

ASX MARKET ANNOUNCEMENT

Peru Government Plans Railway Linking Strike's Apurimac Iron Ore Project to Port

SUMMARY

- Ministry of Transport and Communications in Peru (**MOTC**) initiates process to build a railway line starting close to Strike's Apurimac Iron Ore Project to the export Port of San Juan de Marcona.
- The railway is contemplated to serve as a multi-user line which is expected to be largely underpinned by Strike's Apurimac Project.
- The railway if constructed will represent a paradigm shift in project economics for Strike's Apurimac Project, facilitating the development of Strike's long-held objective to develop a 20 Mtpa iron ore mine.
- Previous studies undertaken by Strike indicate that total mining, processing and transportation costs to port of 10 to 15 Mtpa of lump and fines products to be approximately US\$16.50 to US\$14.60 per tonne (respectively). A production profile of 20 Mtpa is expected to provide even greater operating efficiencies.
- Rail transport allows the potential for the Apurimac Project to be one of the lowest cost iron ore mines in the world.

Strike Resources Limited (ASX:[SRK](#)) (**Strike**) is pleased to provide the following update regarding its iron ore projects in Peru.

The Ministry of Transport and Communications in Peru (**MOTC**) is to undertake a formal study to build a multi-user railway from the inland city of **Andahuaylas** in southern Peru, to the mineral export Port of San Juan de Marcona on the west coast of Peru (the **Andahuaylas Railway**).

Strike's [Apurimac Iron Ore Project](#) (the **Project**) is located only 20km from the city of Andahuaylas. The proposed railway (approximately 570km in length) would provide a direct link from Strike's Project to an established mineral export port, significantly improving the development prospects for a 20 Mtpa iron ore mine.

Strike understands that the primary motivation behind the MOTC Andahuaylas Railway initiative is to provide economic stimulation to the relatively poorer regions of Ica, Arequipa, Ayacucho and Apurimac. The Apurimac region in particular is positioned well inland and has historically suffered from lack of good transport infrastructure connecting it to the coastal areas and the Peru capital, Lima.

The scale of Strike's Apurimac Iron Ore Project, if it proceeds through the Andahuaylas Railway, is likely to provide for very significant economic benefits to the Apurimac Province in terms of both direct investment and job creation. Other mineral projects in the Apurimac and Cusco regions are also likely to directly benefit from the Andahuaylas Railway.

The Andahuaylas Railway is therefore likely to provide substantial social and economic benefits to these regions of Peru and help stimulate the economy of the country as a whole.



STRIKE'S APURIMAC IRON ORE PROJECT AND THE PROPOSED ANDAHUAYLAS RAILWAY

The Apurimac Iron Ore Project is recognised as one of the highest grade, large-scale magnetite deposits in the world, with a JORC Code (2012) compliant Indicated and Inferred Mineral Resource of 269 Mt of iron ore at 57.3% Fe and further exploration potential.¹

Strike has successfully mined and sold small quantities of iron from this Project in the past. However, large scale development of the mine has not yet been possible, because its inland location requires the building of suitable transport infrastructure such as a railway, capable of transporting Strike's planned production² of 20 Mtpa of iron ore to the west coast of Peru for export.

The Andahuaylas Railway planned by the Peruvian MOTC would provide this infrastructure, directly linking Strike's Apurimac Iron Ore Project to a mineral export terminal at the Port of San Juan de Marcona on the west coast of Peru.

With its planned production capacity of 20 Mtpa of high grade iron ore, Strike's Apurimac Iron Ore Project would potentially be the largest user of the Andahuaylas Railway and will likely be an important contributor towards its overall viability.

STRIKE'S 2008 PRE-FEASIBILITY AND 2010 STUDIES

A pre-feasibility study undertaken by Snowden Mining Industry Consultants (**Snowden**) and SKM for Strike in 2008² considered a range of infrastructure options including a railway. A potential railway route was mapped and costed as part of this study (Figure 1.).



Figure 1 - SKM Proposed Railway Route for Strike's Apurimac Project, 2008.

- 1 Refer Strike's ASX Announcement dated [19 January 2015: Apurimac Mineral Resources Updated to JORC 2012 Standard](#) and the JORC Mineral Resources Section of this announcement
- 2 Refer Strike's ASX Announcement dated [23 July 2008: Prefeasibility Results Confirm World Class Prospects in Peru](#) and the Summary of Peru Iron Ore Projects Section of this announcement

A railway has always been considered as the best infrastructure solution for this Project, given the high-grade nature of the iron ore deposit. A railway connecting the Project to a Port will provide Strike the ability to attract premium pricing for high-grade lump and fines products, compared to a concentrate product delivered through an alternative slurry pipeline.

In addition, a railway will allow for capital and processing costs at the mine to be substantially reduced, given the considerably simplified process to produce lump and fines products from Strike's high grade ore compared to producing a slurry concentrate.

A railway is also considered to have a range of social and economic benefits that a slurry pipeline does not.

However, in 2008 Snowden and SKM determined that a concentrate pipeline was the preferred transport solution for the Apurimac Project, as the additional capital cost to Strike of building a railway compared to a slurry pipeline outweighed the operational and other benefits of a railway.²

In 2010³, Consultants Ausenco Sandwell undertook further infrastructure studies, including a more detailed technical and costing study on building and operating a dedicated railway. The purpose of these studies was to further compare the economics of slurry concentrate versus railway infrastructure solutions at two reduced production levels, being 10 Mtpa and 15 Mtpa.

In these trade-off studies, the total average cost of mining, processing and transporting to port 10 to 15 Mtpa of lump and fines products by rail (assuming the railway was owned and operated by Strike) from Strike's Apurimac Project was estimated to be approximately US\$16.50 to US\$14.60 per tonne (respectively).

A production profile of 20 Mtpa is expected to provide even greater operating efficiencies and would position Strike's Apurimac Project as potentially one of the lowest cost iron ore producers in the world.

Since that time, Strike has continued to evaluate its development options for the Project. With falling iron ore prices and a global investment climate in recent years not supportive of large scale iron-ore related infrastructure projects, Strike has acted to minimise its Project related costs until market conditions improved.

With spot prices for iron ore strengthening from the lows of approximately US\$40 per tonne in 2015 to approximately US\$70/t today (and highs of approximately US\$90/t in 2017), the timing of the MOTC initiative, being co-incident with strengthening iron ore prices, is considered by Strike to be extremely positive for the Project.

Strike notes that the Snowden Pre-Feasibility Study in 2008² (utilising a proposed slurry pipeline configuration) estimated that the Project would generate an operating cash surplus of approximately US\$890 million in its first full year of production (20 Mtpa), using a price assumption of US\$60 Free on Board (FOB) per tonne of concentrate (68% Fe) sold – a price significantly lower than today's equivalent spot price.

3 Refer Strike's ASX Announcement dated 23 November 2010: [Apurimac Project Update](#) and Strike's [December 2010 Quarterly Report](#)

THE PROPOSED ANDAHUAYLAS RAILWAY

The preliminary railway route proposed by the MOTC almost exactly mirrors the railway route proposed by SRK Consulting for Strike in 2010.

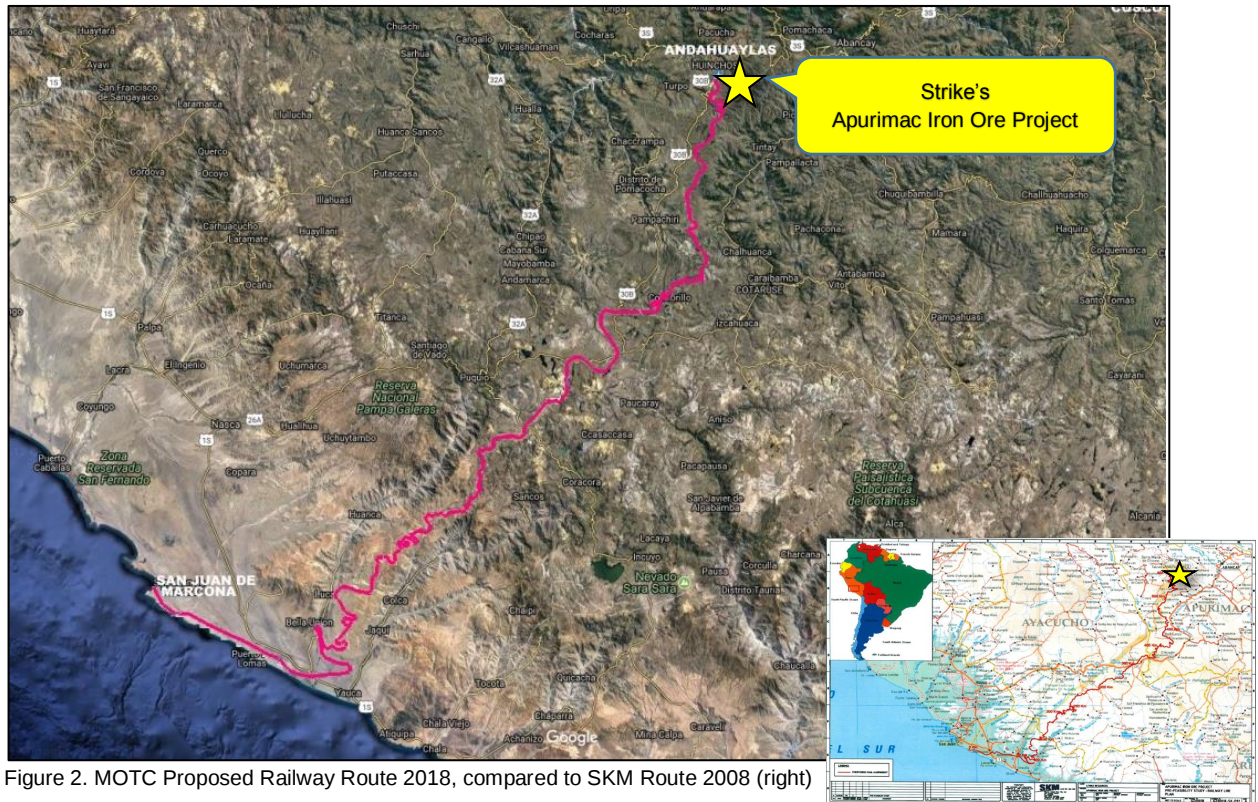


Figure 2. MOTC Proposed Railway Route 2018, compared to SKM Route 2008 (right)

If the MOTC proceeds with the multi-user Andahuaylas Railway, the economics and feasibility of Strike's Apurimac Project are likely to become far more attractive as Strike will no longer have to sole-fund the construction of a railway or slurry pipeline.

In particular, the existing resource base could potentially be developed without the need for further resource expansion.

NEXT STEPS

The MOTC has issued a tender for undertaking the 'pre-investment study' for the proposed railway linking Andahuaylas to the Port of San Juan de Marcona.

Strike is currently scheduling meetings with MOTC officials and representatives from relevant regional departments to assist in whatever manner it can to progress the ultimate construction of the Andahuaylas Railway.

Commenting on the MOTC initiative, Strike Managing Director, William Johnson:

"The Andahuaylas Railway, if it proceeds, will be an absolute game changer for Strike in Peru.

It validates our decision to hold on to this world-class deposit over the last ten years and we intend to provide whatever assistance we can to the Government of Peru to make this valuable infrastructure a reality as quickly as possible.

We commend the MOTC and the Government of Peru for undertaking this important social and economic initiative and, as potentially the largest user of the railway, we look forward to working with the MOTC and regional departments and other stakeholders to advance this exciting project."

JORC MINERAL RESOURCES – PERU IRON ORE PROJECTS

Apurimac Iron Ore Project (Peru)

(Strike – 100%)

The Apurimac Project has a JORC Code ([2012](#) Edition) compliant Mineral Resource of 269.4 Mt, consisting of:

- a 142.2 Mt Indicated Mineral Resource at 57.8% Fe; and
- a 127.2 Mt Inferred Mineral Resource at 56.7% Fe.

Category	Concession	Density t/m ³	Mt	Fe%	SiO ₂ %	Al ₂ O ₃ %	P%	S%
Indicated	Opaban 1	4	133.71	57.57	9.46	2.54	0.04	0.12
Indicated	Opaban 3	4	8.53	62.08	4.58	1.37	0.07	0.25
Inferred	Opaban 1	4	127.19	56.7	9.66	2.7	0.04	0.2
Total Indicated and Inferred			269.4	57.3	9.4	2.56	0.04	0.16

The information in this JORC Resource table was prepared and first disclosed under the [2004 JORC Code](#) (in Strike's ASX announcement dated [11 February 2010: Peruvian Apurimac Iron Ore Project Resource Increased to 269 Million Tonnes](#)) and was upgraded to comply with the [2012 JORC Code](#) and disclosed in Strike's ASX Announcement dated [19 January 2015: Apurimac Mineral Resources Updated to JORC 2012 Standard](#).

Cusco Iron Ore Project (Peru)

(Strike – 100%)

The Cusco Project has a JORC Code ([2004](#) Edition) compliant Mineral Resource of 104.4 Mt Inferred Mineral Resource at 32.62% Fe.

Category	Concession	Density t/m ³	Mt	Fe%	SiO ₂ %	Al ₂ O ₃ %	P%	S%
Inferred	Santo Tomas	4	104.4	32.62	0.53	3.19	0.035	0.53

The information in this JORC Resource table was prepared and first disclosed under the 2004 JORC Code (in Strike's ASX announcement dated [17 June 2011: Cusco Project – Resource Estimate](#)). It has not been updated since to comply with the 2012 JORC Code on the basis that the information has not materially changed since it was last reported.

FOR FURTHER INFORMATION

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ABOUT STRIKE RESOURCES LIMITED (ASX:SRK)

[Strike Resources](#) is an ASX listed resource company and owns the high grade [Apurimac Magnetite Iron Ore Project](#) and [Cusco Magnetite Iron Ore Project](#) in Peru and is currently developing its [Burke Graphite Project](#) in Queensland and [lithium](#) exploration tenements in Western Australia.

JORC CODE COMPETENT PERSON'S STATEMENTS

JORC Code (2012) Competent Person Statement - Apurimac Project Mineral Resources

The information in this document that relates to Mineral Resources and other Exploration Results (as applicable) in relation to the Apurimac Iron Ore Project (Peru) is based on, and fairly represents, information and supporting documentation prepared by Mr Ken Hellsten, B.Sc. (Geology), who is a Fellow of [The Australasian Institute of Mining and Metallurgy](#) (AusIMM). Mr Hellsten was a principal consultant to Strike Resources Limited and was also formerly the Managing Director of Strike Resources Limited (between 24 March 2010 and 19 January 2013). Mr Hellsten has sufficient experience which is 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 [2012 Edition](#) of the "Australasian Code for Reporting of Mineral Resources and Ore Reserves" (JORC Code). Mr Hellsten has approved and consented to the inclusion in this document of the matters based on his information in the form and context in which it appears.

JORC Code (2004) Competent Person Statement – Cusco Project Mineral Resources

The information in this document that relates to Mineral Resources and other Exploration Results (as applicable) in relation to the Cusco Iron Ore Project (Peru) is based on, and fairly represents, information and supporting documentation prepared by Mr Ken Hellsten, B.Sc. (Geology), who is a Fellow of [The Australasian Institute of Mining and Metallurgy](#) (AusIMM). Mr Hellsten was a principal consultant to Strike Resources Limited and was also formerly the Managing Director of Strike Resources Limited (between 24 March 2010 and 19 January 2013). Mr Hellsten has sufficient experience which is 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 JORC Code. Mr Hellsten approves and consents to the inclusion in this document of the matters based on this information in the form and context in which it appears.

FORWARD LOOKING STATEMENTS

This announcement contains "forward-looking statements" and "forward-looking information", including statements and forecasts which include without limitation, expectations regarding future performance, costs, production levels or rates, mineral reserves and resources, the financial position of Strike, industry growth and other trend projections. Often, but not always, forward-looking information can be identified by the use of words such as "plans", "expects", "is expected", "is expecting", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates", or "believes", or variations (including negative variations) of such words and phrases, or state that certain actions, events or results "may", "could", "would", "might", or "will" be taken, occur or be achieved. Such information is based on assumptions and judgements of management regarding future events and results. The purpose of forward-looking information is to provide the audience with information about management's expectations and plans. Readers are cautioned that forward-looking information involves known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of Strike and/or its subsidiaries to be materially different from any future results, performance or achievements expressed or implied by the forward-looking information. Such factors include, among others, changes in market conditions, future prices of minerals/commodities, the actual results of current production, development and/or exploration activities, changes in project parameters as plans continue to be refined, variations in grade or recovery rates, plant and/or equipment failure and the possibility of cost overruns.