounting Policies (continued)

### b. Principles of Consolidation

(i) *Subsidiaries*

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Strike Resources Limited ("**Company**" or "**Strike**") as at 30 June 2014 and the results of all subsidiaries for the year then ended. Strike Resources Limited and its subsidiaries together are referred to in this financial report as Consolidated Entity.

Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

Subsidiaries are fully consolidated from the date on which control is transferred to the Consolidated Entity. They are de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Consolidated Entity (refer to note 1(h)).Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the assets transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the Consolidated Statement of Profit or Loss and Other Comprehensive Income, Statement of Changes in Equity, and Consolidated Statement of Financial Position respectively.

(ii) *Associates*

Associates are all entities over which the Consolidated Entity 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 using the equity method of accounting, after initially being recognised at cost. The Consolidated Entity's investment in associates includes goodwill identified on acquisition.

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 other comprehensive income is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends receivable from associates are recognised as a reduction in 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 associates are eliminated to the extent of the Consolidated Entity's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Consolidated Entity.

(iii) *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 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 within equity attributable to owners of Strike Resources Limited.

When the Consolidated Entity ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for retained interest as an associate. In addition, any amounts previously recognised in Other Comprehensive Income in respect of that entity are accounted for as if the Consolidated Entity 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 an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in Other Comprehensive Income are reclassified to profit or loss where appropriate.

### c. Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Managing Director. The Managing Director is responsible for allocating resources and assessing performance of the operating segments.

# 1. Summary of Significant Accounting Policies (continued)

**d. Foreign Currency Translation**

(i) *Functional and presentation currency*

Items included in the financial statements of each company in the Consolidated Entity are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The

consolidated financial statements are presented in Australian dollars, which is Strike Resources Limited's functional and presentation currency.

(ii) *Transactions and balances*

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income, except when they are deferred in equity as qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation. Foreign exchange gains or losses that relate to borrowings are presented in the Consolidated Statement of Profit or Loss and Other Comprehensive Income within finance costs. All other foreign exchange gains and losses are presented in the Consolidated Statement of Profit or Loss and Other Comprehensive Income on a net basis within other income or operating expenses.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss.

(iii) *Group companies*

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position
- income and expenses for Consolidated Statement of Profit or Loss and Other Comprehensive Income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and
- all resulting exchange differences are recognised in Other Comprehensive Income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in Other Comprehensive Income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

**e. Revenue Recognition**

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

The Consolidated Entity recognises revenue when the amount of revenue can be reliably measured. It is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Consolidated Entity's activities as described below. The Consolidate Entity bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue is recognised for the major business activities as follows:

(i) *Consultancy fees*

Revenue from consulting services is recognised in the accounting period in which the services are rendered.

(ii) *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.

(iii) *Interest income*

Interest income is recognised using the effective interest method. When a receivable is impaired, the Consolidated Entity reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

## 1. Summary of Significant Accounting Policies (continued)

(iv) *Dividends*

Dividends are recognised as revenue when the right to receive payment is established. This applies even if they are paid out of pre-acquisition profits. However, the investment may need to be tested for impairment as a consequence, refer note 1(l).

(v) *Other revenues*

### f. **Other revenues are recognised on a receipts basis.** Income Tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and for unused tax losses. The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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. Deferred tax assets and liabilities are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Company 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 is recognised in profit or loss, except to the extent that it relates to items recognised in Other Comprehensive Income or directly in equity. In this case, the tax is also recognised in Other Comprehensive Income or directly in equity, respectively.

### g. 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 Profit or Loss and Other Comprehensive Income on a straight-line basis over the period of the lease.

### h. 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 Consolidated Entity. The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are expensed as incurred. Identified 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 Consolidated Entity 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 and the amount of any non-controlling interest in the acquiree over the fair value 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 the Consolidated Statement of Profit or Loss and Other Comprehensive Income as a bargain purchase. Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted at their present value as at the date of exchange. The discount rate used is the Consolidated 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.

## 1. Summary of Significant Accounting Policies (continued)

### i. Impairment of Assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which they are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or group of assets (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

### j. Cash and Cash Equivalents

For the purpose of presentation in the Consolidate Statement of Cash Flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the Consolidated Statement of Financial Position.

### k. Trade Receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Trade receivables are generally due for settlement within 30 days. They are presented as current assets unless collection is not expected for more than 12 months after the reporting date.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of trade receivables) is used when there is objective evidence that the Consolidated Entity will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

The amount of impairment loss is recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectable in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in profit or loss.

### l. Investments and Other Financial Assets Classification

The Consolidated Entity classifies its financial assets in the following categories: financial assets at fair value through profit or loss, and loans and receivables. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investment at initial recognition.

(i) *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 if they are expected to be settled within 12 months; otherwise they are classified as non-current.

(ii) *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 which are classified as non-current assets.

***Financial assets-reclassification***

The Consolidated Entity may choose to reclassify non-derivative trading financial assets out of the held for trading category if the financial asset is no longer held for the purpose of selling it in the near term. Financial assets other than loans and receivables are permitted to be reclassified out of the held for trading category only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near term. In addition, the Consolidated Entity may choose to reclassify financial assets that would meet the definition of loans and receivables out of held for trading if the Consolidated Entity has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made. Effective interest rates for financial assets reclassified to loans and receivables are determined at the reclassification date. Further increases in estimates of cash flows adjust effective interest rates prospectively.

## 1. Summary of Significant Accounting Policies (continued)

***Recognition and de-recognition***

Regular way purchases and sales of financial assets are recognised on trade-date - the date on which the Consolidated Entity commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Consolidated Entity has transferred substantially all the risks and rewards of ownership.

***Measurement***

At initial recognition, the Consolidated Entity measures a financial asset at its fair value plus, in case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in the profit or loss.

Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Financial assets at fair value through profit or loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value of the "financial asset at fair value through profit or loss" category are presented in profit or loss within Other Comprehensive Income or Other Operating Expenses in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income as part of revenue from continuing operations when the Consolidated Entity's right to receive payments is established. Interest income from these financial assets is included in the net gains/(losses).

Details on how the fair value of financial instruments is determined are disclosed in note 2.

***Impairment***

The Consolidated Entity assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset (or a group of financial assets) is impaired and the impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

*(i) Financial Assets carried at amortised cost*

For loans and receivables, the amount of loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

### m. Property, Plant and Equipment

All items of 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.

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. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost or re-valued amounts, net of their residual values, over their estimated useful lives or, in the case of leasehold improvements, the shorter lease term as follows:

| | |
|---|---|
| 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 the end of each reporting period.

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 note 1(i).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss.

## 1. Summary of Significant Accounting Policies (continued)

### n. Intangible Assets

(i) *Goodwill*

Goodwill is measured as detailed in note 1(h). Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised but it 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.

Goodwill is allocated to cash-generating units for the purposes of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose, identified according to operating segments (note 4).

### o. Mineral exploration and evaluation expenditure

Exploration and evaluation expenditure incurred is initially capitalised in respect of each identifiable area of interest where the Consolidated Entity 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 Consolidated Entity 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.

### p. 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 are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months from the reporting date. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

### q. Employee Benefits

(i) *Short-term obligations*

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liability for annual leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

(ii) *Other long-term employee benefit obligations*

The liability for long service leave and annual leave which is not expected to be settled within 12 months after the end of the period in which the employees render the related service is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows. The obligations are presented as current liabilities in the Consolidated Statement of Financial Position if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting date, regardless of when the actual settlement is expected to occur.

(iii) *Share-based payments*

Shared-based compensation benefits are provided to employees via the Strike Resources Limited Employee Option Plan. Information on these schemes is set out in note 28.

The fair value of options granted under Strike Resources Limited Employee Option Plan is recognised as an employee benefits expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options granted, which includes any market performance conditions and the impact of any non-vesting conditions but excludes the impact of any service and non-market performance vesting conditions.

Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the entity revises its estimates of the number of options that are expected to vest based on the non-marketing vesting conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss with a corresponding adjustment to equity.

## 1. Summary of Significant Accounting Policies (continued)

### r. Contributed equity

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.

### s. Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

### t. Earnings per Share

(i) *Basic earnings per share*

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares.
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

(ii) *Diluted earnings per share*

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

### u. Goods and Services Tax ("GST") (including Value Added Tax – "VAT")

Revenues, expenses and assets are recognised net of the amount of any associated GST (VAT), unless the GST (VAT) incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST (VAT) receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST (VAT) components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

### v. New Accounting Standards and Interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2014 reporting periods. The Consolidated Entity has elected not to early adopt any Standards or Interpretations. The Consolidated Entity's assessment of the impact of these new standards and interpretations is set out below:

| Standard / Interpretation | Effective for annual reporting periods beginning on or after | Expected to be initially applied in the financial year ending |
|---|---|---|
| AASB 1031 'Materiality', (2013) | 1 January 2014 | 30 June 2015 |
| AASB 2012-3 'Amendments to Australian Accounting Standards – Offseting Financial Assets and Financial Liabilities' | 1 January 2014 | 30 June 2015 |
| AASB 2013-3 'Amendments to AASB 135 – Recoverable Amount Disclosures for Non Financial Assets' | 1 January 2014 | 30 June 2015 |
| AASB 2013-5 'Amendments to Australian Accounting Standards – Investment Entities' | 1 January 2014 | 30 June 2015 |
| AASB 2013-9 'Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments' | 1 January 2014 | 30 June 2015 |
| IFRS 15 – Revenue from contracts with customers | 1 January 2017 | 1 July 2017 |

There are no other standards that are not yet effective and that are expected to have material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

### w. Parent Entity Financial Information

The financial information for the parent entity, Strike Resources Limited, disclosed in Note 29 has been prepared on the same basis as the consolidated financial statements.

## 2. 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 exchange 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 Consolidated Entity holds the following instruments.

| | Variable interest rate | | Fixed interest rate | | Non-interest bearing | | Total | |
|---|---|---|---|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| **Financial assets** | $ | $ | $ | $ | $ | $ | $ | $ |
| Cash | 190,525 | 408,559 | 9,850,000 | 12,436,381 | 310,458 | 1,570,031 | 10,350,983 | 14,414,971 |
| Receivables | - | - | - | - | 74,328 | 357,663 | 74,328 | 357,663 |
| Loan receivable | - | 728,181 | - | - | - | - | - | 728,181 |
| Financial assets | - | - | - | - | - | 109,616 | - | 109,616 |
| | 190,525 | 1,136,740 | 9,850,000 | 12,436,381 | 384,786 | 2,037,310 | 10,425,311 | 15,610,431 |
| **Financial liabilities** | | | | | | | | |
| Payables | - | - | - | - | (2,485,066) | (1,380,553) | (2,485,066) | (1,380,553) |
| **Net financial assets** | 190,525 | 1,136,740 | 9,850,000 | 12,436,381 | (2,100,280) | 656,757 | 7,940,245 | 14,229,878 |

#### a. Market Risk

*i. Foreign Exchange Risk*

The Consolidated Entity operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar, Peruvian Nuevo Soles and Canadian dollar.

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting.

The Consolidated Entity has a policy of not hedging foreign exchange 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 exchange risk expressed in Australian dollar at the reporting date was as follows:

| | USD | | CAD | | Others | |
|---|---|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| **Financial assets** | | | | | | |
| Cash at bank | 189,495 | 538,915 | - | - | 76,103 | 45,304 |
| Receivables | 47,918 | 217,370 | - | - | - | - |
| Financial assets at fair value through profit or loss | - | - | - | 109,616 | - | - |
| Loan receivable | - | - | - | 728,181 | - | - |
| **Financial liabilities** | | | | | | |
| Payables | (1,982,756) | (1,093,742) | - | - | - | - |
| | (1,745,343) | (337,457) | - | 837,797 | 76,103 | 45,304 |

*Sensitivity*

The Consolidated Entity has performed a sensitivity analysis on its exposure to exchange 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% (2013: 10%) against the foreign currencies detailed above, with all the other variables held constant.

## 2. Financial Risk Management (continued)

| | 2014 $ | 2013 $ |
|---|---|---|
| Change in profit | | |
| increase by 10% | 166,924 | (54,564) |
| decrease by 10% | (166,924) | 54,564 |
| Change in equity | | |
| increase by 10% | - | - |
| decrease by 10% | - | - |

*ii. Price Risk*

The Consolidated Entity is exposed to equity securities price risk. This arises from investments held by the Consolidated Entity and classified in the statement of financial position as fair value through profit or loss. The Consolidated Entity is not exposed to commodity price risk.

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.

The table below summaries the impact of increases/decreases of the equity index on the Consolidated Entity's post-tax profit for the year. The analysis is based on the assumption that the equity index has increased by 9%/decreased by 6% with all other variables held constant.

| | Impact on post-tax profit | | Impact on other components of equity | |
|---|---|---|---|---|
| | 2014 $ | 2013 $ | 2014 $ | 2013 $ |
| increase by 9% | - | 6,177 | - | - |
| decrease by 6% | - | (4,118) | - | - |

*iii. 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.

| | 2014 $ | 2013 $ |
|---|---|---|
| Cash at bank | 500,983 | 1,978,590 |
| Term deposit | 9,850,000 | 12,436,381 |
| | 10,350,983 | 14,414,971 |
| Weighted average interest rates | 3.51% | 3.84% |

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.

| | 2014 $ | 2013 $ |
|---|---|---|
| Change in profit | | |
| increase by 25bps (2013: 25bps) | 25,101 | 32,112 |
| decrease by 25bps (2013: 25bps) | (25,101) | (32,112) |
| Change in equity | | |
| increase by 25bps (2013: 25bps) | - | - |
| decrease by 25bps (2013: 25bps) | - | - |

### b. 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.

Pursuant to the Cuervo Investment Agreement, the Company holds a pledge over the shares of Minera Cuervo S.A.C., which pledge is exercisable if Cuervo defaults under the Investment Agreement.

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:

| | 2014 | 2013 |
|---|---|---|
| | $ | $ |
| **Cash and cash equivalents** | | |
| AA | 6,981,246 | 12,822,393 |
| A+ | 3,100,000 | 1,165,601 |
| No external credit rating available | 269,737 | 426,977 |
| | 10,350,983 | 14,414,971 |
| **Receivables and loans** | | |
| AA | 58,215 | 59,721 |
| A+ | 3,116 | 3,116 |
| No external credit rating available | 12,997 | 1,064,874 |
| | 10,425,311 | 15,542,682 |

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.

### c. Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities to meet obligations when due and to close out the market positions. At the end of the reporting period the Consolidated Entity held deposits of $9,850,000 (2013: $12,436,381) that mature within the next 3 months after 30 June 2014 that are expected to readily generate cash inflows for managing liquidity risk.

The financial liabilities disclosed have the following maturity obligation:

| | Carrying Amount | | Contractual Amount | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| Non-interest bearing | $ | $ | $ | $ |
| less than 6 months | 276,184 | 336,067 | 276,184 | 336,067 |
| 6 to 12 months | 2,208,882 | 338,190 | 2,208,882 | 338,190 |
| more than 12 months | - | 706,296 | - | 706,296 |
| | 2,485,066 | 1,380,553 | 2,485,066 | 1,380,553 |

### d. 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 3. The aggregate fair value and carrying amount of financial assets at the reporting date are set out in Note 9. The carrying amount of the financial liabilities at the reporting date as set out in Note 12 approximates the current fair value.

### e. Fair Value Measurements

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Consolidated Entity is the current bid price. These instruments are included in level 1.

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. Techniques such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

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

*AASB 7 Financial Instruments*: *Disclosures* 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 financial instruments measured and recognised at fair value at 30 June 2014 and 30 June 2013.

| 2014 | Level 1 $ | Level 2 $ | Level 3 $ | Total $ |
|---|---|---|---|---|
| **Assets** | | | | |
| Financial assets at fair value through profit or loss | | | | |
| – Trading securities | - | - | - | - |
| **Total assets** | - | - | - | - |

| 2013 | Level 1 $ | Level 2 $ | Level 3 $ | Total $ |
|---|---|---|---|---|
| **Assets** | | | | |
| Financial assets at fair value through profit or loss | | | | |
| – Trading securities | - | - | - | - |
| **Total assets** | - | - | - | - |

There were no transfer between levels during the year and prior year.

## 3. Critical Accounting Estimates and Judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

### a. 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, right of tenure and community approvals or access.

### b. 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 28. 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.

## 3. Critical Accounting Estimates and Judgements (continued)

### c. 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 and 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 such as Binomial pricing model. 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.

### d. SUNAT tax

The Peruvian Tax Administration (“SUNAT”) recently completed an audit on Apurimac Ferrum S.A (“AF”) relating to Non Resident Income Tax Withholding for the fiscal years 2010 and 2011.

The SUNAT notified AF a set of Resolutions that determine a debt for Non Domiciled Income Tax Withholding and Fine Resolutions as a result of the Audit process.

AF has obtained independent advice in respect to the SUNAT findings identifying that the Company has strong arguments in its defence. As a result, AF has officially lodged a claim against the SUNAT findings.

At the date of this report, AF is yet to receive a resolution from SUNAT regarding the claim. Should the SUNAT deny AF’s claiming arguments, AF plans to appeal all findings before the Administrative Tax Court.

## 4. Segment Information

### a. Description of segments

Management has determined the operating segments based on the reports reviewed by the Board of Directors that are used to make strategic decisions.

The Board of Directors considers the business from both a product and a geographic perspective and has identified two reportable segments as follows:

- Australia
- Peru (Iron Ore)

On 14 April 2014, the Company announced that it was undertaking a full strategic review of all of its assets and has determined to close its office and operations in Peru.

## 4. Segment Information (continued)

### a. Segment information provided to the Board of Directors

The segment information provided to the Board of Directors for the reportable segments for the year ended 30 June 2014 and 30 June 2013 are as follows:

| 2014 | Peru | Australia | Total |
|---|---|---|---|
| Interest revenue | - | 418,462 | 418,462 |
| Sale of iron ore | 129,865 | - | 129,865 |
| Other income | - | 61,012 | 61,012 |
| Inter-segment revenue | - | - | - |
| **Other income** | **129,865** | **479,524** | **609,339** |
| **Adjusted EBITDA** | **(49,206,548)** | **(4,942,921)** | **(54,149,469)** |
| | | | |
| Depreciation and amortisation | (37,721) | (2,395) | (40,116) |
| Personnel costs | (880,803) | (623,927) | (1,504,730) |
| Impairment losses: | | | |
| - Loan to Cuervo Resources Inc. | - | (827,641) | (827,641) |
| - Exploration & Evaluation expenditure | (43,242,933) | (7,312) | (43,250,245) |
| Fair value adjustment – financial assets held at fair value through profit or loss | - | (109,616) | (109,616) |
| | | | |
| **Total segment assets** | **1,641,801** | **10,233,180** | **11,874,981** |
| **Total segment liabilities** | **(41,908,076)** | **(502,310)** | **(42,410,386)** |

| 2013 | Peru | Australia | Total |
|---|---|---|---|
| Interest revenue | - | 1,281,593 | 1,281,593 |
| Fees for consulting to Apurimac Ferrum S.A. | - | 22,648 | 22,648 |
| Other income | - | 33,140,310 | 33,140,310 |
| Inter-segment revenue | - | - | - |
| **Other income** | **-** | **34,444,551** | **34,444,551** |
| **Adjusted EBITDA** | **1,402,857** | **20,137,798** | **21,540,655** |
| | | | |
| Depreciation and amortisation | (21,022) | (23,433) | (44,455) |
| Personnel costs | (245,185) | (1,520,425) | (1,765,610) |
| Impairment losses: | | | |
| - Loan to Cuervo Resources Inc. | - | (2,667,865) | (2,667,865) |
| - Exploration & Evaluation expenditure | (1,546) | - | (1,546) |
| Fair value adjustment – financial assets held at fair value through profit or loss | - | (1,869,704) | (1,869,704) |
| Loss/(gain) on sale of investment | - | 138,186 | 138,186 |
| | | | |
| **Total segment assets** | **43,651,072** | **15,039,587** | **58,690,659** |
| **Total segment liabilities** | **(13,316,569)** | **(36,485,673)** | **(49,802,242)** |

### b. Other segment information

*(i) Segment revenue*

Segment revenue reconciles to total revenue as per the Consolidated Comprehensive Income:

| | 2014 $ | 2013 $ |
|---|---|---|
| **Other income** | | |
| Interest revenue | 418,462 | 1,281,593 |
| Other income | 190,877 | 32,162,958 |
| | **609,339** | **34,444,551** |

## 4. Segment Information (continued)

(ii) *Adjusted EBITDA*

A reconciliation of adjusted EBITDA to operating profit before income tax is provided as follows:

| | 2014 $ | 2013 $ |
|---|---|---|
| **Adjusted EBITDA** | **(54,149,469)** | **21,540,655** |
| Intersegment eliminations | 5,504,906 | 2,198,119 |
| Depreciation | (40,116) | (44,455) |
| Profit/(loss) before tax from continuing operations | **(48,684,679)** | **23,694,319** |

(iii) *Segment assets and segment liabilities*

Reportable segments' assets and liabilities are reconciled to total assets and liabilities respectively as follows:

| | 2014 $ | 2013 $ |
|---|---|---|
| **Segment assets** | **11,874,981** | **58,690,659** |
| Intersegment eliminations | (950,678) | (603,711) |
| **Total assets as per the Consolidated Statement of Financial Position** | **10,924,303** | **58,086,948** |
| Segment liabilities | **(42,410,386)** | **(49,802,242)** |
| Intersegment eliminations | 39,925,320 | 48,421,687 |
| **Total liabilities as per the Consolidated Statement of Financial Position** | **(2,485,066)** | **(1,380,555)** |

## 5. Profit/(Loss) for the Year

(a) **Revenue**

| | 2014 $ | 2013 $ |
|---|---|---|
| *Revenue* | | |
| Interest received – Cash on deposit | 418,462 | 1,281,593 |
| Foreign exchange gain | 61,012 | 22,648 |
| Sale of iron ore | 129,865 | 7,808 |
| Capitalisation of loans and receivables due from AF as a result of the acquisition on 28 December 2012 | - | 33,132,502 |
| Total revenue and other income | 609,339 | 34,444,551 |

(b) **Expenses**

| | 2014 $ | 2013 $ |
|---|---|---|
| *Operating expenses* | | |
| Occupancy costs | 104,548 | 200,598 |
| Finance costs | 136,542 | 19,478 |
| | 241,090 | 220,076 |
| *Personnel costs* | | |
| Cash remuneration | 1,454,462 | 1,584,660 |
| Superannuation expense | 50,268 | 138,950 |
| Directors' and employees' options expense | - | 42,000 |
| | 1,504,730 | 1,765,610 |
| *Administration costs* | | |
| Consultancy fees | 370,297 | 617,093 |
| Professional fees | 1,035,545 | 259,190 |
| Depreciation | 40,116 | 44,455 |
| Other corporate expenses | 1,900,327 | 734,584 |
| | 3,346,285 | 1,655,322 |
| *Impairment losses* | | |
| Exploration and evaluation | 43,250,245 | 1,546 |
| Loan to Cuervo Resources Inc. | 827,641 | 2,665,865 |
| Sundry debtors | - | 347,210 |
| | 44,077,886 | 3,014,621 |

## 6. Income Tax Expense

| | | 2014 $ | 2013 $ |
|---|---|---|---|
| (a) | **Income tax expense** | | |
| | Current tax | 76,771 | 97,132 |
| | Deferred tax | - | - |
| | | 76,771 | 97,132 |
| (b) | **Numerical reconciliation between tax expense and pre-tax net profit/(loss)** | | |
| | *Profit/(loss) from continuing operations before income tax* | (48,684,679) | 23,694,319 |
| | *Income-tax expense/(benefit) on above at 30%* | (14,605,403) | 7,108,296 |
| | *Increase in income tax due to:* | | |
| | Non-deductible expenses and foreign losses | 1,704,579 | 774,257 |
| | Current year tax losses not recognised | 1,417,202 | 242,114 |
| | Movement in unrecognised temporary differences | 11,485,101 | 1,710,922 |
| | Decrease in income tax expenses due to: | | |
| | Non assessable income | (1,479) | (9,835,589) |
| | Foreign jurisdiction withholding tax | 76,771 | 97,132 |
| | Income-tax expense attributable to operating profit | 76,771 | 97,132 |
| (c) | **Deferred tax assets not brought to account** | | |
| | On income-tax account | | |
| | – Carry-forward tax losses | 9,467,078 | 6,133,121 |
| | – Other | 12,161,566 | 2,934,842 |
| | Total deferred tax assets not brought to account | 21,628,644 | 9,067,963 |
| (d) | **Deferred tax liability not brought to account** | | |
| | On income-tax account | - | - |
| | Carry-forward tax losses | - | - |
| | Other | - | - |
| | Total deferred tax losses not brought to account | - | - |

The deferred tax asset not brought to account for the 2014 and 2013 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.*

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.

## 7. Cash and Cash Equivalents

| | 2014 $ | 2013 $ |
|---|---|---|
| Cash at bank | 500,983 | 1,978,590 |
| Term deposits | 9,850,000 | 12,436,381 |
| | 10,350,983 | 14,414,971 |

## 7. Cash and Cash Equivalents (continued)

### Risk exposure

The Consolidated Entity's exposure to interest rate risk is discussed in note 2. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of cash and cash equivalents mentioned above.

## 8. Trade and Other Receivables

| | 2014<br>$ | 2013<br>$ |
|---|---|---|
| Current: | | |
| Loan to Cuervo Resources Inc. | 5,216,470 | 5,216,470 |
| Provision for impairment | (5,216,470) | (4,488,289) |
| | - | 728,181 |
| Amounts receivable from sundry debtors | 60,839 | 326,214 |
| Goods and service tax (GST) recoverable in Australia | 12,436 | 25,049 |
| VAT credit & Income Tax Credit | 1,053 | 368 |
| Prepayments | - | 39,416 |
| | 74,328 | 1,119,228 |
| Non-Current: | | |
| Amounts receivable from sundry debtors | - | 8,483 |

Refer to Note 2 for the Consolidated Entity's exposure to credit risk, foreign exchange risk and interest rate risk.

## 9. Financial Assets at Fair Value through Profit or Loss

| | 2014<br>$ | 2013<br>$ |
|---|---|---|
| Financial assets at fair value through profit or loss are held for trading and include the following: | | |
| Current: | | |
| Cuervo Resources Inc. unlisted warrants – initial recognition | - | 1,742,253 |
| Add: net change in fair value | - | (1,701,271) |
| | - | 40,982 |
| Non-current: | | |
| *Financial assets at fair value through profit and loss* | | |
| Cuervo Resources Inc. shares – opening carrying value | 68,634 | 114,364 |
| Add: net change in fair value | (68,634) | (45,730) |
| | - | 68,634 |

Changes in fair value of financial assets at fair value through profit or loss are recorded as an expense in the current reporting period (Note 1(l)). The fair value of listed shares in financial assets at fair value through profit or loss has 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 2(a).

## 10. Property, Plant and Equipment

| | Capital WIP | Land | Plant and equipment | Leasehold improvements | Total |
|---|---|---|---|---|---|
| **At 30 June 2012** | | | | | |
| Cost or fair value | 280 | - | 169,323 | 14,936 | 184,539 |
| Accumulated depreciation and impairment | - | - | (124,573) | (675) | (125,248) |
| Net carrying amount | **280** | **-** | **44,750** | **14,261** | **59,291** |
| **2013 Consolidated** | | | | | |
| Carrying value at 1 July 2012 | 280 | - | 44,750 | 14,261 | 59,291 |
| Foreign exchange adjustment | - | 25,877 | 14,444 | - | 40,321 |
| Cost of asset additions | - | - | 29,539 | - | 29,539 |
| Acquisition of AF - Peru subsidiary | - | 427,290 | 122,500 | - | 549,790 |
| Depreciation expense | - | - | (42,533) | (1,922) | (44,455) |
| Cost of asset disposals | - | - | (114,345) | (15,006) | (129,351) |
| Accumulated depreciation on disposed assets | - | - | 84,770 | 2,667 | 87,437 |
| Carrying value at 30 June 2013 | **280** | **453,167** | **139,125** | **-** | **592,572** |
| **At 30 June 2013** | | | | | |
| Cost or fair value | 280 | 453,167 | 460,031 | - | 913,478 |
| Accumulated depreciation and impairment | - | - | (320,906) | - | (320,906) |
| Net carrying amount | **280** | **453,167** | **139,125** | **-** | **592,572** |
| **2014 Consolidated** | | | | | |
| Carrying value at 1 July 2013 | 280 | 453,167 | 139,125 | - | 592,572 |
| Foreign exchange adjustment | - | (24,255) | 7,479 | - | (16,776) |
| Cost of asset additions | - | - | 5,786 | - | 5,786 |
| Depreciation expense | - | - | (40,116) | - | (40,116) |
| Cost of asset disposals | - | - | (166,669) | - | (166,669) |
| Accumulated depreciation on disposed assets | - | - | 124,195 | - | 124,195 |
| Reclassification of property, plant and equipment held for sale | (280) | (428,912) | (69,800) | - | (498,992) |
| Carrying value at 30 June 2014 | **-** | **-** | **-** | **-** | **-** |
| **At 30 June 2014** | | | | | |
| Cost or fair value | 280 | 428,912 | 299,148 | - | 728,340 |
| Accumulated depreciation and impairment | - | - | (229,348) | - | (229,348) |
| Reclassification of property, plant and equipment held for sale | (280) | (428,912) | (69,800) | - | (498,992) |
| Net carrying amount | **-** | **-** | **-** | **-** | **-** |

## 11. Non-Current Assets Held for Sale

| | 2014<br>$ | 2013<br>$ |
|---|---|---|
| Property, plant and equipment | 498,992 | - |

On 14 April 2014, following a strategic review the Company decided to close its office and operations in Peru. Since determining to suspend its operations in Peru, the Company is actively looking to dispose of its assets in Peru.

## 12. Exploration and Evaluation Expenditure

| | 2014<br>$ | 2013<br>$ |
|---|---|---|
| Balance at the beginning of the year | 41,842,078 | - |
| Exploration and evaluation recognised upon acquisition of AF | - | 46,052,125 |
| Foreign exchange adjustment | 158,264 | 1,569,070 |
| Exploration and evaluation expenditure additions | 1,249,903 | 1,945,292 |
| Re-estimation of deferred consideration | - | (7,722,863) |
| Impairment loss – exploration and evaluation* | (43,250,245) | (1,546) |
| Balance at the end of the year | - | 41,842,078 |

*The Consolidated Entity has assessed the carrying amount of the exploration and evaluation in accordance with AASB 6 Exploration for and Evaluation of Mineral Resources and has recognised an impairment expense of $43,250,245 during the current financial year following the decision to review its commitment to continue sole funding the advancement of its projects in Peru. On 14 April 2014, the Group announced that it was undertaking a full strategic review of all of its assets and due to this it was closing AF's office and operations in Peru.

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 (o) & 3(a).

## 13. Trade and Other Payables

| | 2014<br>$ | 2013<br>$ |
|---|---|---|
| **Current** | | |
| Trade creditors | 182,590 | 183,503 |
| Other creditors and accruals | 2,232,121 | 390,154 |
| | 2,414,711 | 573,657 |
| **Non-Current** | | |
| Other creditors and accruals | - | 706,296 |
| | - | 706,296 |

Details of the Consolidated Entity's exposure to risks arising from current payables are set out in Note 2.

## 14. Provisions

| | 2014<br>$ | 2013<br>$ |
|---|---|---|
| **Current** | | |
| Provision for employee entitlements – annual leave | 53,266 | 48,602 |
| Other | 17,089 | 51,998 |
| | 70,355 | 100,600 |

## 15. Issued Capital

| | 2014<br>$ | 2013<br>$ |
|---|---|---|
| 145,334,268 (2013: 145,334,268) fully-paid ordinary shares | 148,439,925 | 148,439,925 |

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 2012 | | 142,534,268 | 148,109,255 |
| Share issued | 28 Dec 2012 | 2,800,000 | 336,000 |
| Share issue expenses | | - | (5,330) |
| **At 30 June 2013** | | **145,334,268** | **148,439,925** |
| Share issued | | - | - |
| Share issue expenses | | - | - |
| **At 30 June 2014** | | **145,334,268** | **148,439,925** |

### Ordinary share

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

Ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

### Options

Information relating to the Strike Resources Limited Employee Option Plan, including details of options issued, exercised and lapsed during the financial year and options outstanding at the end of the reporting period, is set out in note 28.

### 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.

## 16. Reserves

| | 2014<br>$ | 2013<br>$ |
|---|---|---|
| Foreign currency translation reserve | 2,394,188 | 1,899,896 |
| Share-based payments reserve | 13,233,026 | 13,233,026 |
| | 15,627,214 | 15,132,922 |

### Nature and Purpose of Other Reserves

*i. Share-Based Payment*

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.

*ii. Foreign Currency Translation*

Exchange differences arising on translation of the foreign controlled entities are taken to the foreign currency translation reserve as described in Note 1(d) and accumulate in a separate reserve within equity. The cumulative amount is reclassified to profit or loss when the net investment is disposed of.

| 2014 - Movement in share-based payment reserve | Grant date | No. | $ |
|---|---|---|---|
| The number of unlisted options outstanding over unissued ordinary shares at the reporting date is as follows: | | | |
| Opening balance at 1 July 2013 | | 6,500,000 | 13,233,026 |
| **Closing balance at 30 June 2014** | | **6,500,000** | **13,233,026** |

| 2013 - Movement in share-based payment reserve | Grant date | No. | $ |
|---|---|---|---|
| The number of unlisted options outstanding over unissued ordinary shares at the reporting date is as follows: | | | |
| Opening balance at 1 July 2012 | | 10,250,000 | 13,191,026 |
| **Granted options** | | | |
| *Employee Options* | | | |
| Unlisted options exercisable at $0.30; expiring 17 Jun 18 | 18 Jun 13 | 3,000,000 | 42,000 |
| **Lapsed options** | | | |
| *Other Options* | | | |
| Lapsed options exercisable at $3.978; expired 3 Dec 12 | | (3,500,000) | - |
| Lapsed options exercisable at $2.50; expired 24 Nov 12 | | (750,000) | - |
| Lapsed options exercisable at $2.75; expired 24 Nov 12 | | (750,000) | - |
| Lapsed options exercisable at $3.25; expired 24 Nov 12 | | (750,000) | - |
| Lapsed options exercisable at $2.878; expired 3 Mar 13 | | (250,000) | - |
| Unlisted options cancelled at $0.36; cancelled 18 Jun 13 | | (250,000) | - |
| Unlisted options cancelled at $0.42; cancelled 18 Jun 13 | | (250,000) | - |
| Unlisted options cancelled at $0.56; cancelled 18 Jun 13 | | (250,000) | - |
| **Closing balance at 30 June 2013** | | **6,500,000** | **13,233,026** |

### Equity-based Remuneration

On 18 June 2013 the Company granted 3,000,000 unlisted Director Options with an exercise price of $0.30, vesting immediately. The expiry date of these options is 17 June 2018.

The fair values of these options are expensed over the period from their date of grant to each respective vesting date. The fair value is calculated using a Black-Scholes options valuation model with an assumed volatility rate of 85% for the underlying SRK shares (Note 28).

## 17. Key Management Personnel Disclosures

### a. Compensation of Key Management Personnel

Refer to the remuneration report contained in the directors' report for details of the remuneration paid or payable to each member of the Company's key management personnel for the year ended 30 June 2014.

The totals of remuneration paid to KMP of the Company during the year are as follows:

| | 2014 $ | 2013 $ |
|---|---|---|
| Short-term employee benefits | 615,201 | 822,629 |
| Post-employment benefits | 52,594 | 62,153 |
| Long-term benefits | - | - |
| Termination benefits | - | 133,631 |
| Share-based payments | - | 42,000 |
| | 667,795 | 1,060,413 |

## 18. Auditors' Remuneration

| | 2014 $ | 2013 $ |
|---|---|---|
| Auditors of the Consolidated Entity | | |
| Audit and review of financial statements | | |
| - BDO Audit (WA) Pty Ltd | 41,000 | 47,500 |
| Auditors of the Peruvian subsidiaries | | |
| Audit and review of financial statements | | |
| - BDO Pazos, Lopez de Romana, Rodriguez | 4,000 | 6,779 |
| | 45,000 | 54,279 |

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms.

## 19. Contingent Assets and Liabilities

### a. 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.

### b. Government Royalties

The Consolidated Entity is liable to pay royalties on production obtained from its mineral tenements/concessions.

### c. Directors' Deeds

The Consolidated Entity has entered into deeds of indemnity with 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.

### d. Deferred Consideration to D&C

D&C Group receives the following deferred payments if certain milestones are achieved:

a. US$2 million on Apurimac Ferrum defining a JORC Resource at the Apurimac project of 500 Mt of iron ore with an average grade of at least 55% iron (Fe) or 275 Mt of contained iron at an average grade of 52.5% Fe or above.
b. US$3 million on Apurimac Ferrum S.A achieving environmental and community approvals for the construction of an iron ore mine and associated infrastructure with a design capacity of at least 10Mtpa of iron ore product.
c. US$5 million on formal Apurimac Ferrum Board approval to commence construction of an iron ore project, or the commencement of bulk earthworks for an iron ore processing plant, with a design capacity of at least 10Mtpa of iron ore product (Construction Milestone).

Under the terms of Shootout Settlement Agreement, Apurimac Ferrum S.A will also pay D&C Group the following royalties:

- 1.5% of the net profits from sales of iron ore.
- 2% of the proceeds of sales of other metals (on a net smelter return basis).

Or Apurimac Ferrum S.A may extinguish the royalties by paying D&C Group any one of the following amounts (Extinguishment Payment):

- US$13 million within 2 years from 20 December 2012, or
- US$15 million between 2 and 3 years from 20 December 2012, or
- US$20 million between 3 and 4 years from 20 December 2012, or
- US$30 million after 4 years from today but before the Construction Milestone occurs or the 15th anniversary of the agreement (whichever is sooner).

Due to the inherent uncertainty surrounding the achievement and timing of the above milestones, as at 30 June the Company treated the deferred consideration as a contingent liability.

## 20. Commitments

### a. Lease Commitments

| | 2014<br>$ | 2013<br>$ |
|---|---|---|
| Non-cancellable operating lease commitments: | | |
| not longer than one year | - | 165,215 |
| between 2 years and 5 years | - | 241,840 |
| | - | 407,055 |

The Consolidated Entity leased an office in Perth, Australia under a non-cancellable operating lease with an expiry date between 2 and 4 years. The lease expired in 2013.

### 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. The Company does not currently have any material commitments for expenditure relating to Australian tenements.

***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. On 14 April 2014, the Company announced that it was undertaking a full strategic review of all of its assets and has determined to close its office and operations in Peru.

***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 as to 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.

## 21. Acquisition of subsidiary

On 28 December 2012, the Group obtained control of Apurimac Ferrum S.A. (AF), an iron ore explorer, by acquiring the remaining 50% shares (13,126,085 shares) from its existing shareholders. As a result, the Group's equity interest in AF increased from 50% to 100%.

The acquisition of AF was assessed by the Board in the current period and it was determined that the acquisition was an asset acquisition, rather than a business combination as the substance and intent of the transaction was for the Group to acquire the exploration and evaluation assets of AF for the purpose of expanding the Group's overall resource base.

| | |
|---|---|
| **The value of net assets acquired at the date of acquisition were as follows:** | |
| Cash and cash equivalents | 209,723 |
| Trade and other receivables | 258,568 |
| Land | 427,290 |
| Property, plant and equipment | 122,500 |
| Exploration and evaluation expenditure | 46,052,125 |
| Trade and other payables | (1,456,177) |
| Loans and interests from Strike Resources Limited and Strike Finance Pty Ltd | (37,992,172) |
| Net assets acquired | 7,621,857 |

| | |
|---|---|
| **Acquisition consideration:** | |
| Shares issued (2,800,000 shares at $0.12 each), at fair value | 336,000 |
| Deferred consideration | 6,674,833 |
| Acquisition costs | 611,024 |
| Total purchase consideration | 7,621,857 |

***Deferred consideration***

D&C Group receives the following deferred payments if certain milestones are achieved:

a. US$2 million on Apurimac Ferrum defining a JORC Resource at the Apurimac project of 500 Mt of iron ore with an average grade of at least 55% iron (Fe) or 275 Mt of contained iron at an average grade of 52.5% Fe or above.
b. US$3 million on Apurimac Ferrum S.A achieving environmental and community approvals for the construction of an iron ore mine and associated infrastructure with a design capacity of at least 10Mtpa of iron ore product.
c. US$5 million on formal Apurimac Ferrum Board approval to commence construction of an iron ore project, or the commencement of bulk earthworks for an iron ore processing plant, with a design capacity of at least 10Mtpa of iron ore product (Construction Milestone).

The Company treated the deferred payments as a contingent liability at 30 June 2014. Refer to note 19.

| | |
|---|---|
| **The cash inflow on acquisition is as follows:** | |
| Net cash acquired with subsidiary | 209,723 |
| Net cash outflow | - |
| Net cash inflow on acquisition of subsidiary, net of cash acquired | 209,723 |

## 22. Related-Party Disclosures

### Subsidiaries

Interests in subsidiaries are set out in Note 23.

During the year $2,811,122 (2013: $4,954,844) was loaned to subsidiaries to fund exploration activities and closure costs of Peru office.

## 23. Investment in Controlled Entities

| | Country of Incorporation | Percentage of Ownership 2014 | 2013 |
|---|---|---|---|
| Strike Finance Pty Ltd | Australia | 100% | 100% |
| Strike Australian Operations Pty Ltd | Australia | 100% | 100% |
| Strike Operations Pty Ltd ("**SOPL**") | Australia | 100% | 100% |
| Strike Indo Operations Pty Ltd ("**SIOPL**") | Australia | 100% | 100% |
| Ferrum Holdings Limited | British Anguilla | 100% | 100% |
| Strike Resources Peru S.A.C. | Peru | 100% | 100% |
| Apurimac Ferrum S.A. | Peru | 100% | 100% |
| Ferrum Trading S.A.C | Peru | 100% | - |

## 24. Events Occurring after the Reporting Period

In July 2014 the Company received an offer to acquire its Peru assets. However the Company was unable to reach agreement with the party making the offer and in August 2014 the offer was withdrawn.

There have been no further changes of significance since then.

## 25. Reconciliation of Profit after Income Tax to Net Cash Inflow from Operating Activities

| | 2014 $ | 2013 $ |
|---|---|---|
| Operating profit/(loss) after tax | (48,761,450) | 23,597,187 |
| Consulting fees | - | 22,648 |
| Non cash flows in profit/(loss) from ordinary activities: | | |
| Depreciation - plant & equipment | 40,116 | 44,455 |
| Adjustment for movement in foreign exchange | 348,753 | - |
| Fair value adjustments | | |
| Loan to associated entity | - | (33,132,502) |
| Loan to Cuervo Resources Inc. impairment | 827,641 | - |
| Fair value through profit and loss financial assets | 109,616 | 1,869,704 |
| Sundry debtors impairment | - | 347,210 |
| Exploration and evaluation impairment | 43,250,245 | 1,546 |
| Directors' and employees' options | - | 42,000 |
| Loss on sale of fixed assets | 14,411 | 18,318 |
| Loss on sale of held for sale assets | - | 138,186 |
| Decrease/(increase) in assets: | | |
| Receivables | 299,070 | 2,626,624 |
| Increase/(decrease) in liabilities: | | |
| Trade creditors and accruals | 933,382 | 430,014 |
| Provisions | 319,755 | (39,182) |
| Net cash outflows from operating activities | (2,618,461) | (4,033,792) |

## 26. Non – cash Investing and Financing Activities

| | 2014 $ | 2013 $ |
|---|---|---|
| Shares issued to acquire Apurimac Ferrum S.A. | - | 336,000 |

On 28 December 2012, Strike Resources Limited issued 2,800,000 shares to Iron Associates Corporation, as part of the acquisition costs to acquire remaining 50% of Apurimac Ferrum S.A.

## 27. Earnings/(Loss) per Share

| | 2014 cents | 2013 cents |
|---|---|---|
| (a) Basic earnings/(loss) per share | | |
| From continuing operations attributable to the ordinary equity holders of the Company | (33.55) | 16.44 |
| (b) Diluted earnings/(loss) per share | | |
| From continuing operations attributable to the ordinary equity holders of the Company | (33.55) | 16.44 |
| (c) Reconciliations of earnings/(Losses) used in calculating earnings/(Loss) per share | | |
| *Basic earnings/(loss) per share* | | |
| Loss attributable to the ordinary equity holders of the Company used in Calculating basic earnings/(loss) per share: | | |
| From continuing operations | (48,761,450) | 23,597,187 |
| From discontinued operation | - | - |
| (d) Weighted average number of shares used as the denominator | | |
| Weighted average number of ordinary shares used as the denominator in calculating basic earnings/(loss) per share | 145,334,268 | 143,555,270 |
| Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings/(loss) per share | 145,334,268 | 143,555,270 |

## 28. Share-Based Payments

The establishment of the Strike Resources Limited Employee Option Plan was approved by shareholders on 6 November 2008. Options granted under the plan carry no dividend or voting rights. When exercisable, each option is convertible into one ordinary share within 5 business days after the exercise. There were no Employee Options granted during the year. A total of 3,000,000 Employee Options were granted during the 2013 financial year (Note 16). The reasons for the grant of these options to the Managing Director are as follows:

(a) The options issue was designed to act as an incentive for the recipient 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 recipient which is linked to the Company's share price performance.

(c) Based on the option exercise price, 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 the recipient has been determined having regard to the level of the recipient's salary 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.

| | 2014 $ | 2013 $ |
|---|---|---|
| Share-based payments expense | - | 42,000 |

## 28. Share-Based Payments (continued)

| 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 - 2014** | | | | | | | | |
| 24 Nov 11 | 23 Nov 16 | 0.36 | 833,334 | - | - | - | 833,334 | 833,334 |
| 24 Nov 11 | 23 Nov 16 | 0.42 | 833,333 | - | - | - | 833,333 | 833,333 |
| 24 Nov 11 | 23 Nov 16 | 0.56 | 833,333 | - | - | - | 833,333 | 833,333 |
| 5 Apr 12 | 23 Nov 16 | 0.36 | 333,334 | - | - | - | 333,334 | 333,334 |
| 5 Apr 12 | 23 Nov 16 | 0.42 | 333,333 | - | - | - | 333,333 | 333,333 |
| 5 Apr 12 | 23 Nov 16 | 0.56 | 333,333 | - | - | - | 333,333 | 333,333 |
| 18 Jun 13 | 17 Jun 18 | 0.30 | 3,000,000 | - | - | - | 3,000,000 | 3,000,000 |
| | | | 6,500,000 | - | - | - | 6,500,000 | 6,500,000 |
| *Weighted-average exercise price* | | | *0.38* | - | - | - | *0.38* | *0.38* |

| 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 - 2013** | | | | | | | | |
| 3 Dec 07 | 3 Dec 12 | 3.978 | 3,500,000 | - | - | (3,500,000) | - | - |
| 4 Mar 08 | 4 Mar 13 | 2.878 | 250,000 | - | - | (250,000) | - | - |
| 25 Nov 09 | 25 Nov 12 | 2.50 | 750,000 | - | - | (750,000) | - | - |
| 25 Nov 09 | 25 Nov 12 | 2.75 | 750,000 | - | - | (750,000) | - | - |
| 25 Nov 09 | 25 Nov 12 | 3.25 | 750,000 | - | - | (750,000) | - | - |
| 24 Nov 11 | 23 Nov 16 | 0.36 | 1,083,334 | - | - | (250,000) | 833,334 | 833,334 |
| 24 Nov 11 | 23 Nov 16 | 0.42 | 1,083,333 | - | - | (250,000) | 833,333 | 833,333 |
| 24 Nov 11 | 23 Nov 16 | 0.56 | 1,083,333 | - | - | (250,000) | 833,333 | 833,333 |
| 5 Apr 12 | 23 Nov 16 | 0.36 | 333,334 | - | - | - | 333,334 | 333,334 |
| 5 Apr 12 | 23 Nov 16 | 0.42 | 333,333 | - | - | - | 333,333 | 333,333 |
| 5 Apr 12 | 23 Nov 16 | 0.56 | 333,333 | - | - | - | 333,333 | 333,333 |
| 18 Jun 13 | 17 Jun 18 | 0.30 | - | 3,000,000 | - | - | 3,000,000 | 3,000,000 |
| | | | 10,250,000 | 3,000,000 | - | (6,750,000) | 6,500,000 | 6,500,000 |
| *Weighted-average exercise price* | | | *2.24* | *0.30* | - | *3.36* | *0.38* | *0.38* |

* Options issued to individuals who ceased employment with Strike Resources Limited 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 2.63 years (2013: 3.63 years).

### *Fair value of options granted*

There were no options granted during the year ended 30 June 2014. (The assessed fair value at grant date of options granted during the year ended 30 June 2013 was $0.014 for $0.30 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, the 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 2013 included:

*Options granted on 18 June 2013*

a. the options were granted for no consideration and vest immediately. Vested options are exercisable for a period of five years after vesting.
b. exercise prices of $0.30
c. grant date: 18 June 2013
d. expiry date: 17 June 2018
e. share price at grant date: $0.043
f. expected price volatility of the Company's shares: 85.00%
g. expected dividend yield: 0%
h. risk-free interest rate: 2.84%

The expected price volatility is based on the historic volatility (based on the remaining life of the options), adjusted for any expected changes to future volatility due to publicly available information.

## 29. Parent Entity Information

The following details information related to the parent entity, Strike Resources Limited, at 30 June 2014 and 30 June 2013. The information presented here has been prepared using consistent accounting policies as presented in Note 1.

| | 2014<br>$ | 2013<br>$ |
|---|---|---|
| Current assets | 10,231,293 | 15,146,787 |
| Non-current assets | 1,887 | (210,133) |
| Total assets | 10,233,180 | 14,936,654 |
| Current liabilities | 502,310 | 260,468 |
| Non-current liabilities | - | - |
| Total liabilities | 502,310 | 260,468 |
| Net assets | 9,730,870 | 14,676,186 |
| Contributed equity | 148,439,925 | 148,439,925 |
| Accumulated losses | (151,942,080) | (146,996,764) |
| Option reserve | 13,233,025 | 13,233,025 |
| Total equity | 9,730,870 | 14,676,186 |
| Profit/(loss) for the year | (4,945,316) | (11,134,658) |
| Other comprehensive income/(loss) for the year | - | - |
| Total comprehensive income/(loss) for the year | (4,945,316) | (11,134,658) |

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

# Directors' Declaration

In the Directors' opinion:

a) The Financial Statements, comprising the Consolidated Statement of Profit or Loss and Other 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 18-49 above, are in accordance with the *Corporations Act 2001*, and:

   (i) comply with Accounting Standards and the *Corporations Regulations 2001 other mandatory professional reporting requirements*;

   (ii) give a true and fair view of the Consolidated Entity's financial position as at 30 June 2014 and of its performance for the financial year ended on that date; and

b) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and

Note 1 confirms that the Financial Statements also comply with the International Financial Reporting Standards as issued by the International Accounting Standards Board.

The Directors have been given the declarations by the Managing Director (the person who performs the chief executive function) and the Company Secretary (the person who performs the Chief Financial Officer function) as required by section 295A of the Corporations Act 2001.

This declaration is made in accordance with a resolution of the Directors.

**William Johnson**
Managing Director
30 September 2014

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INDEPENDENT AUDITOR'S REPORT

To the members of Strike Resources Limited

## Report on the Financial Report

We have audited the accompanying financial report of Strike Resources Limited, which comprises the consolidated statement of financial position as at 30 June 2014, the consolidated statement of profit or loss and other 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 gives a true and fair view and 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 company'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 company'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 Limited, 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 Limited 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 2014 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.

## Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2014. 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 Limited for the year ended 30 June 2014 complies with section 300A of the *Corporations Act 2001*.

BDO Audit (WA) Pty Ltd

BDO

Wayne Basford
Director

Perth, 30 September 2014