Market Announcement

Apurimac Project Update

Announcement Highlights

- Potential direct shipping ore (DSO) identified at Opaban 1 of 67 million tonnes at an average grade of 61.5%Fe.
- Concept study into a rope conveyor option by Doppelmayr (Ropecon) confirms it is suitable for transport of 10 to 20Mtpa of lump and fines or concentrate products to the port.
- If planned metallurgical testwork confirms the production of "Lump and Fines" products then significant alternate development options will be available for the project.
- Colcabamba drilling remains on schedule for early December commencement.

Apurimac Project - Peru[1]

Potential Direct Shipping Ore (DSO) – Opaban 1

Apurimac Ferrum (AF) considers, following a review of the grades at various mining cut-offs, that there is potential for a DSO at a 60% Fe cut-off within the Opaban 1 deposit. Mineralogically, the potential DSO material would be a magnetite dominant, magnetite/hematite blend.

As part of the project optimisation studies, a review of the Opaban 1 drill core and data identified broad zones of mineralisation with higher than average iron grades. Accordingly, SRK Consulting was requested to undertake a review of the February 2010 resource estimate to determine if this high-grade material could be defined in the current resource model and, if so, whether it occurred as continuous zones.

SRK Consulting identified three (3) discrete areas of high-grade (>60%Fe) mineralisation within the previously-announced (11 February, 2010) Opaban 1 resource of 260.9Mt at 57.2% Fe[2]. The zones range in size from approximately 600 metres along strike by 250 metres wide and up to 50 metres thick for the largest to approximately 250 metres by 150 metres and 50 metres thick for the smallest. These zones contain 67Mt of potential DSO material with an average grade of 61.5% Fe, 6.4% SiO_2, 1.7% Al_2O_3, 0.03% P, 0.10% S and 1.0% LOI.

These zones are considered by AF to be of sufficient dimensions to be minable using a range of conventional open pit mining equipment. Details of the SRK investigation can be found in the SRK Consulting memo "Potential DSO in Opaban 1" attached to this announcement.

AF expects similar material to be identified at Opaban 3, which currently has Indicated Resources of 8.5Mt at 62.1% Fe, 4.6% SiO2, 1.4% Al2O3, 0.04% P and 0.16% S[2].

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1 Strike has a 44% interest in this project, with potential to increase to 100% through a shoot-out mechanism. This mechanism is explained in Strike's 2010 Annual Report.

2 The basis for these resource estimates and the JORC Code Competent Person Statement are contained in that announcement.

(The potential quantity and grade of the target iron ore on the Opaban 3 concession is conceptual in nature. There has been insufficient exploration to define an additional mineral Resource in relation to that target iron ore. It is uncertain whether further exploration will result in the determination of an additional Mineral Resource in relation to that target iron ore.)

Doppelmayr Rope Conveyor (Ropecon) Concept Study

Ausenco and Doppelmayr have completed a concept-level study for AF into the feasibility of a Doppelmayr rope conveyor (Ropecon) for ore or product transport from the Mine Site at Opaban 1 to the Port of San Juan de Marcona. The key outcomes from the final report are:

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

Importantly, the capital and operating costs for the Ropecon option are significantly lower than for the rail transport system, which has a capital cost of US$3.0B and operating costs of US$5.90/t. Accordingly it is expected to deliver a material improvement in the project's financial returns compared with the rail transport system.

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

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

In addition, the Ropecon is expected to provide the preferred ore transport option from satellite deposits to a processing facility at Opaban due to its ability to traverse rugged terrain and low operating costs.

The Ropecon study is at only concept level at this time and a large amount of further work is necessary to confirm it is feasible from the construction and operational perspectives.

Preliminary Metallurgical Testwork Program

The Company is well advanced in planning a program of "sighter" metallurgical testwork to determine if suitable DSO (lump and fines) products can be generated at Opaban through simple screening processes. Earlier screening testwork at -1mm indicated the contaminants, especially silica and alumina, preferentially report to the finer portions, suggesting that higher-grade products may be produced by rejecting the finest fractions from a simple screening process.

A parallel program will explore methods to up-grade the remaining lower grade magnetite resource. This small program will utilise diamond core in storage from historical drilling campaigns and will seek to leverage off earlier testwork which suggested suitable products could be produced by magnetic separation on products at sizes as coarse as -1mm. It is

expected the initial results from the “sighter” testwork program will be received in the first quarter of 2011.

Should these testwork results prove positive the option of developing an initial, simpler processing operation based on treatment of the higher-grade ore at Opaban will be added to the PFS scope. It is expected this option would provide reduced up-front capital costs and lower operating costs in the initial years of an operation, as construction of the more complex magnetic concentrator could be deferred for several years.

While very preliminary, all of the results referred to above are seen as a positive step for the Apurimac project.

Colcabamba Drilling

The Company is pleased to announce that all necessary approvals for the Colcabamba drilling program have now been received from the authorities and drilling remains on schedule to commence in early December.

This program comprises approximately 2500 metres of diamond-core drilling to test 3 extensive areas of outcropping ironstones recording >60% Fe in rock chip sampling. Results are expected to flow progressively from the first quarter of 2011.

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Memo

To:	Apurimac Ferrum	**Date:**	27 October 2010
Attention:	Andrew Napier	**From:**	Bruce Sommerville
cc:		**Project No:**	APU002
SUBJECT:	**POTENTIAL DSO IN OPABAN 1**		

1 BACKGROUND

SRK consulting undertook a Mineral Resource estimate for the Opaban I deposit in January 2010 (Sommerville 2010) for Strike Resources Ltd. This mineral resource model used a Leapfrog model of the iron mineralisation at a 50% Fe cut-off to model the limit of the mineralisation. The 50% Fe grade was used to model mineralisation as it allowed for the modelling of a continuous horizon.

Andrew Napier from Apurimac Ferrum (AF) is interested in understanding the continuity and tonnage of a potential Direct Shipping Ore (DSO) component. In this case, AF has defined DSO as material were Fe>=60% Fe.

The aim of this study is to define an order of magnetite tonnage and grade of the potential DSO component, that is the tonnage of contiguous block were Fe >= 60% Fe.

2 DSO MODEL

A DSO model was built in Leapfrog using the following methodology:

1. Load the existing block model into Leapfrog. As DSO refers to mining blocks, the block model has been used as it represents block grades and not point grades from the drill holes.
2. Create an indicator for DSO where blocks with FE >= 60% are assigned a value of 1 and remaining blocks are assigned a code of 0.
3. Using the boundary of mineralisation, create a DSO model in Leapfrog. This is done by creating a 0.5 shell on the indicator. The 0.5 limits is used as this represents the change from DSO to beneficiating Ore (BFO). In this case the same parameters used in the modelling of the mineralisation were used.
4. Small wireframes of less than 400,000 M3 were removed from the model as these represent small discontinuous zones.

Figure 2-1 shows the mineralisation model and the location of the modelled DSO. In general there are three zones of contiguous mineralisation. Most of the DSO is located in the south-west portion of the main mineralisation domain, with lesser amounts in the central portion of the main mineralisation pod. A small amount of DSO is located in southerly mineralisation pod.

Cross sections are shown in Figure 2-2 to Figure 2-6. Looking at the cross sections, it is observed that the DSO boundary the cuts through high grade (>60% Fe) blocks. This will result in some

tonnage loss in calculating the DSO tonnage. However, the aim of this study is to provide an order of magnitude assessment of potential DSO tonnages, this is not considered to be material.

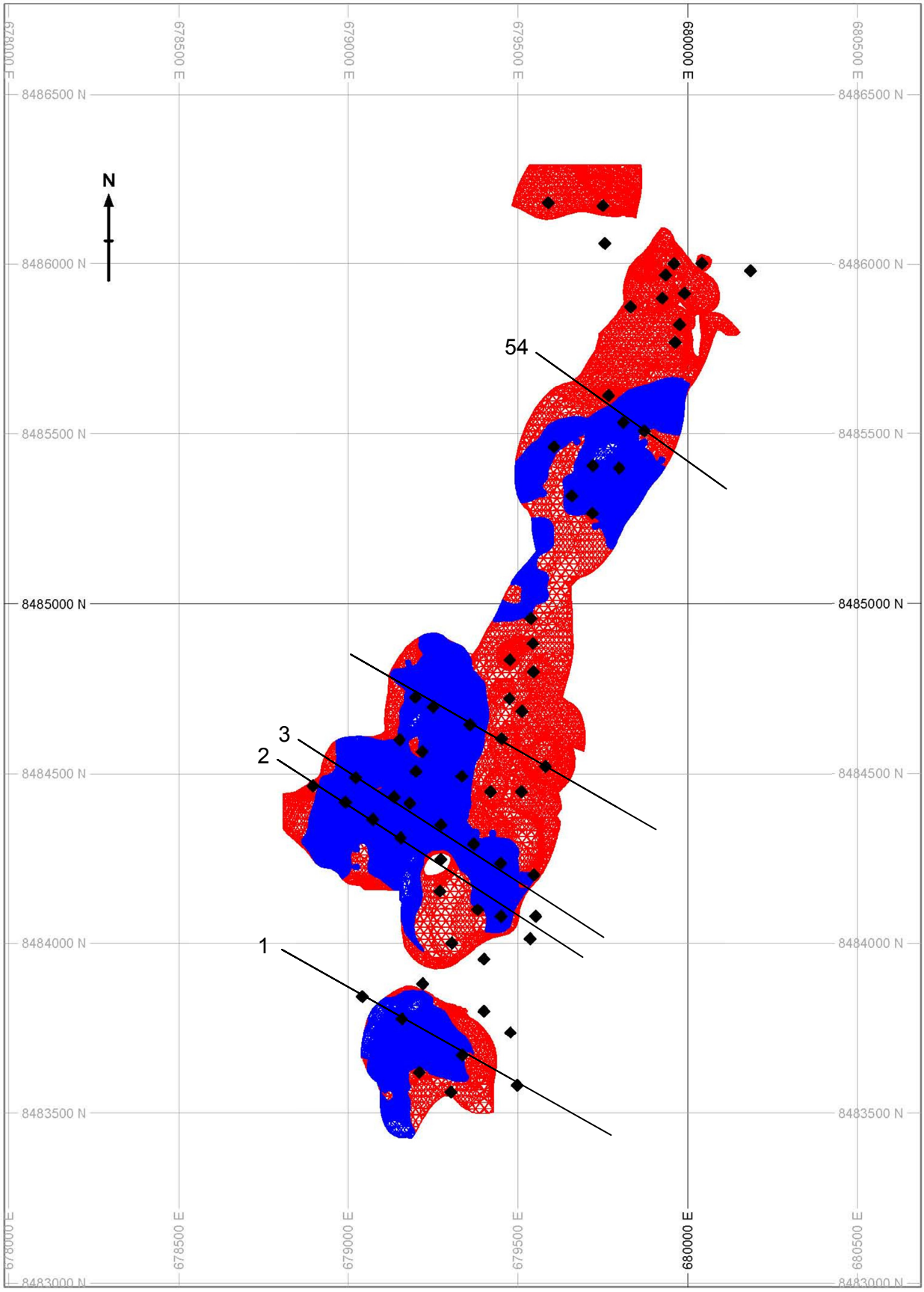

Figure 2-1: Plan View of drilling, mineralisation, DSO wireframes and cross section locations

Red = Fe Mineralisation. Blue = modelled DSO limits

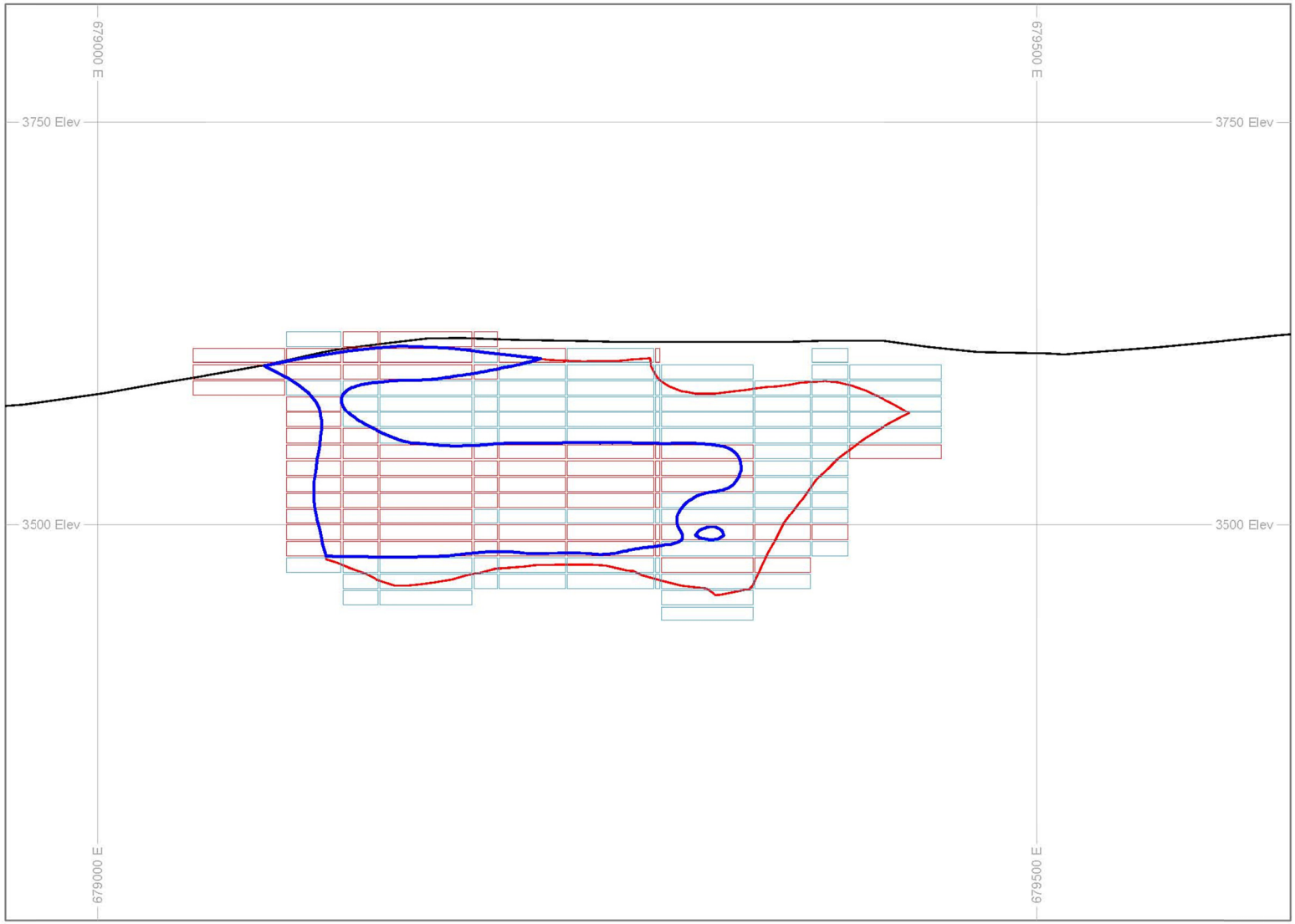

Figure 2-2: Geological wireframes through Section 1 showing the DSO model.

Black Line = topography, Red Lines = Resource Domain (>50% Fe), Blue Lines =DSO limit, Red blocks = DSO blocks, blue blocks = non DSO blocks.

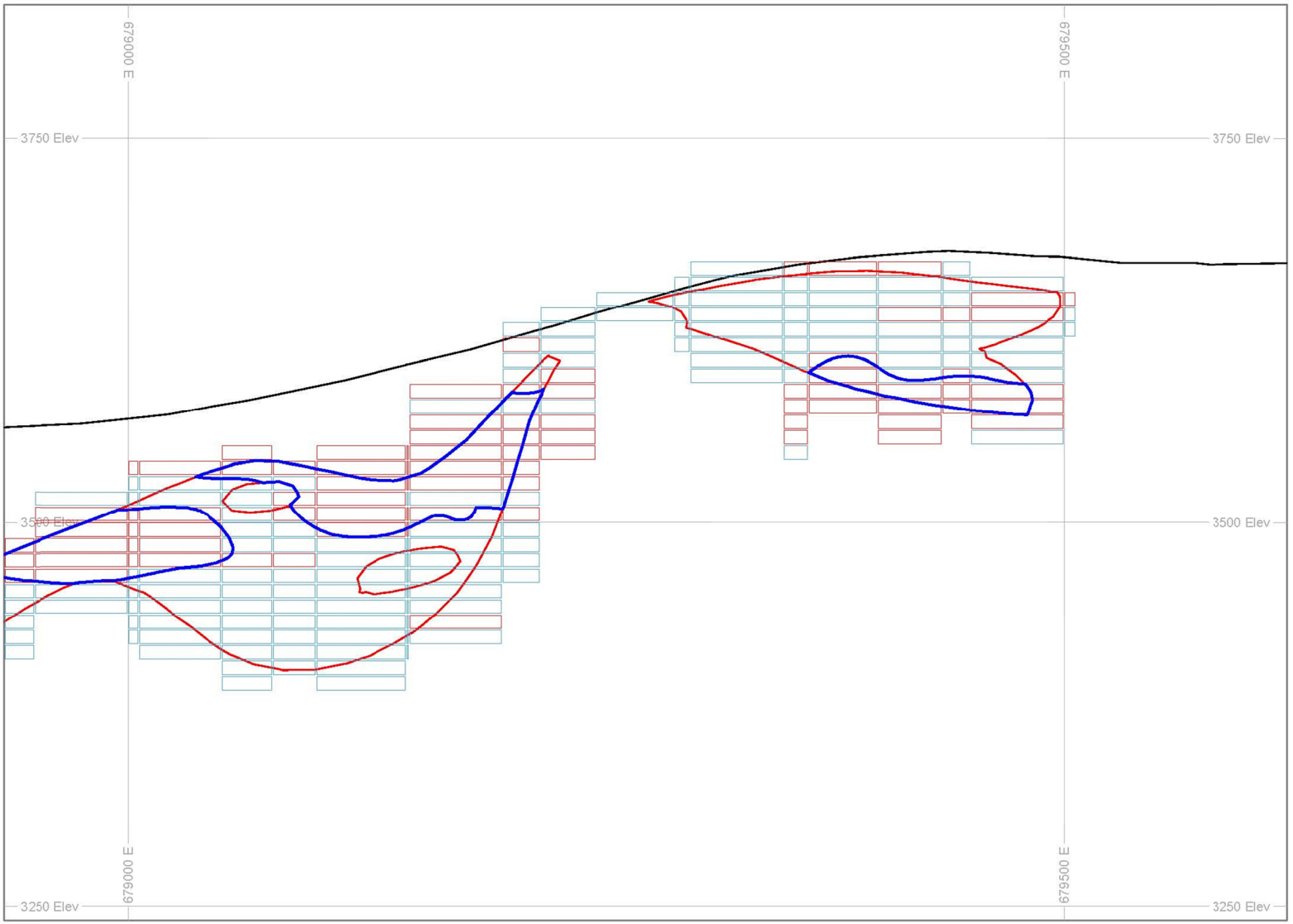

Figure 2-3: Geological wireframes through Section 2 showing the DSO model.

Black Line = topography, Red Lines = Resource Domain (>50% Fe), Blue Lines =DSO limit, Red blocks = DSO blocks, blue blocks = non DSO blocks.

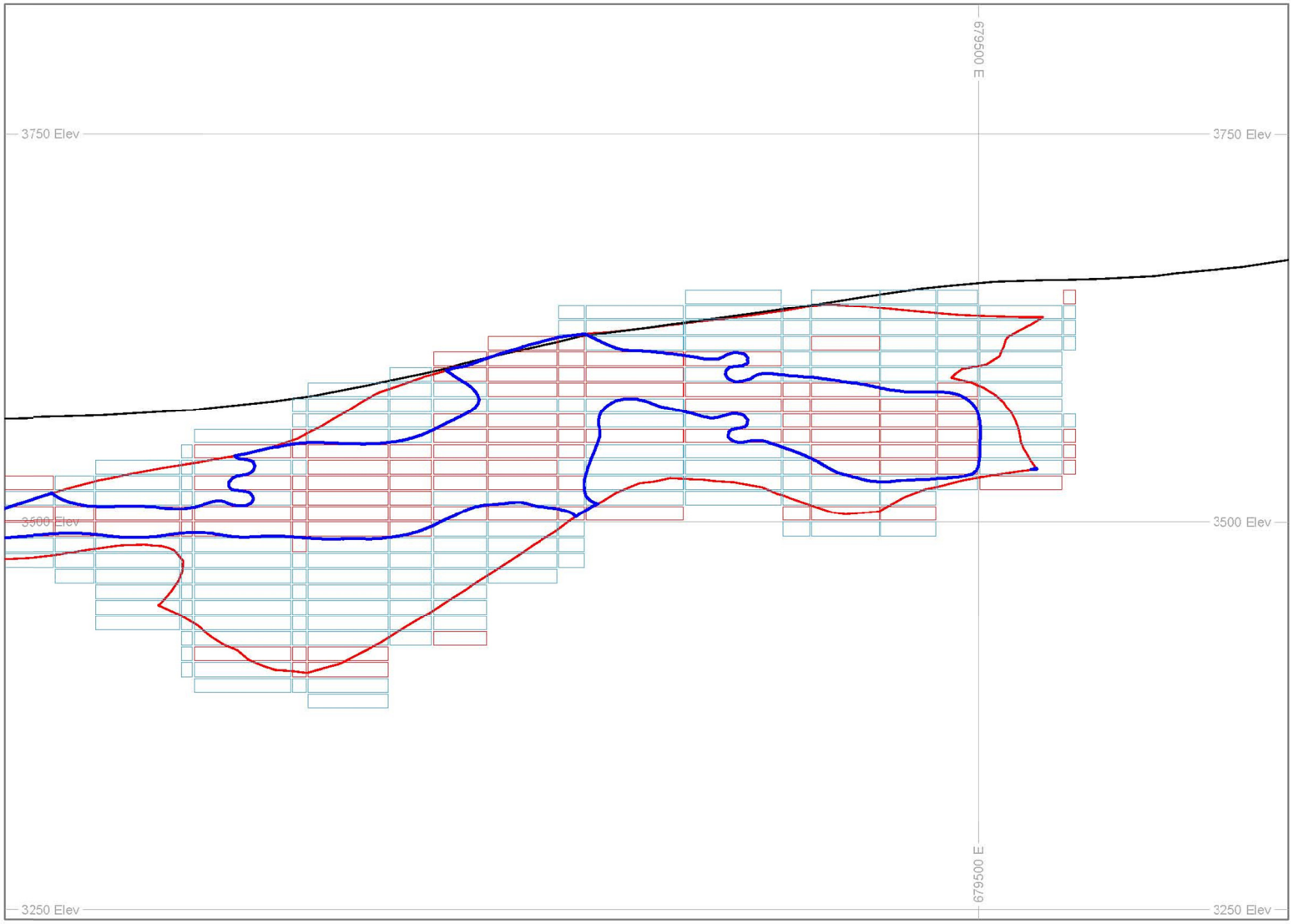

Figure 2-4: Geological wireframes through Section 3 showing the DSO model.

Black Line = topography, Red Lines = Resource Domain (>50% Fe), Blue Lines =DSO limit, Red blocks = DSO blocks, blue blocks = non DSO blocks.

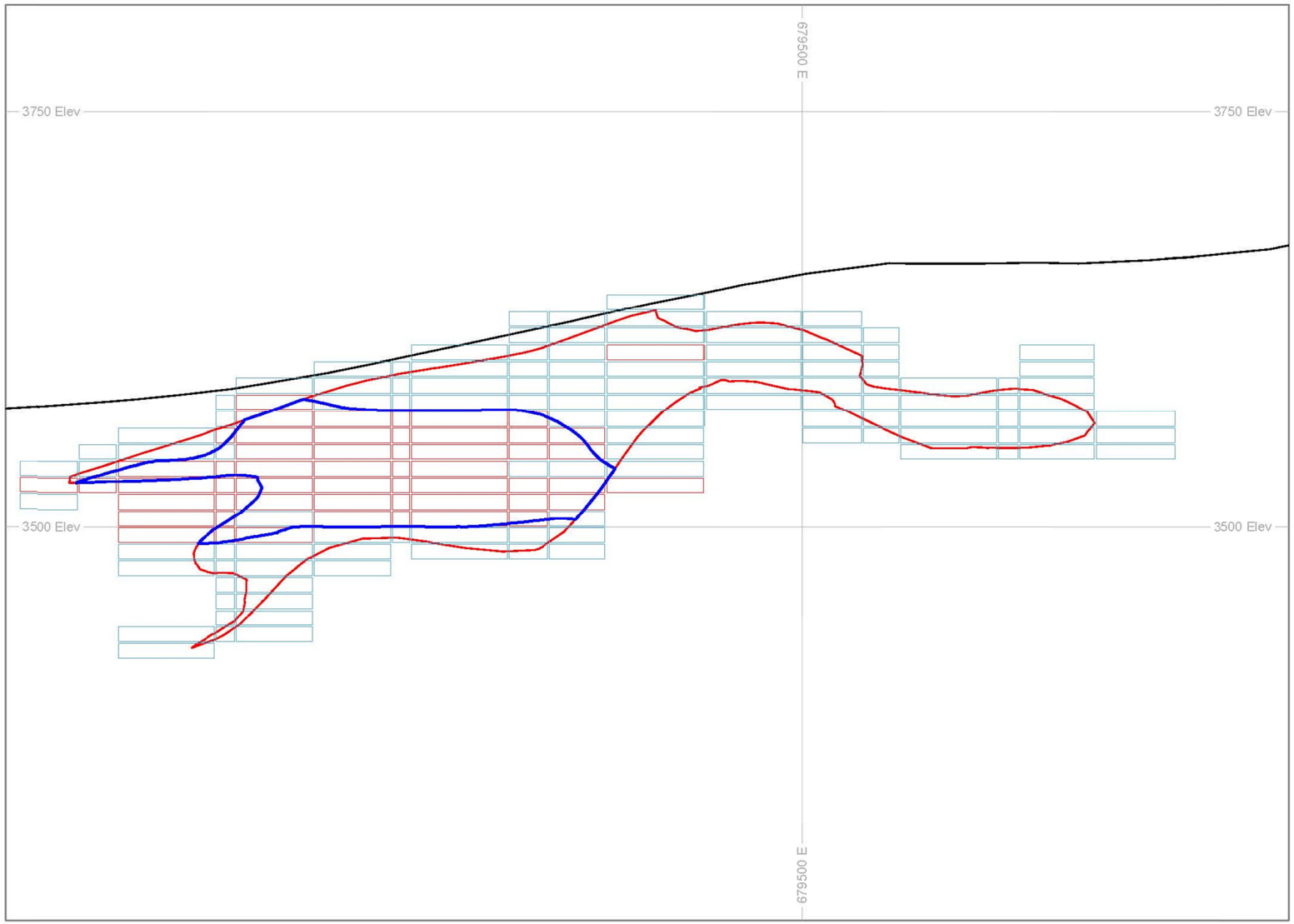

Figure 2-5: Geological wireframes through Section 4 showing the DSO model.

Black Line = topography, Red Lines = Resource Domain (>50% Fe), Blue Lines =DSO limit, Red blocks = DSO blocks, blue blocks = non DSO blocks.

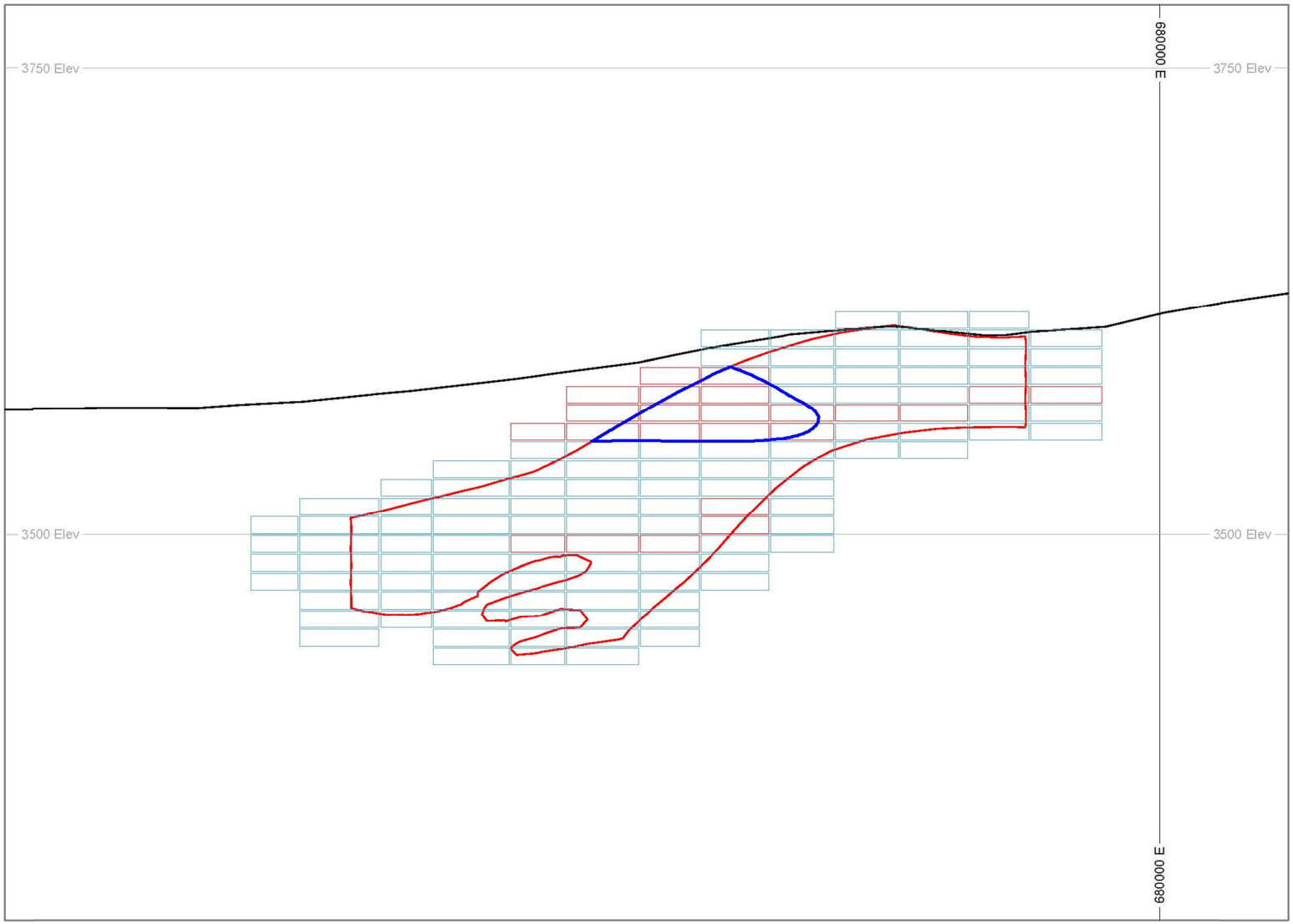

Figure 2-6: Geological wireframes through Section5 showing the DSO model.

Black Line = topography, Red Lines = Resource Domain (>50% Fe), Blue Lines =DSO limit, Red blocks = DSO blocks, blue blocks = non DSO blocks.

3 REPORTING BY DSO

To report from the block model as magnetite or hematite, the following steps occurred:

1. The DSO model developed in leapfrog was transferred to Datamine.
2. Each block in the model was assigned a field for the proportion of DSO (DSO_PROP) being the proportion of the block within the magnetite boundary (DSO tonnes can be calculated as the product of the DSO proportion, the block volume and the block density).
3. Each block proportion of BFO (BFO_PROP) which was calculated by difference using the proportion of mineralisation (MIN_PROP) field, that is:

   BFO_PROP = MIN_PROP – DSO_PROP
4. Report the DSO and BFO tonnes and grade from the model. As the modelling of the DSO zone was done by applying a cut-off, no additional cut-off has been applied. In this case the block estimates have not been repeated.

DSO mineral resources are presented in Table 3-1. In total there is 67.9 Mt at 61.5% Fe, 6.3% SiO_2, 1.7% Al_2O_3, 0.03% P and 1.0% LOI. This 8.6 Mt less that the total resource at a 60% cut-off reported by Sommerville (2010). The difference is a result of:

1. This report is for portions of blocks wireframed as DSO. This means that some blocks with Fe>60% Fe will only have a portion of the tonnes assigned to DSO because the DSO wireframe cuts through the block (this is clearly visible in the cross sections presented above). However, this is not considered to be a problem as this represents an order of magnitude tonnage assessment of contiguous blocks which meet the DSO cut-off, and

2. discontinuous blocks with Fe>=60% Fe are not modelled as DSO.

The tonnages for the remaining BFO material is shown in Table 3-2.

Table 3-1: Potential DSO Resources

Classification	Material	Volume	Density	Tonnes	Fe	SiO_2	Al_2O_3	P	LOI	S
		$m^3 \times (10^6)$	t / m^3	$t \times (10^6)$	%	%	%	%	%	%
Indicated	High S	0.0	4.0	0.1	58.16	5.97	1.45	0.03	1.19	1.85
Indicated	Low S	10.2	4.0	40.6	61.57	6.46	1.70	0.03	0.96	0.07
Indicated	**Total**	**10.2**	**4.0**	**40.7**	**61.57**	**6.46**	**1.70**	**0.03**	**0.96**	**0.08**
Inferred	High S	0.2	4.0	0.8	59.32	5.86	1.43	0.03	1.38	1.59
Inferred	Low S	6.6	4.0	26.4	61.41	6.21	1.65	0.03	1.16	0.13
Inferred	**Total**	**6.8**	**4.0**	**27.2**	**61.35**	**6.20**	**1.64**	**0.03**	**1.17**	**0.18**
Total	High S	0.2	4.0	0.9	59.21	5.87	1.43	0.03	1.36	1.61
Total	Low S	16.7	4.0	67.0	61.51	6.36	1.68	0.03	1.04	0.10
Total	**Total**	**17.0**	**4.0**	**67.9**	**61.48**	**6.35**	**1.68**	**0.03**	**1.04**	**0.12**

Table 3-2: Potential BFO Resources

Classification	Material	Volume	Density	Tonnes	Fe	SiO_2	Al_2O_3	P	LOI	S
		$m^3 \times (10^6)$	t / m^3	$t \times (10^6)$	%	%	%	%	%	%
Indicated	High S	1.4	4.0	5.5	55.21	9.46	2.59	0.04	0.76	1.43
Indicated	Low S	21.9	4.0	87.6	55.84	10.87	2.93	0.04	1.11	0.06
Indicated	**Total**	**23.3**	**4.0**	**93.1**	**55.81**	**10.79**	**2.91**	**0.04**	**1.09**	**0.15**
Inferred	High S	1.9	4.0	7.5	54.90	9.13	2.51	0.04	0.95	1.54
Inferred	Low S	23.1	4.0	92.5	55.44	10.69	3.02	0.04	1.19	0.14
Inferred	**Total**	**25.0**	**4.0**	**100.0**	**55.40**	**10.58**	**2.98**	**0.04**	**1.18**	**0.25**
Total	High S	3.2	4.0	13.0	54.92	9.16	2.51	0.04	0.93	1.53
Total	Low S	45.0	4.0	180.1	55.68	10.80	2.96	0.04	1.14	0.10
Total	**Total**	**48.3**	**4.0**	**193.1**	**55.63**	**10.69**	**2.93**	**0.04**	**1.13**	**0.19**

4 SUMMARY

Using 60% Fe as the cut-off grade for DSO material, the Opaban I deposit contains approximately 67.9 Mt at 61.5% Fe, 6.3% SiO_2, 1.7% Al_2O_3, 0.03% P and 1.0% LOI of DSO. Most of the DSO is located in the south-west portion of the main mineralisation domain, with lesser amounts in the central portion of the main mineralisation pod. A small amount of DSO is located in southerly mineralisation pod.

5 REFERENCES

Sommerville, B., 2010. Opaban I Resource Estimates. SRK Consulting Memo for Strike Resources Ltd.

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