

ASX MARKET ANNOUNCEMENT

Substantial Progress Towards Development of Paulsens East Iron Ore Project

HIGHLIGHTS

- Substantial progress towards the development of the Paulsens East Iron Ore Project since release of the Scoping Study results on 29 November 2019.
- Scoping Study reported excellent project economics with first production targeted for Q3 2020, net operating cash flow of \$189 Million over a 4-year mine life with a low capex of \$12.4 Million.
- Mine plant design, camp and related infrastructure plans now finalised.
- Approval received for bulk sample extraction to complete metallurgical testing.
- Drilling approvals received to test extensions of the resource to the south west, where a high-grade intersection has been recorded 1.6 kilometres from the resource.
- Native Title negotiations are underway.
- Experienced iron ore executive Mark Hancock engaged to assist on marketing strategy.

On 28 November 2019¹, Strike Resources Limited (ASX:SRK) (**Strike**) released the results of its Scoping Study for the Paulsens East Iron Ore Project (**Project**), reporting excellent Project economics on the basis of a 1.5 Million tonnes per annum (**Mtpa**) production rate and a target for first production in the third quarter 2020. An economic model prepared by the Company as part of the Scoping Study forecasts a pre-tax net present value (**NPV**) range of between \$81 Million to \$238 Million (**Base Case \$155 Million**) and an estimated operating net cashflow for the Company of between \$99 Million to \$289 Million (**Base Case \$189 Million**) over an initial four-year mine life.

Since the date of that announcement, the Company is pleased to report that substantial progress has been made in advancing the Project, details of which are outlined below.

Mine Plant Design and Layout

The design and location for the Run of Mine (**ROM**) Pad, crushing and screening plant, explosives magazine for drill and blast product storage, waste dumps, Lump and Fines stockpiles, truck load out areas, fuel storage/depots for mining fleet and village, workshops, offices and a fifty-person onsite village and other related infrastructure has been finalised. Detailed design of earthwork requirements will now be completed.

¹ Refer Strike's ASX Announcement dated 28 November 2019: Excellent Scoping Study Results for Paulsens East Iron Ore Project - the Company confirms that all material assumptions underpinning the production targets and forecast financial information derived from the production targets in this announcement continue to apply and have not materially changed



Metallurgical Testwork

Approval has now been received from the Department of Mines, Industry, Regulation and Safety (**DMIRS**) for the extraction of a bulk sample (up to 840 tonnes) of iron ore from the outcropping iron ore ridge.

Testwork on the bulk sample will be undertaken primarily to confirm the Lump to Fines ratio following crushing and screening (which, from previous test work completed in October 2019², is expected to be at least 75% lump, 25% fines), together with the crushing parameters and finalisation of product specifications for steel mills and port handling, which will include expected final grades, specific gravity, product size range distribution and mineralogy/morphology verification for both Lump and Fines products and their moisture content. This work is expected to confirm that the Lump and Fines products from the Project will be highly desirable, high grade iron ore products.

Marketing

Strike is pleased to advise that it has engaged Mr Mark Hancock as a consultant to develop a Marketing Strategy for the Paulsens East proposed Lump and Fines products. Mark Hancock is an experienced finance and commercial executive with 25 years natural resources experience including 13 years (2006-2019) at iron ore producer Atlas Iron (**Atlas**), during which time Atlas developed 5 mines and sold nearly 100Mt of Iron Ore. At Atlas, Mark's roles included Chief Financial Officer, Executive Director and most recently Chief Commercial Officer and throughout that period, he led Atlas' sales and shipping functions, developing an extensive network of contacts in the Asian steel industry.

Geotechnical Drilling

DMIRS approval has been received to undertake geotechnical drilling. This drilling is required to confirm the bench heights and pit slopes for detailed mine design.

Exploration Drilling to Expand Resource³

As previously reported in December 2019⁴, Strike is planning an approximately 2,000 metre drill programme to test for the potential extension of mineralisation to the south west along strike of the Paulsens East ridge, based upon historical sampling and drilling results.

DMIRS approval has now been received to undertake this drilling and the Company is awaiting the completion of archaeological and heritage surveys before the drilling programme can commence.

Miscellaneous Licences for Haul Road

Haul road routes linking the mine to the public paved bitumen Nanutarra Road have been identified and mapped, with the haul road likely to be between 16 – 18 kilometres in length. Applications for Miscellaneous Licences to cover the haulage route together with a side access road to the proposed explosives magazine have been lodged with DMIRS for approval. Strike has also commenced discussions with the pastoral lease holders and tenement holders which these routes cross to secure all necessary permissions.

2 Refer Strike's ASX Announcements dated 10 October 2019: Outstanding Metallurgical Testwork Results at Paulsens East Iron Ore Deposit Indicate 79% Lump Yield with Low Impurities

3 Refer Strike's ASX Announcement dated 4 September 2019: Significant Upgrade of JORC Mineral Resource into Indicated Category at Paulsens East Iron Ore Project

4 Refer Strike's ASX Announcements dated 4 December 2019: High Grade Results Located 1.6km from 9.6Mt Resource and 5 December 2019: Drilling and Surface Sampling Results at Paulsens East Iron Ore Project

Water

An assessment of the availability of water within the Project area for mine camp and operational needs was completed in December 2020 by specialist consultancy, Global Groundwater, with three areas identified as having the potential to host sufficient quantities of ground water within the tenement.

DMIRS approval to explore these areas has been received. Global Groundwater has been engaged to identify specific drill targets using ground magnetic and Very Low Frequency (**VLF**) geophysical surveys of the selected areas. This work is expected to be completed by the end of February 2020 and drilling for water will commence once heritage approval to drill has been received.

Road Permits

Applications have been submitted to Main Roads Western Australia to review and/or upgrade the axle load limits on specific sections of the road between Nanutarra and Onslow, to allow for the utilisation of high capacity tri-axle Super/Ultra-Quad road trains to haul iron ore from the Paulsens East mine to the port.

Native Title Negotiations

A presentation on the Paulsens East Project was made to the Board of the Puutu, Kunti, Kurrama and Pinikura Aboriginal Corporation (**PKKP**) on 14 October 2019.

A “Right to Negotiate” period was initiated by DMIRS on 1 November 2019, which requires good faith negotiations to be initiated between Strike and the PKKP by 1 March 2020.

A full day meeting with the PKKP Board members, heritage consultants, financial advisers and legal representatives was held on 7 February 2020, in Perth to provide a presentation to the PKKP Board members and to advance the Native Title discussions. At this meeting, Strike presented a proposed indicative framework for financial payments and royalty amounts to the traditional land owners for the conduct of mining activity, together with additional initiatives to support the PKKP communities.

The Company believes that the meeting was very productive. At the conclusion of the meeting, it was agreed that the parties continue to negotiate in good faith with the objective to compete negotiations and draw a final agreement by the end of June 2020.

Archaeological and Heritage Surveys

The Company notes that the mine site works required for extracting the bulk sample for metallurgical testwork, performing the geotechnical drilling and exploratory drilling for water and commencement of the exploration drilling targeting expansion of the mineralisation along strike, will require archaeological and heritage surveys to be first conducted over the affected areas.

Strike is currently co-ordinating with the PKKP to arrange these surveys and will advise the market once these have been scheduled.

FOR FURTHER INFORMATION

William Johnson
Managing Director

T | (08) 9214 9700
E | wjohnson@strikeresources.com.au

ABOUT STRIKE RESOURCES LIMITED (ASX:SRK)

Strike Resources Limited is an ASX listed resource company which is developing the Paulsens East Iron Ore Project in Western Australia. Strike also owns the high grade Apurimac Magnetite Iron Ore Project and Cusco Magnetite Iron Ore Project in Peru and is also developing a number of battery minerals related projects around the world, including the highly prospective Solaroz Lithium Brine Project in Argentina and the Burke Graphite Project in Queensland.

JORC CODE COMPETENT PERSON'S STATEMENT

The information in this market announcement that relates to Exploration Results and Exploration Targets (as applicable) in relation to the Paulsens East Iron Ore Project (Pilbara, Western Australia) has been compiled by Mr Hem Shanker Madan, who is a Member of the Australasian Institute of Mining and Metallurgy (AusIMM). Mr Madan is an independent contractor to Strike Resources Limited and was formerly the Managing Director (September 2005 to March 2010) and Chairman (March 2010 to February 2011) of Strike Resources Limited. Mr Madan has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Mineral Resources and Ore Reserves" (the JORC Code). Mr Madan consents to the inclusion in this document of the matters based on his information in the form and context in which it appears.

FORWARD LOOKING STATEMENTS

This document 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.

Forward-looking information and statements are based on the reasonable assumptions, estimates, analysis and opinions of management made in light of its experience and its perception of trends, current conditions and expected developments, as well as other factors that management believes to be relevant and reasonable in the circumstances at the date such statements are made, but which may prove to be incorrect. Strike believes that the assumptions and expectations reflected in such forward-looking statements and information are reasonable. Readers are cautioned that the foregoing list is not exhaustive of all factors and assumptions which may have been used. Strike does not undertake to update any forward-looking information or statements, except in accordance with applicable securities laws.