STRIKE
RESOURCES LIMITED

Friday, 16 February 2006

MARKET ANNOUNCEMENT

Pre-Reinstatement Disclosure – Statement of the Impact of AIFRS

The following statement is consistent with the disclosure in Note 1.17 to the financial statements for the year ended 30 June 2005 (at page 52 of the Fast Scout Limited 2005 Annual Report).

The Consolidated Entity (Strike Resources Limited and controlled entities) is preparing and managing the transition to Australian Equivalents to International Financial Reporting Standards (AIFRS) effective for the financial years commencing from 1 January 2005. The adoption of AIFRS will be reflected in the Consolidated Entity's and the parent entity's financial statements for the year ending 30 June 2006. On first adoption of AIFRS, comparatives for the financial year ended 30 June 2005 are required to be restated. The majority of the AIFRS transitional adjustments will be made retrospectively against retained earnings at 1 July 2004.

The Consolidated Entity's management, with the assistance of its auditors (Stanton Partners) and external consultants, have assessed the significance of the expected changes and have prepared for their implementation. The impact of the alternative treatments and elections under *AASB 1: First Time Adoption of Australian Equivalents to International Financial Reporting Standards* has been considered where applicable.

The Directors are of the opinion that the key material differences in the Consolidated Entity's accounting policies on conversion to AIFRS and the financial effect of these differences where known, are as follows. Users of the Consolidated Entity's financial statements should note, however that the amounts disclosed therein could change if there are any amendments by standard-setters to the current AIFRS or interpretation of the AIFRS requirements changes.

i. Income Tax

Prior to 1 July 2005, the Consolidated Entity adopted the "liability method" of tax-effect accounting whereby the income tax expense was based on the accounting profit adjusted for any permanent differences. Timing differences were brought to account as either a provision for deferred income tax or future income tax benefit.

Post 1 July 2005, under the *AASB112: Income Taxes*, the Consolidated Entity will be required to adopt a "balance sheet approach" under which temporary differences are identified for each asset and liability rather than the effects of timing and permanent differences between taxable income and accounting profit.

The effect of this change in the accounting policy applied to the 30 June 2005 accounts gives rise to a potential deferred tax asset of $77,677 in addition to the deferred tax asset arising from tax losses amounting to $2,857,096 disclosed in Note 4 to the financial statements for the year ended 30 June 2005, which would ordinarily reduce the loss from ordinary activities after tax. The Consolidated Entity had elected not to adjust the comparatives in the financial statements for the year ended 30 June 2005 as the realisation of the benefit of the deferred tax asset realisation was not virtually certain.

ii. Non-Current Investments

Under *AASB 139: Financial Instruments: Recognition and Measurement*, financial assets are required to be classified into four categories, which determines the accounting treatment of the item. The categories and various treatments are:

- Held to maturity, measured at amortised cost;
- Held for trading (or designated "as at fair value through profit and loss" upon initial recognition), measured at fair value with unrealised gains or losses charged to the profit and loss;
- Loans and receivables, measured at amortised cost; and
- Available for sale instruments, measured at fair value with unrealised gains or losses taken to equity.

The Consolidated Entity's listed share investments are financial assets classified "as at fair value through profit and loss" upon initial recognition and are recognised in the Statement of Financial Position at fair value. During an accounting period changes in the fair value of investment securities will be recognised in the Statement of Financial Performance. The fair value of financial assets will be measured at bid price and will exclude disposal costs.

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Under *AASB 139: Financial Instruments: Recognition and Measurement*, the measurement of available for sale instruments at fair value differed from the pre 1 July 2005 accounting policy which measured non-current investments at cost with an annual review by Directors to ensure the carrying amounts are not in excess of the recoverable value of the instrument.

AASB 1 provides an election whereby the requirements of AASB 139 dealing with financial instruments are not required to be applied to the AIFRS comparative year, and the first time adoption of this standard will apply from 1 July 2005. The Consolidated Entity has decided that it will adopt this election and will not restate comparative information in the financial statements for the year ended 30 June 2005.

iii. Exploration Expenditure

AASB 6 "Exploration for and Evaluation of Mineral Resources" continues to allow companies either to expense exploration and evaluation costs as incurred or to partially or fully capitalise costs on an area of interest basis. Under AASB 6, if facts and circumstances suggest that the carrying amount of any recognised exploration and evaluation assets may be impaired, the Company must perform impairment tests on those assets and measure any impairment in accordance with AASB 136 "Impairment of Assets". Impairment of exploration and evaluation assets is to be assessed at a cash generating unit or group of cash generating units level provided this is no larger than an area of interest. Any impairment loss is to be recognised as an expense in accordance with AASB 13.

The Consolidated Entity did not have capitalised exploration and evaluation costs as at 30 June 2005. Such costs will be considered under AASB 6 post 1 July 2005.

For Further information:

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