



Half-Year Report

*for Strike Resources Limited and its controlled entities
for the six-month period ended 31 December 2011*

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www.strikeresources.com.au

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Corporate Directory

Board

Malcolm Richmond	Chairman
Kenneth Hellsten	Managing Director
William Johnson	Non-Executive Director
Matthew Hammond	Non-Executive Director
Samantha Tough	Non-Executive Director

Company Secretary

Stephen Gethin

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Directors' Report

Review of Operations

The December 2011 half year (the **Reporting Period**) has been a period of expansion for the Company, with the focus on increasing access to resources through the Cuervo Resources transaction, increasing its interest in its Peruvian joint venture company Apurimac Ferrum (**AF**) to 56%¹ and advancing AF's exploration program.

Strike is in a strong financial position, with a cash holding on 31 December 2011 of approximately A\$25.25 million. In addition, Strike holds a loan of C\$5.25 million to Cuervo Resources Inc. and secured loans of approximately US\$31.32 million to AF.

With an excellent project portfolio and strong team in place and community exploration approvals starting to flow, the Company is positioned for an exciting 2012.

Strategic Investments

Cuervo Transaction: Complementing Cusco with an Option over Additional Resources

Investment Agreement

In July 2011 Strike entered an investment agreement with Canadian-listed Peruvian explorer Cuervo Resources Inc. (**Cuervo**)². Under the agreement Strike advanced Cuervo C\$5.25 million, with the discretion to advance a further C\$9.25 million, to fund exploration on its Cerro Ccopane Project, adjacent to Strike's Cusco Project in southern Peru.

In consideration for the loan Cuervo granted Strike warrants in 2 tranches which, if exercised, would give Strike a 49.2% shareholding in Cuervo³ for a total cost of C\$15 million.

Resources

Cuervo's Cerro Ccopane project covers 14,000 ha (140 km²) of largely contiguous mineral concessions. Drilling in 167 holes in four zones of magnetite mineralisation has shown consistent, high-grade results.

At the time of the transaction the iron ore resource on the Orcopura prospect at Cerro Ccopane stood at 106 Mt at 45.3% Fe, comprised of 19.7 Mt at 48.3% Fe (measured), 35.9 Mt at 45.9% Fe (indicated) and 50.8 Mt at 43.7% (inferred)⁴.

On 14 February, after the Reporting Period, an additional inferred resource of 72Mt at 52.6% Fe was defined at the Huillque and Aurora prospects at Cerro Ccopane⁵.

Proposed drilling campaign

Ground magnetic and gravity surveys have identified two additional target zones at Cerro Ccopane, known as *Bob 1* and *Huillque Norte*. Both zones are considered high-quality drilling targets, with the following key features:

- At Bob 1 coincident magnetic and gravity anomalies have been identified over 6 km of strike, with strong indications of at least 10 km of strike potential. The strength and extent of the anomalies and the presence of outcropping ironstones coincident with them make this an exciting drilling target. Cuervo is well advanced in preparations for initial drill testing of the Bob 1 zone. All key approvals are in place, the access road is due for completion during March and drilling is scheduled to commence in April 2012.
- Huillque Norte is a strong gravity anomaly with occasional magnetic highs, which lies immediately north of the Huillque mineralised zone. Further detailed surveying and mapping are required

1 See page 3 for full details of Strike's shareholding in AF.

2 For full details of the transaction see Strike's 19 July 2011 ASX announcement: *Strategic Option to Acquire Major Stake in Cuervo*.

3 On an undiluted basis, or approximately 46% on a fully diluted basis.

4 Full details of the initial resource estimate are set out in the ASX announcement referred to in footnote 2. Competent person statement below.

5 For full details of this resource estimate see Strike's 14 February 2012 ASX announcement. The resource estimate for the Huillque and Aurora prospects used a 30% Fe lower cut and the sectional polygonal resource estimation process whereas the previous (Orcopura) estimate was a wire-framed computer model using a 20% Fe lower cut with grades determined using the inverse distance squared estimation method. Accordingly, some care must be taken when quoting a global resource for the project area.

prior to drill testing. At this time Cuervo believes this area has potential for copper and gold mineralisation as well as iron ore but further work is required to define specific drilling targets.

Peruvian JV interest increased to 56% - Potential to move above 70%

In July 2011 Strike acquired the 12% share in AF formerly held by Iron Associates Corporation, increasing Strike's shareholding in AF to 56%. At the same time Strike granted the other AF shareholder, D&C Group (**D&C**) an option to acquire half of those shares for US\$ 1.9 million (**Option**).

D&C exercised the Option in October 2011. The Option shares will be transferred after certain regulatory requirements have been met, anticipated during the second quarter of calendar 2012. When the Option shares are transferred Strike and D&C will each hold 50% of AF.

Debts owed by AF to its shareholders will be capitalised in September 2012 under the AF Settlement Agreement. At that time D&C will have the opportunity to contribute approximately US \$27 million in capital to AF to maintain its 50% shareholding. If D&C does not contribute any of the required funds it will be diluted to approximately 28% of AF, leaving Strike holding approximately 72%.

Apurimac Iron Ore Project

Exploration

Good progress was made in the Apurimac exploration program during the Reporting Period, despite a brief interruption at the end of 2011 caused by widespread protest activity, detailed under *Social Approvals and Community Relations*, below. Work programs resumed in early 2012. Key activities undertaken during the Reporting Period and to the date of this report include:

New Colcabamba drilling targets

Dr Warren Pratt, a highly regarded expert in Andean geology, was engaged to review the Colcabamba prospect. Re-logging of drill core from the eight (8) hole, 2336 metre drilling programme undertaken during the first half of 2011 was completed as part of the review. This led to the development of an alternative geological model for mineralisation at Colcabamba. The new model significantly increases the iron-ore tonnage potential at this prospect, and will be tested through further drilling from existing access and drill platforms.

AF has applied for an extension to existing drilling environmental approvals. Drilling will be undertaken following the completion of detailed magnetic surveys and additional geological mapping to finalise and prioritise the targets. This drilling is expected to commence during the second quarter of calendar 2012.

Promising targets at Sillaccassa

Geological mapping completed at Sillaccassa defined a new zone of massive magnetite mineralisation over at least 1 km of strike, which lies coincident with a strong magnetic anomaly. A new concession application was made to cover the extension of this zone beyond the boundaries of AF's existing ground.

A further zone of massive magnetite outcrop, also extending over more than 1 km of strike, was identified coincident with a large magnetic anomaly in the northern portion of the concessions. Geophysical interpretation of this target indicates strong potential for high-grade magnetite mineralisation to continue at depth. A third magnetic anomaly identified represents a deeper, buried magnetite target.

A drilling program designed to test these targets is scheduled to commence in the third quarter of calendar 2012.

Antapata (North Opaban 1)

The Antapata community covers approximately half of the northern portion of the Opaban I deposit and the northern extension of the mineralised trend.

Geological mapping at Antapata identified an area of massive-magnetite outcrop up to 30 metres thick and extending over 300 metres' strike length. In addition, 32 line kilometres of ground magnetics were conducted to complete the ground magnetic coverage over the Opaban I concession. The results are most encouraging, as they have confirmed that the magnetic trend continues north from the current Opaban

resource of 269Mt at 57.3% Fe⁶ and have extended the magnetic anomaly a further 1 km to the north. Significantly, the outcropping massive magnetite identified in the geological mapping corresponds with this magnetic trend.

Drill testing this trend is a high priority for AF as it provides excellent potential to expand the Opaban 1 resource. Negotiations are underway with the community for surface drilling and this program has been added to the EIA environmental approval application. Drilling is unlikely to commence before late 2012 due to the 8 – 9 months required for EIA approval by the government.

Social Approvals and Community Relations

During the Reporting Period AF made significant progress in establishing strong, positive relationships with the communities and local, regional and federal authorities for its project areas. During the second half of 2011 approvals were granted by several communities for exploration activities to commence and, importantly, dialogue for access to the key Opaban Project area recommenced.

AF was invited to establish information offices at both the Huinchos (Opaban I concession, Apurimac Region) and at Huiniquiri (Santo Tomas Project, Cusco Region) communities during the December quarter. Both offices have been well received by the communities.

Geological field work and community relations programs are underway near Andahuaylas at Sillaccassa, Cascabamba, Antapata and Huinchos, as well as Colcabamba near Abancay in the Apurimac Region and at Santo Tomas in the Cusco Region. During late 2011 a number of protests against other mining projects and illegal mining activities broke out in several regions of Perú, including Andahuaylas in the Apurimac region. The Andahuaylas protesters' key issues were informal mining and ore processing which are affecting local water quality. During the protest AF halted exploration and withdrew from formal discussions with the communities, at their request.

In early January 2012 President Humala visited Andahuaylas to meet with regional officials and deliver a public address. During his visit he reiterated that Apurimac would benefit from a strong and sustainable mining industry, which would bring significant benefits to the region and local communities through direct and indirect employment opportunities, social programs and royalty payments. The President has consistently stated that he supports responsible mining in Perú and sees mining industry revenues as crucial to the delivery of social programs. All levels of government are working to address the protestors' legitimate concerns, while ensuring that responsible mining investments may proceed.

After the President's visit AF was approached by several communities in Apurimac and Cusco to recommence discussions about approvals for exploration activities. This includes the community on the southern part of the Opaban Project, which hosts the bulk of AF's high-grade magnetite iron ore. Notably, AF was granted permission to re-initiate field and community work at Colcabamba in January by a wide margin of votes in a local assembly.

The Colcabamba exploration approval is a very positive signal. AF believes that other communities in both the Cusco and Apurimac Regions will approve AF's programs in the coming months. Engagement is very positive at Huinchos (south Opaban 1, Apurimac), Huiniquiri (Santo Tomas, Cusco) and other locations. If these communities grant permission, AF is prepared to rapidly initiate the exploration and community programs that have been planned in each area.

Millenium Dispute

The court action which Millenium Trading S.A. (**Millennium**) brought against AF⁷ was dismissed in December 2011, on the grounds that the agreement under which the matter arose provided that any disputes must be resolved by arbitration. An attempted appeal by Millenium was dismissed.

Under a 2006 agreement Millenium is entitled to conduct a small-scale mining operation on a single AF concession, the identity of which is to be determined by a further agreement between the parties. As the parties have been unable to agree on the identity of this concession, despite AF's good-faith efforts to negotiate, AF referred the matter to arbitration to resolve this issue. The arbitration is continuing.

⁶ Comprised of an indicated resource of 142.2 Mt at 57.84% Fe and an inferred resource of 127 Mt at 56.7% Fe.

⁷ See Strike's 24 March 2011 ASX announcement entitled: *Millenium Dispute Update*.

Cusco Iron Ore Project

The Cusco Project has an inferred iron ore resource of 104.4 million tonnes (Mt) at an average grade of 32.6% Fe, with additional potential iron ore mineralisation identified from drilling of 23 to 26 Mt at 30 – 35% Fe⁸. (The potential quantity and grade of the target iron ore 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.)

The Cusco drilling programs to date have tested only 30 – 40% of the target area for iron ore. The timing of further drilling will depend on receipt of environmental and community approvals but is expected to commence during the second half of calendar 2012.

As part of the Cusco Project geology review led by Dr Pratt, core from previous drilling was re-logged to enable new geological cross sections to be generated. The review determined that the original geological model used in the resource estimate may have significantly understated the volume of iron mineralisation. If warranted, a revised resource model and estimation will be undertaken.

The next stage of field work will focus on extending the current iron ore mineralisation, as well as testing high-priority copper and gold targets. Planned activities include a major IP survey designed to fill in gaps in the current survey and to extend coverage over the entire Santo Tomas concession area. The proposed survey, combined with the geological mapping and previous gravity and ground magnetic data, is expected to generate further drill targets for both iron and copper mineralisation. Drilling is expected to commence during the second half of calendar 2012.

Other Projects

Berau Coal – Indonesia

Discussions with Strike's Indonesian partner continued during the Reporting Period (and are ongoing) in an effort to restructure the joint venture agreement to ensure that it complies with changes to Indonesia's Mining Law. These discussions have seen material progress made although no formal agreement has been achieved as yet.

Paulsens East Iron-Ore – Pilbara, Western Australia⁹

Under a farm-out agreement between Strike and Process Minerals International Pty Ltd (PMI) - a subsidiary of ASX-listed Mineral Resources Limited - PMI has exclusive rights to explore for and mine iron ore from Paulsens East. Strike retains the rights to other minerals. If PMI mines iron ore at this project it will pay Strike a royalty of A\$ 3.20 per tonne, subject to variations in line with movements in an iron-ore benchmark price.

During the Reporting Period PMI continued to progress discussions with the Traditional Owners concerning a proposed agreement permitting mining on their land.

JORC Code Competent Person Statement

The information in this document that relates to exploration results and mineral resources has been compiled by Mr Ian Cullen, B.Sc. (Geology) who is an employee of Strike Resources Ltd and is a member of the Australasian Institute of Mining and Metallurgy. Mr Cullen 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 Cullen consents to the inclusion in this document of the matters based on this information in the form and context in which it appears.

Corporate

Strengthening the Board

On 27 July 2011 acting Chairman Malcolm Richmond was appointed Chairman.

⁸ Full details of the resource and the potential additional mineralisation considered to exist are contained in Strike's 17 and 20 June 2011 ASX announcements.

⁹ Strike's interest in this project is the right to a royalty on any iron ore mined by the farm-out partner, PMI.

On 23 January 2012, after the Reporting Period, Strike appointed Samantha Tough to the Board as an independent, non-executive director.

Ms Tough is a professional company director, with more than 14 years' experience on the boards of public and private companies in the resources and other industries, including four as chairman. She was, until recently, a Non-Executive Director of Murchison Metals Ltd and is currently Chairman of Southern Cross Goldfields Ltd, RemCo Ltd and Structerre Pty Ltd (WA's largest engineering services provider to the residential and small commercial market). She has also served as Chairman at AWT Ltd (engineering services to oil and gas) and as a member of the Curtin University Investment Committee.

Her previous executive roles include Senior Vice President, Strategic Counsel - Natural Resources at the Commonwealth Bank and General Manager, North West Shelf, at Woodside Energy.

The appointment of an additional independent director is a key element of Strike's program of continual corporate governance improvement.

Strategic Review of Operations: Outcomes Implemented

In July 2011 the Board completed its two-round, strategic review of operations which began in April that year. Key outcomes from the review were:

- Confirming the objective of becoming the most significant iron-ore producer in Perú, through the establishment of a 15 – 20Mtpa iron-ore business based on AF's Apurimac and Cusco Projects and the assets of Cuervo.
- Utilising the Company's strong cash position, strategic strengths and AF's experienced team in Perú to consolidate its landholding and strong iron-ore resource position.
- Undertaking vigorous exploration and acquisition programs to materially increase iron-ore resources over the next 2 years.
- Leveraging from the Company's location in the world's largest copper producing belt to establish a strong base-metals project portfolio.

During and since the review the Company has taken the following steps to implement these objectives:

- Entered into the investment agreement with Cuervo Resources Inc. (detailed above).
- Increased its stake in AF from 44% to at least 50% (also detailed above).
- Appointed Australian geologist Ian Cullen as Business Development Manager, based in Lima. Mr Cullen was formerly Chief Geologist at AF and was responsible for identifying the Cuervo Resources opportunity. Mr Cullen's principal role is to identify and assess opportunities to invest in iron ore, copper and gold projects which may complement AF's operations or be capable of operating on a stand-alone basis in Peru and elsewhere.

Events after Reporting Period

Other than matters in the Review of Operations, above which are stated to have occurred after the Reporting Period, no events occurred after the after the Reporting Period that require separate disclosure.

There were no other significant changes in the state of affairs of the Strike consolidated entity during the Reporting Period not otherwise disclosed in the Directors' Report or the Financial Statements.

Directors Holding Office

The names of the Directors who held office during or since the Reporting Period are set out below.

Name	Position	Date Appointed
Mr Malcolm Richmond	Chairman	Director on 25 October 2006 Chairman on 27 July 2011
Mr Ken Hellsten	Managing Director	24 March 2010
Mr Matthew Hammond	Non-Executive Director	25 September 2009
Mr William Johnson	Non-Executive Director	Executive Director on 14 July 2006 Non-Executive Director on 30 April 2010
Ms Samantha Tough	Non-Executive Director	23 January 2012

Auditor's Independence Declaration

A copy of the Auditors' Independence Declaration as required under section 307C of the Corporations Act 2001, and referred to in the Auditor's Independent Review Report, on the following page forms part of this Directors' Report.

Signed for and on behalf of the Directors in accordance with a resolution of the Board.

Ken Hellsten
Managing Director

13 March 2012



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13 March 2012

The Directors
Strike Resources Limited
Level 2, 160 St Georges Terrace
PERTH WA 6000

Dear Sirs,

**DECLARATION OF INDEPENDENCE BY BRAD MCVEIGH TO THE DIRECTORS OF
STRIKE RESOURCES LIMITED**

As lead auditor for the review of Strike Resources Limited for the half-year ended 31 December 2011, I declare that to the best of my knowledge and belief, there have been:

- no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- 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.

Brad McVeigh
Director

BDO Audit (WA) Pty Ltd
Perth, Western Australia

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Consolidated Statement of Comprehensive Income

for the half-year ended 31 December 2011

	Note	Consolidated 31 December 2011 \$	31 December 2010 \$
Revenue	4	5,311,975	2,324,048
Occupancy costs		(130,159)	(140,174)
Finance costs		(4,706)	(8,815)
Personnel costs			
Cash remuneration		(936,749)	(1,167,532)
Provision for employee benefits		(14,262)	(18,290)
Director's and employee's options expense	3	(326,951)	(76,824)
Corporate costs			
Professional fees		(528,273)	(130,153)
Other corporate expenses		(699,656)	(638,572)
Foreign exchange loss gain/(loss)		1,851,760	(2,611,988)
Impairment loss			
Exploration and evaluation costs		(1,774)	(190,051)
Associate loans	10	(5,189,462)	(1,459,177)
Investment in associate		(22,407)	-
Financial assets held at fair value through profit and loss		(1,210,571)	2,268,015
Loss on disposal of fixed assets		(43,437)	(72,245)
Loss on disposal of financial instruments held at fair value through profit and loss		-	(482,395)
Loss before income tax		(1,944,672)	(2,404,153)
Income tax expense		(119,460)	(653)
Loss for the half year		(2,064,132)	(2,404,806)
Other comprehensive income			
Exchange differences on translation of foreign operations		(45,364)	(803,828)
Other comprehensive loss for the half year		(45,364)	(803,828)
Total comprehensive loss for the period, net of income tax attributable to the owners		(2,109,496)	(3,208,634)
Basic loss per share from loss from continuing operations attributable to the ordinary equity holders of the company		(0.01)	(0.02)
Diluted earnings per share from profit/(loss) from continuing operations attributable to the ordinary equity holders of the company		n/a	n/a

The accompanying notes form part of this financial report

Consolidated Statement of Financial Position

as at 31 December 2011

		Consolidated 31 December 2011 \$	30 June 2011 \$
Current assets			
Cash and cash equivalents		25,252,396	34,176,329
Trade and other receivables		254,504	688,261
Loans	5	5,169,358	97,751
Total current assets		<u>30,676,258</u>	<u>34,962,341</u>
Non-current assets			
Trade and other receivables		-	55
Property, plant and equipment		630,000	849,460
Financial assets held at fair value through profit and loss	6	2,692,035	-
Exploration and evaluation expenditure		8,460,518	8,239,883
Total non-current assets		<u>11,782,553</u>	<u>9,089,398</u>
Total assets		<u>42,458,811</u>	<u>44,051,739</u>
Current liabilities			
Trade and other payables		851,120	2,785,485
Provisions		69,890	56,545
Total current liabilities		<u>921,010</u>	<u>2,842,030</u>
Non-current liabilities			
Trade and other payables		2,096	132,999
Total non-current liabilities		<u>2,096</u>	<u>132,999</u>
Total liabilities		<u>923,106</u>	<u>2,975,029</u>
Net assets		<u>41,535,705</u>	<u>41,076,710</u>
Equity			
Issued capital		148,109,255	145,632,412
Reserves		12,431,020	12,149,433
Accumulated losses		(119,004,570)	(116,705,135)
Total equity		<u>41,535,705</u>	<u>41,076,710</u>

The accompanying notes form part of this financial report

Consolidated Statement of Changes in Equity

for the half-year ended 31 December 2011

	Issued capital	Foreign currency translation reserve	Share-based payments reserve	Accumulated losses	Total
	\$	\$	\$	\$	\$
Consolidated entity					
At 1 July 2010	144,846,669	(359,274)	12,991,282	(92,048,857)	65,429,820
<i>Total comprehensive income for the period</i>					
Profit for the half year	-	-	-	(2,404,806)	(2,404,806)
<i>Other comprehensive income</i>					
Exchange differences on translation of foreign operations	-	(803,828)	-	-	(803,828)
Total comprehensive income for the half year	-	(803,828)	-	(2,404,806)	(3,208,634)
Transactions with owners in their capacity as owners:					
Issue of share options	-	-	76,824	-	76,824
At 31 December 2010	144,846,669	(1,163,102)	13,068,106	(94,453,663)	62,298,010
At 1 July 2011	145,632,412	(630,900)	12,780,333	(116,705,135)	41,076,710
<i>Total comprehensive income for the period</i>					
Loss for the half year	-	-	-	(2,064,132)	(2,064,132)
<i>Other comprehensive income</i>					
Exchange differences on translation of foreign operations	-	(45,364)	-	-	(45,364)
Total comprehensive income for the half year	-	(45,364)	-	(2,064,132)	(2,109,496)
Transactions with owners in their capacity as owners:					
Issue of share options	235,303		326,951	(235,303)	326,951
Issue of shares	2,250,000		-	-	2,250,000
Share issue costs	(8,460)	-	-	-	(8,460)
At 31 December 2011	148,109,255	(676,264)	13,107,284	(119,004,570)	41,535,705

The accompanying notes form part of this financial report

Consolidated Statement of Cash Flows

for the half-year ended 31 December 2011

	31 December 2011 \$	31 December 2010 \$
Cash flows from operating activities		
Payments to suppliers and employees	(2,127,882)	(1,344,230)
Receipts from customers	123,144	102,723
Income tax payments	(119,460)	(653)
Net cash outflow from operating activities	(2,124,198)	(1,242,160)
Cash flows from investing activities		
Payments for exploration and evaluation expenditure	(2,352)	(624,023)
Payments for plant and equipment	(24,050)	(111,762)
Payments for investment in associate	(2,626)	-
Payments for financial assets held at fair value through profit and loss	(204,879)	-
Interest received	1,241,487	923,779
Proceeds from sale of investment	-	3,203,444
Proceeds from disposal of fixed assets	70,000	19,082
Loans to associate entities	(2,889,484)	(2,927,666)
Loans to Cuervo Resources Inc.	(5,001,943)	-
Net cash (outflow)/inflow from investing activities	(6,813,847)	482,854
Cash flows from financing activities		
Share issue costs	(8,460)	-
Net cash outflow from financing activities	(8,460)	-
Net decrease in cash and cash equivalents held	(8,946,505)	(759,306)
Cash and cash equivalents at the beginning of the financial year	34,176,329	41,445,175
Effect of exchange rate changes on cash held	22,572	20,186
Cash and cash equivalents at end of the period	25,252,396	40,706,055

The accompanying notes form part of this financial report

Notes to the Financial Statements

for the half-year ended 31 December 2011

1. Significant Accounting Policies

Statement of Compliance

These half-year financial statements (comprising the financial statements and notes thereto) are a general-purpose financial report that has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the Corporations Act 2001.

These interim financial statements do not include all the notes of the type normally included in the annual financial statements. Accordingly, this report is to be read in conjunction with the annual financial statements for the year ended 30 June 2011 and any public announcements made by Strike Resources Limited ("**Consolidated Entity**", "**Group**" or "**Strike**") 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.

Basis of Preparation

The interim financial statements have been prepared on the going-concern basis, which contemplates continuity of normal business activities and realisation of assets and settlement of liabilities in the ordinary course of business. The going concern of the Consolidated Entity is dependent upon it maintaining sufficient funds for its operations and commitments. The directors continue to monitor the ongoing funding requirements of the Consolidated Entity. The directors are confident that sufficient funding is available for the Consolidated Entity to continue as a going concern and as such are of the opinion that the financial statements have been appropriately prepared on a going concern basis.

The interim financial statements have also been prepared on the historical cost basis, except for the revaluation of certain non-current assets and financial instruments. Cost is based on fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise stated.

2. Estimates

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 30 June 2011.

The Board continues to monitor the progress of the negotiations surrounding the dispute in regards to the development of the Berau Project with PT Kaltim Jaya Bara, the owner of the coal concession on which the Berau project is situated. At 30 June 2011 the directors determined it prudent to adjust the carrying value of the Bureau project due to the protracted nature of the negotiations. At the date of this report the directors have determined that no further adjustment to the carrying value of the Berau Project is required, other than a revaluation to recognise a change in foreign exchange rates.

3. Share-Based Payments

- (i) On 24 November 2011 shareholders approved the grant of 1,500,000 options to Strike's Managing Director, Mr Ken Hellsten. These options had exercise prices ranging from \$0.36 to \$0.56 per share, all with an expiry date of 23 November 2016.

Grant date	Expiry date	Exercise price (per share)	Fair value (per option)	No. of options	Vesting conditions
24 Nov 2011	23 Nov 2016	\$0.36	\$0.085	500,000	Fully vested on grant date
24 Nov 2011	23 Nov 2016	\$0.42	\$0.079	500,000	Fully vested on grant date
24 Nov 2011	23 Nov 2016	\$0.56	\$0.067	500,000	Fully vested on grant date

- (ii) On 24 November 2011, Strike's senior management personnel (other than the Managing Director) were granted 2,750,000 options. These options had exercise prices ranging from \$0.36 to \$0.56 per share, all with an expiry date of 23 November 2016.

Grant date	Expiry date	Exercise price (per share)	Fair value (per option)	No. of options	Vesting conditions
25 Nov 2011	23 Nov 2016	\$0.36	\$0.085	916,666	Fully vested on grant date
25 Nov 2011	23 Nov 2016	\$0.42	\$0.079	916,666	Fully vested on grant date
25 Nov 2011	23 Nov 2016	\$0.56	\$0.067	916,668	Fully vested on grant date

The fair value of options granted during the six months ended 31 December 2011 have been determined by applying a Black-Scholes option pricing mode using the following assumptions:

Share price	\$0.185
Exercise price	\$0.36 - \$0.56
Expected volatility	70%
Option life	5 Years
Expected dividends	Nil
Risk-free interest rate	3.29%

Total expenses arising from share-based payment transactions during the half-year ended 31 December 2011 were \$326,951 (2010: \$76,824).

4. Revenue

	31 December 2011 \$	31 December 2010 \$
Service fees	600,614	974,369
Interest revenue - cash on deposit	715,028	1,163,143
Interest revenue - other ¹	3,996,333	168,103
Other	-	18,433
	<u>5,311,975</u>	<u>2,324,048</u>

1. Includes the value of Cuervo Warrants received as interest on the Cuervo loan facility (\$3,697,727)

5. Loans

	31 December 2011 \$	30 June 2011 \$
Current		
Loan – Cuervo Resources Ltd (at fair value) ⁽¹⁾	5,169,358	97,751

(1) The term of the loan to Cuervo Resources Inc is 3 years from 27 July 2011. However, under the Investment Agreement between Strike and Cuervo Resources Inc. Strike may elect to exercise the warrants it holds in Cuervo at any time during the term of the warrants and Strike may apply the amount of the outstanding loans to Cuervo against the warrant exercise price.

6. Financial Assets held at Fair Value Through Profit and Loss

	31 December 2011 \$	30 June 2011 \$
<i>Cuervo Resources Inc. - shares</i>		
At cost	204,879	-
Fair value adjustment	(60,999)	-
At fair value	<u>143,880</u>	<u>-</u>
<i>Cuervo Resources Inc. - warrants</i>		
Fair value on initial recognition	3,697,727	-
Fair value adjustment	(1,149,572)	-
Carrying value	<u>2,548,155</u>	<u>-</u>
	31 December 2011 \$	30 June 2011 \$
<i>Carrying Value</i>		
Cuervo Resources Inc. - shares (at fair value)	143,880	-
Cuervo Resources Inc. - warrants (at fair value)	<u>2,548,155</u>	<u>-</u>
	<u>2,692,035</u>	<u>-</u>

7. Contingent Liabilities and Contingent Assets

(a) Strike Resources Peru S.A.C. option

Apurimac Ferrum S.A. (AF) has an option to purchase the mining concessions of Strike Resources Peru S.A.C. (the Company's Peruvian subsidiary), exercisable for US\$1.75 million. Exercise of this option is at the discretion of AF's Board. The expiry date for the option is 60 days from the end of the "Capitalisation Period" under the AF Settlement Agreement.

(b) Cristoforo Agreement

On 15 June 2010, Strike Resources Peru S.A.C. (**Strike Peru**) entered into an assignment of mining rights and option agreement with the Peruvian owner of three mineral concessions in the Apurimac District totalling 1,900 hectares, being the Cristoforo 14, Cristoforo 28 and Ferroso 29 concessions (**Cristoforo Agreement**). The consideration paid (and payable) under the agreement was US\$31,250 (paid on execution), US\$50,000 payable within 12 months and 15 business days from execution, US\$50,000 payable within 6 months thereafter and a further US\$1.05 million is payable if Strike Peru exercises the option to acquire the concessions. The option may be exercised on or before 14 June 2012. Under the terms of the AF Settlement Agreement Strike Peru was required to assign the Cristoforo Agreement to AF for no consideration (other than reimbursement of the money paid by Strike Peru to the Cristoforo vendor). Accordingly, Strike Peru assigned this agreement to AF on 15 March, 2011.

(c) 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.

(d) Government Royalties

The Consolidated Entity is liable to pay royalties on production obtained from its mineral tenements/concessions. At this stage it is not possible to quantify the potential financial obligation of the Consolidated Entity under Government royalties.

(e) Berau Coal Project Royalties

The Consolidated Entity is party to a Co-operation Agreement under which it is required to pay royalties to PT Kaltim Jaya Bara (**KJB**) the owner of the mining concession which the Consolidated Entity proposes to undertake coal mining operations (Berau Coal Project, Indonesia). Due to ongoing negotiations with KJB over the development of the project it is not possible to quantify any potential financial obligation of the Consolidated Entity to pay these royalties to KJB.

(f) 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 balance 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.

(g) Paulsens East Royalty

The Consolidated Entity entered into a farm-out agreement with Process Minerals International Pty Ltd (**PMI**) a subsidiary of ASX listed Mineral Resources Limited, for the potential mining of iron ore from Strike's Paulsens East project (EL47/1328 and PL47/1170) located in the Pilbara. Under this agreement PMI will pay Strike A\$3.20 per dry tonne of ore mined. As this royalty is contingent on the successful development of a mine and due to the uncertain nature of mine production it is not possible to quantify the potential financial benefit to the Consolidated Entity of this royalty.

(h) Cuervo Warrants

On 27 July 2011 Strike entered into a financing arrangement with Cuervo Resource Inc. (**Cuervo**), a listed Canadian exploration company with iron ore projects in Peru. Under the finance agreement Cuervo issued Strike with warrants over shares in Cuervo which are exercisable at the discretion of Strike. If Strike were to exercise all of the warrants in Cuervo held by the Company, the total cost to the company would be 15,000,000 Canadian dollars (**C\$**). Strike has the right to offset any loans made to Cuervo against the exercise price of the warrants. At the reporting date Strike has loaned Cuervo C\$5,250,000.

8. Commitments

Other than those listed below, there have been no changes to the Consolidated Entity's commitments reported in the 30 June 2011 Financial Statements.

(a) Apurimac Ferrum Loan

As part of the settlement between the shareholders of Apurimac Ferrum S.A. (**AF**), Strike, D&C and MAPSA, Strike agreed to loan AF US\$3 million during the period ending 3 years from 20 July 2009, with the right to advance a further US\$17 million to fund AF board-approved operating budgets over that period. All such loans are secured by a first-ranking mortgage over AF's mineral concessions. As at the 31st of December 2011, Strike had loaned approximately US\$19.1 million of the US\$20 million to AF.

9. Dividends

No dividends were paid or provided for during the half-year ended 31 December 2011.

10. Related Party Disclosures

(a) Associates

Apurimac Ferrum S.A. is an associate of Strike Resources Ltd.

On 21 July 2009, through the AF Settlement Agreement, Strike Resources entered into a replacement loan agreement with Apurimac Ferrum S.A., in which US\$20 million is able to be advanced in respect to the Apurimac and Cuzco Iron Ore projects. This loan is interest bearing (USD LIBOR rate + 2% per annum), as provided for under the AF Settlement Agreement.

Loans to associate – Apurimac Ferrum

Reconciliation of movement in loan to associate

Opening loan balance 30 June	25,761,838
Accounts receivable	109,194
Loans advanced	3,414,169
Interest charged	298,605
Loan revaluation due to foreign currency movements	1,367,494
Closing loan balance at 31 December	30,951,300

Reconciliation of movement in impairment of loan to associate

Opening loan impairment balance 30 June	(25,761,838)
Less provision for impairment	(5,189,462)
Closing carrying value	(30,951,300)

	31 December 2011 \$	30 June 2011 \$
Loan to Apurimac Ferrum	30,951,300	25,761,838
Loan impairment	(30,951,300)	(25,761,838)
Carrying value of loan to Apurimac Ferrum	-	-

11. Segment Information

Strike Resources Limited operates in the mineral exploration sector and conducts exploration activities in Peru and Indonesia. Management has determined the operating segments based on the reports reviewed by senior management that are used to make strategic decisions about the allocation of resources. As the Group's operating segments relate to exploration projects, no revenues have been derived by any of the reported segments.

	Indonesia (Coal) \$	Peru (Iron Ore) \$	Total \$
Half-year 2011			
Reportable segment profit before income tax expense	171,863	783,072	954,935
Reportable segment assets	8,937,711	259,169	9,196,880
Reportable segment liabilities	-	15,654	15,654
Half-year 2010			
Reportable segment loss before income tax expense	(165,274)	(200,873)	(366,147)
Reportable segment assets	21,343,811	114,193	21,458,004
Reportable segment liabilities	60,786	68,914	129,700

	31 December 2011 \$	31 December 2010 \$
Total profit/(loss) from reportable segments	954,935	(366,147)
Interest revenue	4,412,756	1,331,247
Unrealised foreign exchange gain/(loss)	1,515,764	(2,611,988)
Share-based payments expense	(326,951)	(76,824)
Other corporate costs	(2,123,088)	(1,489,279)
Impairment expense	(5,145,110)	(1,459,177)
Fair value adjustment – investments	(1,232,978)	2,268,015
Loss from continuing operations	(1,944,672)	(2,404,153)

12. Events after the Reporting Period

Other than the following, there are no events requiring separate disclosure.

(i) AF share and loan sale

On the 20th of January 2011 Strike executed an agreement with Ausinca Peru S.A. (**Ausinca**) for the assignment of a loan due from Apurimac Ferrum S.A. (**AF**) and shares in AF, from Strike to Ausinca. In consideration for the assignment of the AF loan and shares, Ausinca has agreed to pay Strike US\$1.9 million. This transaction was the result of an option that Strike granted to the joint share holder of AF, "D&C Group", on the 28th of June 2011. Under the D&C option agreement Strike granted D&C Group, or a party nominated by D&C Group, the right to acquire 50% of the loan to AF and shares in AF that Strike purchased from Iron Associates Corporation on the 28 June 2011. As result of the exercise of the option and execution of the agreement with Ausinca Strike's equity interest in AF will reduce from 56% to 50% and its loans to AF will reduce by US\$2,731,106.

(ii) Appointment of an independent non-executive director

As part of the company's restructure of the board of directors Ms Samantha Tough was appointed as an independent non-executive director on 23 January 2012. Details of Ms Tough's qualifications and experience can be found in the Director's Report above.



Directors' Declaration

The Directors of the Company declare that:

1. The condensed consolidated financial statements and notes as set out on pages 9 to 17 are in accordance with the *Corporations Act 2001* and:
 - a) comply with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001; and
 - b) give a true and fair view of the Consolidated Entity's financial position as at 31 December 2011 and of its performance for the half year ended on that date.
2. In the Directors' opinion 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
Chairman of the Audit Committee

Perth
13 March 2012

Auditor's Independent Review Report



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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 2011, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the disclosing entity 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 disclosing entity 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 disclosing entity's financial position as at 31 December 2011 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 report.

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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 2011 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*.

Emphasis of Matter

We draw attention to the matter disclosed in Note 2. There remains a dispute as to the mining rights of the Berau coal concession. Given this dispute there may be uncertainty as to the recoverability of the deferred exploration, evaluation and development expenditure assets of Strike Resources Limited. The recoverability of the deferred exploration and evaluation expenditure assets is dependent upon successful resolution of this dispute and the successful development and commercialisation of the underlying areas of interest or their sale. This material uncertainty may cast doubt about the company's ability to realise the asset at the values stated in the statement of financial position. Our conclusion is not modified in respect of this matter.

BDO Audit (WA) Pty Ltd

A handwritten signature in black ink, appearing to read 'BDO' followed by a stylized signature.

Brad McVeigh
Director

Perth, Western Australia
Dated this 13th March 2012