Half-Year Financial Report

Strike Resources Limited and its controlled entities for the half year ended 31 December 2013

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Corporate Directory

Directors	Mr Malcolm Richmond Chairman / Non-Executive Director Mr William Johnson Managing Director Mr Matthew Hammond Non-Executive Director Ms Samantha Tough Non-Executive Director Mr Victor Ho Non-Executive Director Mr Farooq Khan Alternate Director for Mr Victor Ho
Company Secretary	Mr David Palumbo
Registered Office	Level 11, 216 St George's Terrace Perth, Western Australia, 6000 Telephone: +61 8 9481 0389 Facsimile: +61 8 9463 6103
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Auditors	BDO Audit (WA) P/L 38 Station Street Subiaco, Western Australia 6008 Telephone: +61 8 9382 4600 Facsimile: +61 8 9382 4601 Website: www.bdo.com.au
Solicitors to the Company	Ashurst Level 36, Grosvenor Place 225 George St Sydney, NSW 2000 Telephone: +61 2 9258 6000 Facsimile: +61 2 9258 6999 Website: www.ashurst.com
Stock Exchange Listing	Strike Resource Limited's shares are listed on the Australian Securities Exchange ("**ASX**") 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 half-year ended 31 December 2013.

Directors

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

Malcolm Richmond
Matthew Hammond
William Johnson
Samantha Tough

Review of Operations

Summary

During the period the Company continued to focus on advancing its 100% owned Apurimac iron ore project in Peru.

Subsequent to the end of the period, the Company announced that it would review its commitment to continue sole funding this project.

On 13th March 2014 the Company confirmed that is was undertaking a full strategic review of all of its assets and would look to engage an independent adviser to assist with this process.

Focus on Apurimac, Peru

The Company's core focus during the period was on driving exploration efforts and progressing key project milestones at its 100%-owned Apurimac project. Apurimac is the Company's flagship project and work continued during the half year towards validating Apurimac's potential for additional iron ore resources, to support the establishment of a significant iron ore operation. This effort is supported by the solid foundation of the existing JORC mineral resources of 269.4Mt of iron ore at an average grade of 57.3% iron.

During the half year ending 31 December 2013 field work was undertaken on the Environmental Impact Assessment (EIA) study at the Opaban concessions (Opaban 1, Opaban 3 and Christoforo 22) within the Apurimac concessions which is necessary in order for drilling to re-commence at these concessions.

The Company also continued to support the local communities throughout the half year, with economic and technical support towards a number of social and infrastructure initiatives. These included the digging of a new irrigation canal, construction of school sports fields, local churches and a local primary school. The Company also provided sponsorship for community Christmas festivities.

During the period, conditional exploration agreements were signed with two key communities, Huinchos and Cascabamba.

Social Approvals and Community Relations

Work during the half year centred on reaching agreement with local communities for continued access to key areas of Apurimac. Activities undertaken in conjunction with the community of Huinchos include support for the development of a local irrigation project, supply of fertiliser, assistance with the construction of a local community church, and completion of school sportsfields.

The company also established a number of Information Centres in the community, aimed at increasing awareness within the community of the Company's exploration plans. In September 2013 a conditional agreement was reached with the community of Huinchos. The agreement provides for Strike to access and explore its most important concessions and to undertake an Environmental Impact Assessment Semi Detailed ("EIA") study, required by the Peruvian Ministry of Energy and Mines prior to commencement of further drilling.

The Company also successfully negotiated a three year conditional exploration agreement with the Casbabamba community which covers the prospective Sillaccassa 1, Sillaccassa 2, Sillaccassa 3 and Wanka 1 concessions (the "Sillaccassa Concessions") located 25km west of the Opaban Concessions.

Exploration to date has identified three magnetic anomalies in the Sillaccassa Concessions; two of which extend for more than one kilometre and have coincident outcropping magnetite-rich ironstones. Iron grades from rock-chip sampling of the ironstones, which extend for approximately one kilometre in strike length, averaged 69% Fe. Accordingly, this area could provide a significant satellite resource for an iron ore operation at the Opaban Concessions.

Cusco Project

The Cusco project lies approximately 150km to the south - east of Apurimac and forms an attractive secondary development target for the Company in Peru. Like Apurimac, iron ore mineralisation at the project is coarse grained and dominated by magnetite, with high grades recorded. Preliminary metallurgical tests indicate a concentrate grade of >65% Fe can be produced from this ore using conventional grinding and magnetic separation processes.

An initial inferred resource estimate of 104Mt at 32.6% Fe is recorded for the Project, which has the scope for upgrade following further exploration work (including drilling) which would support re-evaluation of the resource methodology.

No work was undertaken on the Cusco project during the half year as the Company continued to focus on first progressing Apurimac.

Small Scale Mining – Pilot Operation and Economic Study

Approximately 8,000 tonnes of ore has been mined from surface outcrops from one of the Company's concessions by 'informal' community members, using an excavator.

During the period, the Company used some of this mined ore in a pilot operation to test the commercial viability of potentially establishing a regular supply of ore to a local steel plant and for export, using trucks to transport the ore.

Subsequent to the end of the period the Company concluded that at current iron ore prices this business would not be commercially attractive and consequently has ceased these operations.

Cerro Ccopane (operated by Cuervo Resources Inc)

On December 11, 2013 Strike issued a demand notice to Cuervo Resources Inc. ("Cuervo") for C$5.25 million plus interest, in respect of the Investment Agreement between the two Companies, relating to the development of the Cuervo operated Cerro Ccopane project.

The Cerro Ccopane project, located approximately 150km to the south - east of Apurimac, is operated by Canadian listed company Cuervo. Previous studies at Cerro Ccopane Project put total JORC mineral resources at 395.6 Mt at an average grade of 43.8% iron.

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 project, if the full amount owed to Strike was not paid by December 16, 2013. To date no further action has been undertaken.

Legal Injunction

On 28th February 2014, Strike Resources Limited announced that it had learned that a court in Peru has granted an injunction restraining its local holding companies from working, or otherwise dealing with, most of their Peruvian mineral concessions. The injunction was made without the Strike companies being served notice of such proceedings, thereby not having an opportunity to present any arguments to the court. Based upon the information available in relation to the claims, Strike considered there was no basis for the injunction and instructed its lawyers to apply to have the injunction set aside urgently.

On 13th March 2004 Strike announced that following swift action from its lawyers in Peru, this injunction had been revoked and the Company no longer has any such restrictions on these concessions.

Strategic Review

On 28th February 2014, the Company announced that it had decided to review its commitment to continue sole funding the advancement of its projects in Peru, would act to reduce its operational and administrative expenses in Peru and would be reviewing options with regard to utilising its remaining cash reserves.

On 13th March 2014, the Company confirmed that it was undertaking a full strategic review of all of it's assets and would look to engage an independent adviser to assist with this process.

Following the decision to review its commitment to continue sole funding the advancement of its projects in Peru, the Consolidated Entity assessed the carrying amount of the exploration and evaluation and has recognised an impairment expense of $43,795,794 during the current half year.

Board Appointments

On 24 January 2014 the company announced two new appointments to the Board. Mr Victor Ho has been appointed to the Board as a Non-Executive Director and Mr Farooq Khan as an alternate Director for Mr Ho. Mr Ho 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. 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. Mr Ho is currently Executive Director of Orion Equities Limited (ASX: OEQ), a 11% shareholder in the Company, and Executive Director of Queste Communications Ltd (ASX: QUE).

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 and has extensive experience in the securities industry, capital markets and the executive management of ASX-listed companies. In particular, Mr Khan has guided the establishment and growth of a number of public listed companies in the investment, mining and financial services sectors. He has considerable experience in the fields of capital raisings, mergers and acquisitions and investments. Mr Khan is currently Executive Chairman of Bentley Capital Limited (ASX: BEL), Executive Chairman of Orion Equities Limited (ASX: OEQ) and Executive Chairman and Managing Director of Queste Communications Ltd (ASX: QUE).

JORC Code Competent Person Statement

The information in respect to mineral resources and other exploration results at Cerro Ccopane is extracted from the report entitled "Cerro Ccopane Resource and Funding Update" released by Strike to the ASX on 30 July 2013 and available at www.strikeresources.com.au. The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcement. The company confirms that the form and context in which the Competent Peron's findings are presented have not been materially modified from the original market announcement.

JORC Code (2004) Competent Person Statement - Apurimac and Cuervo

The information in this document that relates to exploration results and mineral resources In respect of the Apurimac and Cuervo projects has been compiled by Mr Ken Hellsten, B.Sc. (Geology), who is a consultant to Strike Resources Ltd and is a Fellow of the Australasian Institute of Mining and Metallurgy. Mr Hellsten has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Mineral Resources and Ore Reserves" (the JORC Code). Mr Hellsten consents to the inclusion in this document of the matters based on this information in the form and context in which it appears.

This information in respect of Apurimac and Cuervo was prepared and first disclosed under the JORC Code 2004. It has not been updated since to comply with the JORC Code 2012 on the basis that the information has not materially changed since it was last reported.

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 6.

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

William Johnson
Managing Director
14 March 2014

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

As lead auditor for the review of Strike Resources Limited for the half-year ended 31 December 2013, 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 review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

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

Wayne Basford
Director

Perth, 14 March 2014

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the half-year ended 31 December 2013

		Consolidated	
		31 December 2013	31 December 2012
	Note	$	$
Revenue	3	217,752	1,221,706
Other income	4	68,221	33,132,502
		285,973	34,354,208
Occupancy costs		(75,934)	(98,183)
Finance costs		(7,444)	(6,461)
Personnel costs			
Cash remuneration		(726,218)	(804,566)
Corporate costs			
Professional fees		(549,652)	(516,925)
Other corporate expenses		(1,212,546)	(234,290)
Foreign exchange gain/(loss)		196,105	(563,128)
Impairment loss			
Exploration and evaluation costs	6	(43,795,794)	(188,398)
Loan to Cuervo Resources Inc.		(827,641)	(851,985)
Financial assets at fair value through profit or loss		(109,616)	(1,407,303)
Sundry debtors		(135,686)	-
Loss on disposal of fixed assets		(10,460)	-
Profit/(Loss) before income tax		(46,968,913)	29,682,969
Income tax expense		(9,128)	(55,350)
Profit/(Loss) for the half year		(46,978,041)	29,627,619
Other comprehensive income			
Items that will be reclassified to profit or loss			
Exchange differences on translation of foreign operations		1,100,878	(46,609)
Other comprehensive (loss) for the half year		1,100,878	(46,609)
Total comprehensive profit/(loss) for the period, net of income tax attributable to the owners		(45,877,163)	29,581,010
Basic profit/(loss) per share from profit/(loss) from continuing operations attributable to the ordinary equity holders of the Company		(32.32)	20.78
Diluted earnings per share from profit/(loss) from continuing operations attributable to the ordinary equity holders of the Company		(32.32)	20.78

The above 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 31 December 2013

	Note	Consolidated 31 December 2013 $	Consolidated 30 June 2013 $
Current assets			
Cash and cash equivalents		12,214,670	14,414,971
Trade and other receivables		230,572	1,119,228
Financial assets at fair value through profit or loss	5	-	40,982
Total current assets		12,445,242	15,575,181
Non-current assets			
Trade and other receivables		8,483	8,483
Financial assets at fair value through profit or loss	5	-	68,634
Property, plant and equipment		563,940	592,572
Exploration and evaluation expenditure	6	-	41,842,078
Total non-current assets		572,423	42,511,767
Total assets		13,017,665	58,086,948
Current liabilities			
Trade and other payables		1,191,197	573,657
Provisions		99,236	100,600
Total current liabilities		1,290,433	674,257
Non-current liabilities			
Trade and other payables		-	706,296
Provisions		898,000	-
Total non-current liabilities		898,000	706,296
Total liabilities		2,188,433	1,380,553
Net assets		10,829,232	56,706,395
Equity			
Contributed equity	7	148,439,925	148,439,925
Reserves		16,233,800	15,132,922
Accumulated losses		(153,844,493)	(106,866,452)
Total equity		10,829,232	56,706,395

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity

for the half-year ended 31 December 2013

Consolidated entity	Contributed equity $	Currency translation reserve $	Share-based payments reserve $	Accumulated Losses $	Total equity $
At 1 July 2012	148,109,255	(1,186,121)	13,191,026	(130,463,639)	29,650,521
Total comprehensive income for the period					
Profit for the half-year	-	-	-	29,627,619	29,627,619
Other comprehensive income					
Exchange differences on translation of foreign operations	-	(46,609)	-	-	(46,609)
Total comprehensive income/(loss) for the half year	-	(46,609)	-	29,627,619	29,581,010
Transactions with owners in their capacity as owners:					
Issue of shares	335,769	-	-	-	335,769
At 31 December 2012	**148,445,024**	**(1,232,730)**	**13,191,026**	**(100,836,020)**	**59,567,300**
At 1 July 2013	148,439,925	1,899,896	13,233,026	(106,866,452)	56,706,395
Total comprehensive income for the period					
Loss for the half- year	-	-	-	(46,978,041)	(46,978,041)
Other comprehensive income					
Exchange differences on translation of foreign operations	-	1,100,878	-	-	1,100,878
Total comprehensive income/(loss) for the half year	-	1,100,878	-	(46,978,041)	(45,877,163)
At 31 December 2013	**148,439,925**	**3,000,774**	**13,233,026**	**(153,844,493)**	**10,829,232**

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows

for the half-year ended 31 December 2013

	Note	31 December 2013 $	31 December 2012 $
Cash flows from operating activities			
Payments to suppliers and employees		(1,434,444)	(1,783,441)
Income tax payments		-	(55,350)
Net cash outflow from operating activities		(1,434,444)	(1,838,791)
Cash flows from investing activities			
Payments for exploration and evaluation expenditure		(1,047,484)	(1,858)
Payments for financial assets at fair value through profit or loss		-	(120,702)
Interest received		240,950	564,823
Net cash inflow from acquisition of subsidiary		-	209,723
Proceeds from disposal of fixed assets		1,476	-
Loans to associate/expenses paid on behalf of associate		-	(4,954,844)
Net cash outflow from investing activities		(805,058)	(4,302,858)
Cash flows from financing activities			
Share issue costs		-	-
Net cash outflow from financing activities		-	-
Net decrease in cash and cash equivalents held		(2,239,502)	(6,141,649)
Cash and cash equivalents at the beginning of the financial year		14,414,971	20,551,679
Effect of exchange rate changes on cash held		39,201	1,608
Cash and cash equivalents at end of the period		12,214,670	14,411,638

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

Notes to the Consolidated Financial Statements

for the half-year ended 31 December 2013

1. Basis of preparation of half-year report

This consolidated interim financial report for the half-year reporting period ended 31 December 2013 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001.*

This consolidated interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2013 and any public announcements made by Strike Resources Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001.*

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2013 interim reporting period and have not been applied in these financial statements. New, amended and revised standards that are mandatory for the period to 31 December 2013 did not result in any changes to the accounting policies. Where applicable certain comparative amounts have been reclassified to conform to the current period's presentation.

AASB reference	Title and Affected Standard(s)	Nature of Change	Application date	Impact on Initial Application
AASB 10	Consolidated Financial Statements	Replaces the guidance on control and consolidation in AASB 127, Consolidated and Separate Financial Statements, and Interpretation 112, Consolidation – Special Purpose Entities. It introduces a single definition of control of an entity, focusing on the need to have both exposure, or rights, to variable returns and the power to affect those returns, before control is present	Annual reporting periods commencing on or after 1 January 2013	The Group has reviewed its investments in other entities and concluded that the application of AASB 10 does not have any impact on the amounts recognised in the consolidated interim financial statements.
AASB 11	Joint Arrangements	Introduces a principles based approach to accounting for joint arrangements. The focus is no longer on the legal structure of joint arrangements, but rather on how contractual rights and obligations are shared by the parties to the joint arrangements. Based on the assessment of contractual rights and obligations, a joint arrangement will be classified as either a joint operation or a joint venture. Joint ventures are accounted for using the equity method, and the choice to proportionally consolidate is no longer permitted. Parties to a joint operation continue to account for their direct right to, and their share of, jointly held revenues, expenses, assets and liabilities of the joint operation.	Annual reporting periods commencing on or after 1 January 2013	The Group has assessed the nature of its joint arrangements and the application of AASB 11 does not have any impact on the amounts recognised in the consolidated interim financial statements.
AASB 12	Disclosure of Interests in Other Entities	Sets out the required disclosures for entities reporting under AASB 10 and AASB 11, replacing the disclosure requirements currently found in AASB 128, Investments in Associates and Joint Ventures.	Annual reporting periods commencing on or after 1 January 2013	The application of AASB 12 requires a number of disclosures which are consistent with previous disclosures made by the Company and has no impact on the amounts recognised in the consolidated interim financial statements
AASB 13	Fair Value Measurement	Currently, fair value measurement requirements are included in several Accounting Standards. AASB 13 establishes a single framework for measuring fair value of financial and non-financial items recognised at fair value in the statement of financial position or disclosed in the notes in the financial statements.	Annual reporting periods commencing on or after 1 January 2013	The application of AASB 13 has not changed the Company's measurement techniques for determining fair value.
AASB 119	Amendments to Employee Benefits	Sets out the required disclosures for entities reporting under AASB 119. An Amended version of AASB 119 'Employee Benefit' with revised requirements for pension and other post-employment benefits, termination benefits and other change requires a number of disclosures which are consistent with previous disclosures made by the Company.	Annual reporting periods commencing on or after 1 January 2013	AASB 119 amendments to Employee Benefits have no impact on the amounts recognised in the consolidated interim financial statements.

2. Segment information

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 three reportable segments as follows:

- Australia
- Indonesia (Thermal Coal)*
- Peru (Iron Ore)

* Strike's Indonesian subsidiary was sold during 2013 financial year.

Segment information provided to the Board of Directors

The segment information provided to the Board of Directors for the reportable segments for the half-year 31 December 2013 and 31 December 2012 are as follows:

Half-year 2013	Indonesia	Peru	Australia	Total
Interest revenue	-	-	217,752	217,752
Other income	-	967	-	967
Revenue from external customers	**-**	**967**	**217,752**	**218,719**
Adjusted EBITDA	**-**	**(45,333,040)**	**(6,995,655)**	**(52,328,695)**
Total segment assets	**-**	**1,629,459**	**13,031,836**	**14,661,295**
Total segment liabilities	**-**	**(3,092,349)**	**(39,743,271)**	**(42,835,620)**

Half-year 2012	Indonesia	Peru	Australia	Total
Interest revenue	1,079	-	1,036,128	1,037,207
Other income	-	218,462	33,098,539	33,317,001
Revenue from external customers	**1,079**	**218,462**	**34,134,667**	**34,354,208**
Adjusted EBITDA	**(254,188)**	**215,918**	**(10,293,544)**	**(10,331,814)**
Total segment assets 30 June 2013	**-**	**43,651,072**	**15,039,587**	**58,690,659**
Total segment liabilities 30 June 2013	**-**	**(13,316,569)**	**(36,485,673)**	**(49,802,242)**

2. Segment information (continued)

Other segment information

(i) *Adjusted EBITDA*

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

	31 December 2013 $	31 December 2012 $
Adjusted EBITDA	**(52,328,695)**	**(10,331,814)**
Intersegment eliminations	5,385,807	40,029,512
Depreciation	(26,025)	(14,729)
	(46,968,913)	**29,682,969**
Profit/(loss) before tax from continuing operations	(46,968,913)	29,682,969
	(46,968,913)	**29,682,969**

(ii) *Segment assets and segment liabilities*

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

	31 December 2013 $	30 June 2013 $
Segment assets	**14,661,295**	**58,690,659**
Intersegment eliminations	(1,643,630)	(603,711)
Total assets as per the Consolidated Statement of Financial Position	**13,017,665**	**58,086,948**
Segment liabilities	**(42,835,620)**	**(49,802,242)**
Intersegment eliminations	40,647,187	48,421,689
Total liabilities as per the Consolidated Statement of Financial Position	**(2,188,433)**	**(1,380,553)**

The amounts provided to the Board of Directors with respect to total assets are measured in a manner consistent with that of the financial statements. These assets are allocated based on the operations of the segment and the physical location of the asset.

3. Revenue

	31 December 2013 $	31 December 2012 $
Interest received – term deposits	217,752	417,536
Interest received - other	-	619,670
Revenue – Apurimac Ferrum	-	184,500
	217,752	1,221,706

4. Other Income

Other income		
Other income	68,221	-
Capitalisation of loans and receivables due from AF as a result of the acquisition on 28 December 2012	-	33,132,502
	68,221	33,132,502

5. Current financial assets at fair value through profit or loss

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

There were no transfers between level 1 and level 2 during the period.

The following table presents the Consolidated Entity's financial assets measured and recognised at fair value at 31 December 2013 and 30 June 2013.

At 31 December 2013	Level 1 $	Level 2 $	Level 3 $	Total $
Assets				
Financial assets at fair value through profit or loss				
– Trading securities	-	-	-	-
Total assets	-	-	-	-

At 30 June 2013	Level 1 $	Level 2 $	Level 3 $	Total $
Assets				
Financial assets at fair value through profit or loss				
– Trading securities	68,634	40,982	-	109,616
Total assets	68,634	40,982	-	109,616

6. Exploration and Evaluation Expenditure

	31 December 2013 $	30 June 2013 $
Beginning balance	41,842,078	-
Exploration and evaluation recognised upon acquisition of AF	-	46,052,125
Foreign Exchange adjustment	906,232	1,565,978
Exploration and evaluation expenditure additions	1,047,484	1,945,292
Re-estimation of deferred consideration	-	(7,722,863)
Impairment loss – exploration and evaluation*	(43,795,794)	1,546
Ending balance	-	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 $43,795,794 during the current half year following the decision to review its commitment to continue sole funding the advancement of its projects in Peru.

7. Contributed Equity

	31 December 2013 $	30 June 2013 $
145,334,268 (2012: 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
Shares issued on exercise of options		-	-
Shares issued	28 Dec 2012	2,800,000	336,000
Share issue expenses		-	(5,330)
At 30 June 2013		**145,334,268**	**148,439,925**
Shares issued on exercise of options		-	-
Share issued		-	-
Adjustments		-	-
Share issue expenses		-	-
At 31 December 2013		**145,334,268**	**148,439,925**

8. Dividends

No dividends were paid or provided for during the half-year ended 31 December 2013.

9. 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. For example, the applicable Government royalties in Peru are between 1% to 3% based on the value of production. At this stage it is not possible to quantify the potential financial obligation of the Consolidated Entity under Government royalties

c. Directors' Deeds

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

d. Millenium Legal Dispute

Millenium Trading S.A.C ("Milenium") has the right to conduct a small-scale mining operation on an AF concession, the identity of which is to be agreed. A mining operation of this kind by Millenium will not materially affect AF's development plans. As the parties have been unable to agree on the identity of the concession, AF referred the matter to arbitration.

After Millenium questioned several arbitrators as a stalling tactic, the Lima Chamber of Commerce ("LCC") has now appointed Mr. Enrique Palacios who –despite being also challenged by Millenium was ratified in a final decision dated August 12 2013 by the Superior Counsel for Arbitration of the LCC.

The arbitrator has since taken charge of the proceedings.

On 28th February 2014 Strike Resources Limited announced that it has learned that a court in Peru had granted an injunction restraining its local holding companies from working, or otherwise dealing with, most of their Peruvian mineral concessions. The injunction was made without the Strike companies being served notice of such proceedings, thereby not having an opportunity to present any arguments to the court. Based upon the information available in relation to the claims, Strike considered there to be no basis for the injunction.

On 13th March 2014 Strike announced that following swift action from it lawyers in Peru, this injunction had been revoked and the Company no longer has any such restrictions on these concessions.

e. 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 20 December 2012 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 31 December 2013 the Company treated the deferred consideration as a contingent liability.

10. Commitments

No new commitments have been entered into by the Group since 31 December 2013.

11. Related party transactions

a. Subsidiaries

Interests in subsidiaries are set out below.

During the period $1,273,735 (30 June 2013: $4,954,844) was loaned to subsidiaries to fund exploration activities.

Investment in Controlled Entities

	Country of Incorporation	Percentage of Ownership	
		2013	2012
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%	50%
Ferrum Trading S.A.C.	Peru	100%	-

12. Events occurring after the reporting period

There have been no significant events occurring after the reporting date except for:

- On 24th January 2014 Strike Resources Limited appointed Mr Victor Ho as a Non-Executive Director and Mr Farooq Khan as an alternate Director to Mr Ho.
- On 28th February 2014 Strike Resources Limited announced that it has learned that a court in Peru had granted an injunction restraining its local holding companies from working, or otherwise dealing with, most of their Peruvian mineral concessions. The injunction was made without the Strike companies being served notice of such proceedings, thereby not having an opportunity to present any arguments to the court. Based upon the information available in relation to the claims, Strike considered there to be no basis for the injunction. On 13th March 2014, Strike announced that following swift action from it lawyers in Peru, this injunction had been revoked and the Company no longer has any such restrictions on these concessions.
- On 28th February 2014, the Company announced that it had decided to review its commitment to continue sole funding the advancement of its projects in Peru, would act to reduce its operational and administrative expenses in Peru and would be reviewing options with regard to utilising its remaining cash reserves. On 13th March 2014, the Company confirmed that it was undertaking a full strategic review of all of its assets and would look to engage an independent adviser to assist with this process.
- Following the decision to review its commitment to continue sole funding the advancement of its projects in Peru, the Consolidated Entity assessed the carrying amount of the exploration and evaluation and has recognised an impairment expense of $43,795,794 during the current half year.

Directors' Declaration

In the Directors' opinion:

1. the consolidated financial statements and notes as set out on pages 7 to 17 are in accordance with the *Corporations Act 2001,* including:
   a) complying with Accounting Standards, the *Corporations Regulations 2001*, and other mandatory professional reporting requirements, and
   b) giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2013 and of its performance for the half-year ended on that date, and
2. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

William Johnson
Director
14 March 2014

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INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Strike Resources Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Strike Resources Limited, which comprises the consolidated statement of financial position as at 31 December 2013, 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 half-year ended on that date, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Strike Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, 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 review report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Strike Resources Limited is not in accordance with the *Corporations Act 2001* including:

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*

BDO Audit (WA) Pty Ltd

BDO

Wayne Basford
Director

Perth, 14 March 2014