

Thursday, 9 October 2008

MARKET ANNOUNCEMENT

COMPANY UPDATE

- **Gallagher will not proceed with a further investment into Strike due to continuing uncertainty in international capital markets**
- **Strike continues to focus on commencing production from Berau Coal Project by mid 2009 to generate early term cash flow**
- **Arbitration Panel in Peruvian litigation expected to be convened later in October 2008**
- **Strike will not be proceeding with on market share buy back announced on 25 September**

Gallagher Holdings Limited

Gallagher has advised the Company that, due to the significant down turn in international capital and credit markets, it will not proceed with a further investment into the Company, to replace the tranche 2 A\$53.4 million share placement which Gallagher had withdrawn (for failure of due diligence due to the uncertainty created by the international financial crisis) as announced on 23 September 2008.

Gallagher remains the largest shareholder of Strike with 14% of the Company's total issued share capital and has advised the Company that it is a strategic long term shareholder and can assist Strike with sharing its technical expertise as a part of a large mining and metals group.



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Berau Thermal Coal Project (Kalimantan, Indonesia) ¹

Strike continues to focus on the development of its Berau Project where a relatively low-cost strip mining operation is proposed of 1.5 million tonnes per annum initially, commencing in mid 2009, and increasing to 3 million tonnes per annum. This project, upon commencement of production, has the potential to generate substantial cash flows for Strike to assist in the development of the Company's other projects

A JORC Inferred Thermal Coal Resource of ~4.6 million tonnes with a calorific value of ~5,800 kcal/kg has been estimated for the project.² The coal has low ash (~5.6%), low sulphur (~0.64%) and Inherent Moisture of ~14 %.

The moderate calorific value of the coal together with its relatively low levels of ash and sulphur means that the coal is ideally suitable for use as a fuel for power utilities in both domestic and international market places. Currently, coal of comparable quality is selling for approximately US\$90 to \$100 per tonne FOB Indonesia (without penalty deductions for contaminants).

D&C Disputes

The Company has been advised by its Peruvian lawyers that the Lima Chamber of Commerce has advised of three proposed Arbitration Panel members, which includes a foreigner (non-Peruvian) as Chairman. The Panel, once formally installed (expected to be later in October 2008), will set a timetable for the future conduct of the Arbitration proceedings between Strike and D&C.

On-Market Share Buy Back

On 25 September 2008, the Company announced that it intended to conduct an on-market share buy back within the "10%/12 month limit" permitted under section 257B(4) of the *Corporations Act 2001 (Cth)*. No shares have been bought back by the Company under this mechanism to date. The Directors have determined that it is no longer appropriate for the Company to be undertaking this buy back as a consequence of the Gallagher tranche 2 investment not occurring and the current turbulent market conditions.

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¹ The information in this section which relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Mr Philip A. Jones and Mr Allen J. Maynard, who are Corporate Members of the Australasian Institute of Mining and Metallurgy and Members of the Australian Institute of Geoscientists and independent consultants to the Company. They have over 30 years of exploration and mining experience in a variety of mineral deposit styles including coal mineralisation. Mr Jones & Mr Maynard have sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which is being undertaken to qualify as Competent Persons as defined in the 2004 Edition of the "Australasian Code for reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Jones & Mr Maynard consent to inclusion in this section of the matters based on this information in the form and context in which it appears.

² Refer 1 August 2008 ASX market announcement entitled "JORC Inferred Coal Resource of 4.6Mt at Berau Project"