STRIKE RESOURCES

ABN 94 088 488 724

# 2018

# ANNUAL REPORT

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The **2018 Corporate Governance Statement** can be found at the following URL on the Company's website:
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# CORPORATE DIRECTORY

**BOARD**

| | |
|---|---|
| Farooq Khan | Chairman |
| William Johnson | Managing Director |
| Victor Ho | Director |
| Malcolm Richmond | Non-Executive Director |
| Matthew Hammond | Non-Executive Director |

**COMPANY SECRETARY**
Victor Ho

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Rothsay Auditing
Chartered Accountants
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**STOCK EXCHANGE**
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**ASX CODE**
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# COMPANY PROJECTS

### Apurimac Iron Ore Project (Peru)

Between 2006 and 2014, Strike's primary focus was on the development of its Apurimac Magnetite Iron Ore Project in Peru, recognised as one of the highest grade, large scale magnetite projects in the world with the potential to support the establishment of a significant iron ore operation.

Adverse market conditions however led Strike in 2014 to suspend all development activities on this and its other iron ore projects in Peru.[A]

In early 2018 the Ministry of Transport and Communications in Peru (**MOTC**) announced that it 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**).[B]

In October 2018, the MOTC awarded a A$13 million tender to an international consortium of engineering companies to study the feasibility of constructing the Andahuaylas Railway.[C] The award of the tender is regarded by Strike as an important step in progressing the Apurimac Project.


*Figure 1: Route of proposed Andahuaylas Railway connecting Strike's Apurimac Project to Port of San Juan de Marcona*

Strike's Apurimac Project is located only 20km from the city of Andahuaylas. The proposed railway (approximately 570km in length) would provide a direct link from the Project to an established mineral export port, significantly improving the Project's development prospects. The preliminary railway route proposed by the MOTC (refer Figure 1) almost exactly mirrors the railway route proposed by SKM for Strike in 2008.

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.

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A Refer Strike's ASX Announcements dated 28 February 2014: Legal Injunction and Suspension of Operations in Peru, 13 March 2014: Lifting of Injunction and Strategic Review and 14 April 2014: Exit from Peru

B Refer Strike's ASX Announcement dated 8 February 2018: Peru Government Plans Railway Linking Strike's Apurimac Iron Ore Project to Port

C Refer Strike's ASX Announcement dated 24 October 2018: Peru Government Awards $13 Million Tender for Andahuaylas Railway Study Linking Strike's Apurimac Iron Ore Project to Port

# COMPANY PROJECTS

The scale of Strike's Apurimac 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.

A railway has always been considered as the best infrastructure solution for the Apurimac 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.

The exceptionally high-grade 57% Fe at Apurimac is almost twice as high as magnetite deposits developed in Australia; ore bodies are coarse-grained and relatively soft, resulting in potentially cheaper processing costs once in production:

- JORC Indicated and Inferred Mineral Resource at the main Opaban I/III concessions of 269Mt of iron ore at 57.3% Fe (142 Mt Indicated Resource at 57.84% Fe and 127 Mt Inferred Resource at 56.7% Fe).
- Mineralisation predominantly high-grade, coarse-grained magnetite providing comparatively high mass recoveries (>60%) at coarse grind size (>500 microns).
- Excellent exploration potential within current concessions with several targets containing ironstones grading >60% Fe in similar geological settings to the main Opaban concessions.

A Pre-Feasibility Study completed in 2008[D] and updated in 2010[E] on the Apurimac Project indicated clear potential for development of a world class iron ore project:

- The 2008 Pre-Feasibility Study undertaken by Snowden Mining Industry Consultants and SKM utilised a proposed slurry pipeline configuration but considered a range of infrastructure options including a railway. The concentrate pipeline was the preferred transport solution (under the study) as the additional capital cost of building a railway compared to a slurry pipeline outweighed the operational and other benefits of a railway.

  For further details, refer to Strike's ASX Announcement dated 23 July 2008: Prefeasibility Results Confirm World Class Prospects in Peru.

- Further infrastructure studies were undertaken by Ausenco Sandwell and SRK Consulting in 2010, 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 the slurry pipeline versus railway infrastructure solutions at various production levels.

  For further details, refer to Strike's ASX Announcement dated 23 November 2010: Apurimac Project Update and Strike's December 2010 Quarterly Report.

Since the completion of the studies referred to above, 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 December 2015 to approximately US$70/t today (with a 12 month trading range of approximately US$60/t to 80/t)[F], the timing of the MOTC Andahuaylas Railway initiative, being co-incident with strengthening iron ore prices, is considered by Strike to be extremely positive for the Project.

D Refer Strike's ASX Announcement dated 23 July 2008: Prefeasibility Results Confirm World Class Prospects in Peru

E Refer Strike's ASX Announcement dated 23 November 2010: Apurimac Project Update and Strike's December 2010 Quarterly Report

F Source: https://www.marketindex.com.au/iron-ore- (Industry standard NYMEX traded 62% Fe, CFR China)

# COMPANY PROJECTS

In February 2018, Strike and Dalian Huarui Heavy Industry Group Co. Ltd. (**DHHI**) from China, executed a Memorandum of Understanding (**MOU**) in relation to the development of Strike's Apurimac Iron Ore Project and associated rail and port infrastructure in Peru[G]:

- The MOU documents the mutual understanding between Strike and DHHI to work jointly on the advancement of the Project, including the proposed Peru Government sponsored multi-user Andahuaylas Railway which would link Strike's Apurimac Iron Ore Project with the minerals export Port of San Juan de Marcona on the west coast of Peru, South America.
- DHHI (www.dhhi.com.cn) is a large Chinese manufacturer of bulk material handling machinery, including large scale iron ore mining, handling and processing machinery as well as large scale port machinery. DHHI has a long-established history in China and has delivered major projects around the world, including in Australia where they supplied the bulk handling heavy machinery for the 55 million tonne per annum (**Mtpa**) Roy Hill Iron Ore Mine in Western Australia.
- The purpose of the MOU is to recognise the intention of both parties to work together to advance Strike's Project and the associated rail and port infrastructure.
- Joint activities contemplated by the MOU include the development of further studies relating to the feasibility of Strike's Project and potentially the creation of a formal joint venture or consortium (to include other major Chinese infrastructure and funding groups introduced by DHHI).
- The MOU is non-binding and does not commit either party to any formal contractual arrangements.

The Company is highly encouraged by the prospect of the Andahuaylas Railway and is currently planning to re-start project activity in Peru, subject to the development timetable of the railway.

## Cusco Iron Ore Project, Peru

The Cusco Project lies approximately 150km to the south - east of Apurimac and forms a potential secondary development target for Strike in Peru with an initial Inferred Resource estimate of 104Mt at 32.6% Fe.

Like Apurimac, iron ore mineralisation at the project is coarse-grained and dominated by magnetite, with high grades recorded. Preliminary metallurgical tests indicate a concentrate grade of >65% Fe could be produced from this ore using conventional grinding and magnetic separation processes.

Whilst no detailed work has been undertaken on a railway route between Strike's Apurimac and Cusco Projects, it is clear that if the Andahuaylas Railway proceeds, a 'spur line' from Andahuaylas to Strike's Cusco Project would (subject to technical and commercial feasibility) be a very sensible consideration, given the proximity of several other major mining projects nearby Strike's Cusco Project which would also benefit from such a rail link.

G Refer Strike's ASX Announcement dated 19 February 2018: Peru Iron Ore Update – MOU with Chinese Dalian Huarui Heavy Industry Group

# COMPANY PROJECTS

## Burke Graphite Project, Queensland

Strike's Burke Graphite Project (in which Strike holds a ~70% interest) is located in the Cloncurry region in North Central Queensland, where there is access to well-developed transport infrastructure to an airport at Mt Isa (~122km) and a port in Townsville (~783km).


*Figure 2 - Burke Graphite Project Tenement Location in North Central Queensland*

A Mineral Resource Estimate (**MRE**) for the Project has defined a maiden Inferred Mineral Resource of[H]:

- **6.3 million tonnes @ 16.0% Total Graphitic Carbon (TGC)** for **1,000,000 tonnes** of contained graphite;
- Within the mineralisation envelope there is included higher grade material of **2.3 million tonnes @ 20.6% TGC** (with a TGC cut-off grade of 18%) for **464,000 tonnes** of contained graphite which will be investigated further.

These grades place the Burke deposit as one of the highest-grade deposits of graphite in the world held by an Australian listed company.

H Refer Grade Tonnage Data in Table 2 of CSA Global's Burke Graphite Project MRE Technical Summary dated 9 November 2017 (attached as Annexure A of Strike's ASX Announcement dated 13 November 2017: Maiden Mineral Resource Estimate Confirms Burke Project as One of the World's Highest Grade Natural Graphite Deposits).

# COMPANY PROJECTS

Based upon the MRE for the Project referred to above, the following Chart illustrates the TGC grades of published Total JORC Resource/Reserves of selected ASX Listed Graphite Projects relative to the Burke Project.


*Figure 3 - Selected TGC% of Published Total JORC Resource/Reserve* vs. Maiden Burke Mineral Resource Estimates*

In addition to the high-grade nature of the deposit, the Burke Graphite Project:

- Comprises natural graphite that has been demonstrated to be able to be processed by standard flotation technology to international bench mark product categories. The flotation tests conducted by Independent Metallurgical Operations Pty Ltd (**IMO**) have confirmed that a concentrate of purity **in excess of 95% and up to 99% TGC** can be produced using a standard flotation process.
- Contains graphite from which Graphene Nano Platelets (GNP) have been successfully extracted direct from the Burke Graphite deposit via Electrochemical Exfoliation (ECE). The ECE process is relatively low cost and environmentally friendly compared to other processes, yet it can produce very high purity Graphene products. The ECE process is however not applicable to the vast majority of worldwide graphite deposits as it requires a TGC of over 20% and accordingly the Burke Deposit has potentially significant processing advantages over other graphite deposits.
- Is located in the relatively safe and mining friendly jurisdiction of Queensland, Australia with well-developed transport infrastructure and logistics nearby; and
- Is potentially amenable to low cost open-pit mining.

# COMPANY PROJECTS

**High Grade Intersections from Drilling**

A maiden drilling campaign was undertaken by Strike between 24 April 2017 and 14 May 2017 to test the graphite mineralisation in the key Burke tenement, EPM 25443. Total metres drilled were 735.2m (618m in 9 RC holes and 117.2m in one diamond core hole) spread across four cross-sections over a strike length of 500m.

Drilling confirmed the continuity of high grade (>10%) graphite mineralisation over 500m along strike in the NE-SW direction and confirmed the presence of extensive zones of very high-grade graphite mineralisation, commencing at surface and extending to at least 100m in depth (refer Figure 4). Intersections encountered include:

- Diamond Core Hole BGDD001 : 99.8 Metres @ 21.1% TGC from 9 metres depth; and
- RC Hole BGRC001 : 43 Metres @ 18.87% TGC from 21 metres depth.

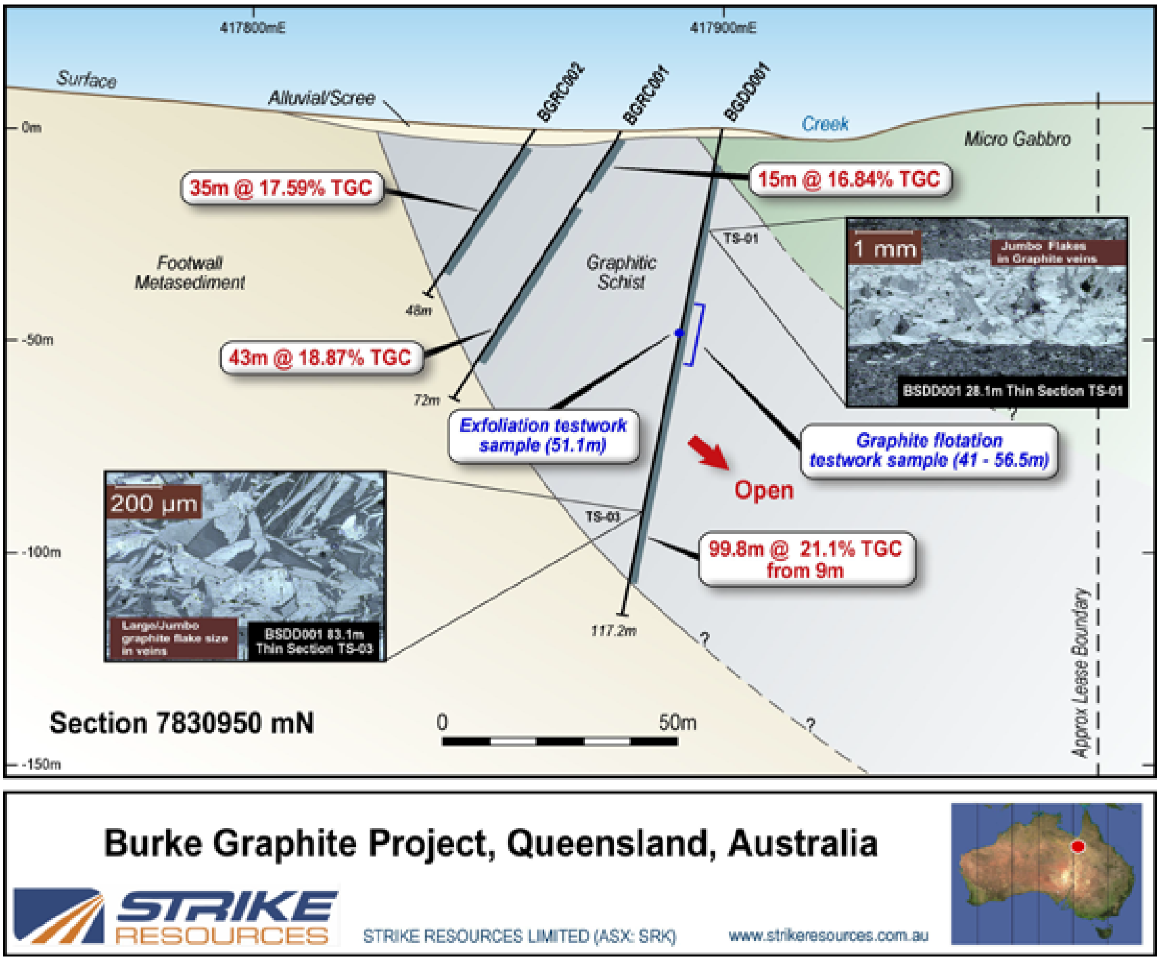


*Figure 4 - Burke Tenement Drilling Cross Section* 7830950mN

# COMPANY PROJECTS

**Ground EM Survey Results**

A ground Electro Magnetic (**EM**) survey was completed during the financial year, covering the south-eastern corner of Burke tenement EPM 25443 (North) (drilled by Strike in 2017[I]) and the Corella tenement EPM 25696 (South) (located ~20 km south of EPM 25443).[J]

The EM survey identified the Corella Prospect as a significant target area for additional high grade mineralisation as well as identifying new zones of increased conductivity adjacent to previously drilled graphite mineralisation at the Burke Prospect.

The Corella Prospect (north east corner of EPM 25696 (South)) EM survey was carried out over outcropping and sub-cropping Geological Survey of Queensland mapped Graphitic Schists - the "Milo beds" - within the Corella Formation. Graphite grading 5 -10% TGC is widespread throughout the outcropping Milo beds and the EM survey was carried out to identify higher-grade areas of mineralisation and identify future drill targets. The survey highlighted an area of approximately 1000m x 500m (refer Figure 5) within which conductive features similar to those corresponding to high-grade graphite occurring at the Burke EPM 2543 tenement were identified.

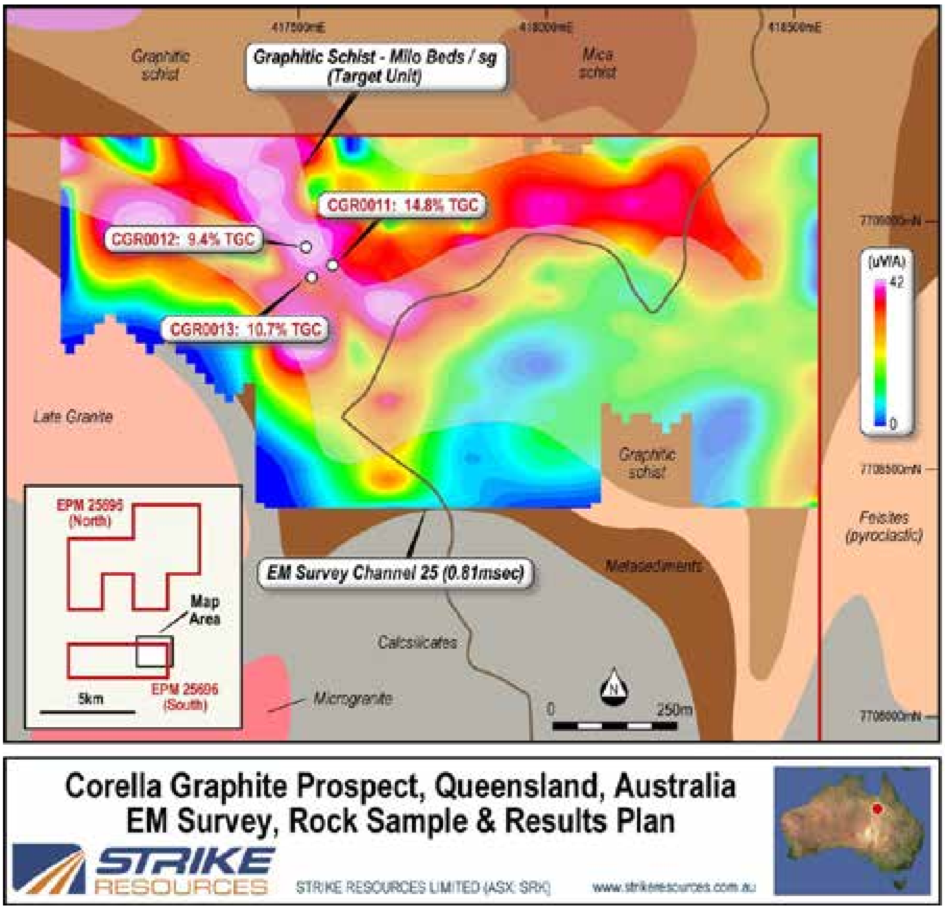


*Figure 5 - EM Survey - Corella Prospect, Burke Graphite Project*

The conductive features identified at the Corella Prospect appear to be shallow to flat-lying and occur in areas of outcropping and sub-cropping graphite that have rock chips (from previous sampling by Strike) of up to 14.85% TGC.[K]

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I Refer Strike's ASX announcements dated 13 June 2017: Extended Intersections of High-Grade Graphite Encountered at Burke Graphite Project and 21 June 2017: Further High-Grade Intersection Encountered at Burke Graphite Project

J Refer Strike's ASX Announcement dated 26 June 2018: Burke Graphite Project – New Target Area Identified From Ground Electro-Magnetic Surveys

K Refer Strike's ASX announcement dated 21 April 2017: Jumbo Flake Graphite Confirmed at Burke Graphite Project, Queensland

# COMPANY PROJECTS

In addition to identifying the new potential at Corella, the EM survey identified minor structural offsets, together with new zones of increased conductivity at the previously drilled Burke Prospect.

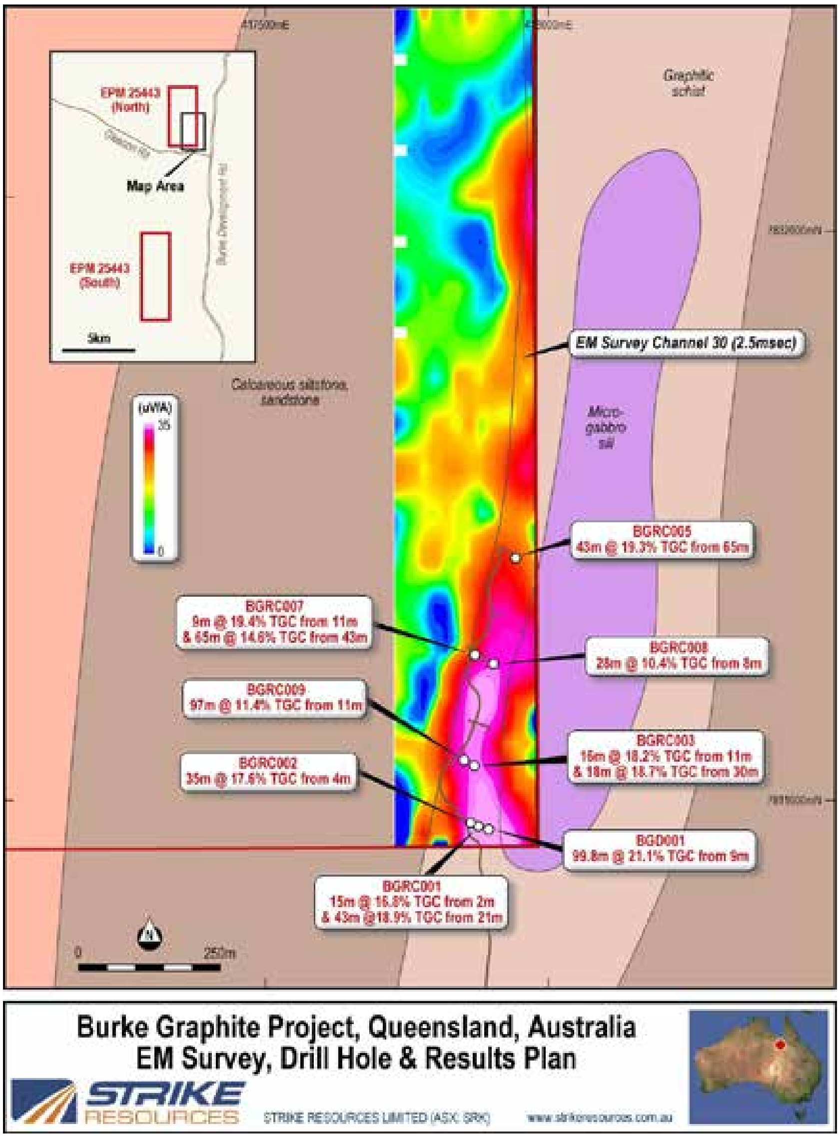


*Figure 6 - EM Survey - Burke Prospect, Burke Graphite Project*

The EM survey over the south-eastern corner of Burke EPM 2543 (North) was carried out over outcropping and sub-cropping Geological Survey of Queensland mapped Graphitic Schists of the Corella Formation. The survey highlighted the high-grade graphite identified in Strike's maiden drilling programme and identified minor structural offsets, together with new zones of increased conductivity (refer Figure 6). In addition, the survey verified the width and dip of the drill intersected high-grade graphite.

Further metallurgical test work has commenced on samples of graphite material taken from the Burke Project to examine the potential suitability of Burke graphite for use in electric vehicle (EV) batteries.

For further technical details about the Burke Graphite Projects, refer to Strike's ASX announcements dated:

- 21 April 2017: Jumbo Flake Graphite Confirmed at Burke Graphite Project, Queensland;
- 13 June 2017: Extended Intersections of High-Grade Graphite Encountered at Burke Graphite Project;
- 21 June 2017: Further High-Grade Intersection Encountered at Burke Graphite Project;
- 16 October 2017: Test-work confirms the potential suitability of Burke graphite for Lithium-ion battery usage and Graphene production;

# COMPANY PROJECTS

- 13 November 2017: Maiden Mineral Resource Estimate Confirms Burke Project as One of the World's Highest Grade Natural Graphite Deposits; and
- 26 June 2018: Burke Graphite Project – New Target Area Identified From Ground Electro-Magnetic Surveys.

### Lithium and Gold Exploration Tenements, Western Australia

The North Pilbara hosts a number of lithium and tantalum prospects associated with pegmatites that are related to the Sisters Supersuite of monzogranites and other high end intrusives that intruded the Archeaen greenstone terrain of the East Pilbara approximately 3 billion years ago.

Lithium and tantalum mineralisation occurs either within the pegmatite veins or within alluvials draining the elevated areas containing the pegmatite veins.

Strike holds two exploration licences, EL 45-4799 and EL 45-4800 in the North-West Pilbara totalling ~31,000 hectares that exist within the extent of the known lithium and tantalum mineral fields in the region, adjacent to licences that have outcropping lithium and tantalum elevated pegmatite occurrences.

Given the widespread cover of thin wind-blown sands and tertiary laterites/duricrusts, the potential of sub-cropping and shallow buried lithium and tantalum rich pegmatites and alluvial deposits is considered a strong possibility.

Strike's North-West Pilbara tenements are also favourably located close to the Mt York Lithium-Gold Project and other gold deposits and to adjoining tenements held by Kairos Minerals Limited and De Grey Mining Limited, in an area of significant activity based upon reported Novo/Artemis discoveries in the Pilbara (refer Figure 7).

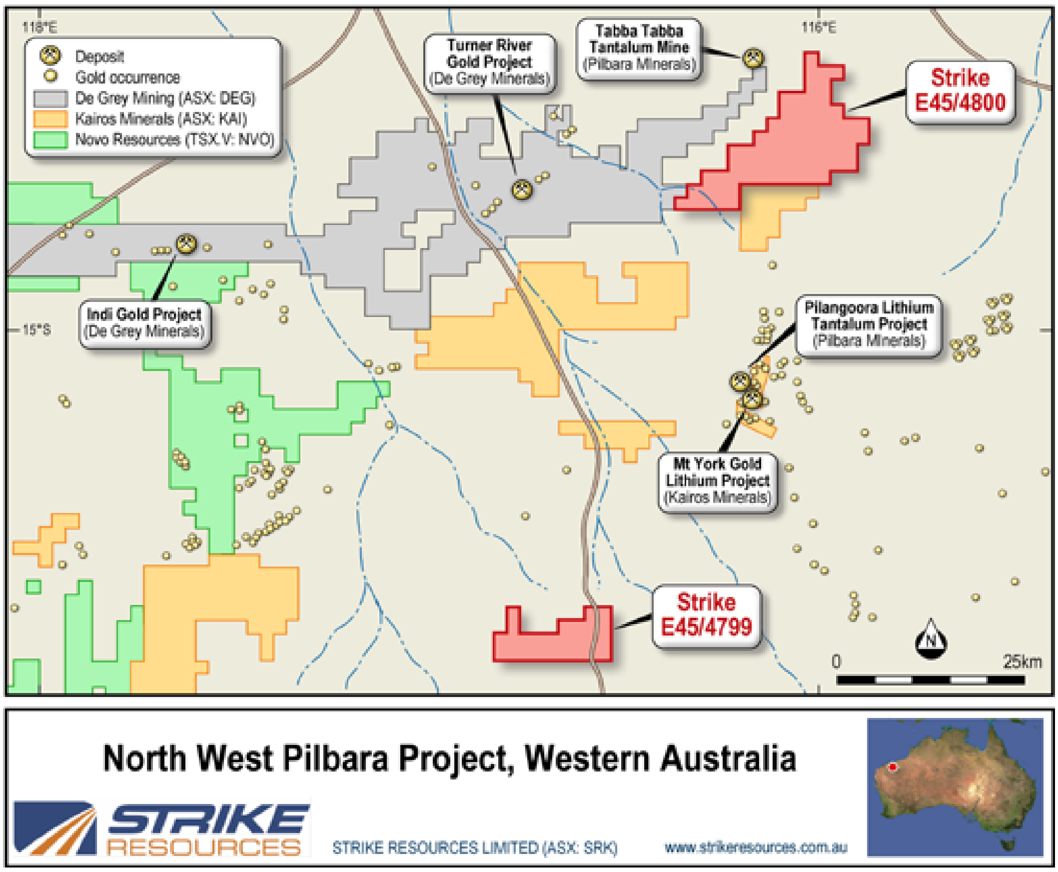


*Figure 7 – Strike's North-West Pilbara Tenements (EL 45/4799 and EL 45/4800)*

# COMPANY PROJECTS

Strike also holds the Paulsens East tenement, which is located ~7km east of the Paulsens Gold Mine operated by Northern Star Resources Ltd (ASX:NST) (which has mined over 700k ounces at an average grade of 7.63 g/t AuL) has been held by Strike for many years for its deposit of high grade hematite. Strike has historically conducted extensive drilling on the tenement for iron ore.

A review by Strike of the historical data within the tenement for other mineralisation has indicated the presence of a historical gold occurrence, hosted within conglomerate rocks on a faulted contact between the Fortescue Group and Ashburton Basin sediments. Strike notes the potential of the Paulsens area, given the geological setting with mineralised conglomerates is similar to the Novo/Artemis gold discoveries, with these discoveries having opened up fresh geological models for gold prospectivity compared with traditional paradigms.

Strike also notes that the Paulsens East tenement directly abuts the southern boundary of Chalice Gold Mines Limited's (ASX:CHN) West Pilbara Project tenements, with Novo Resources' tenements nearby to the south-east (refer Figure 8).

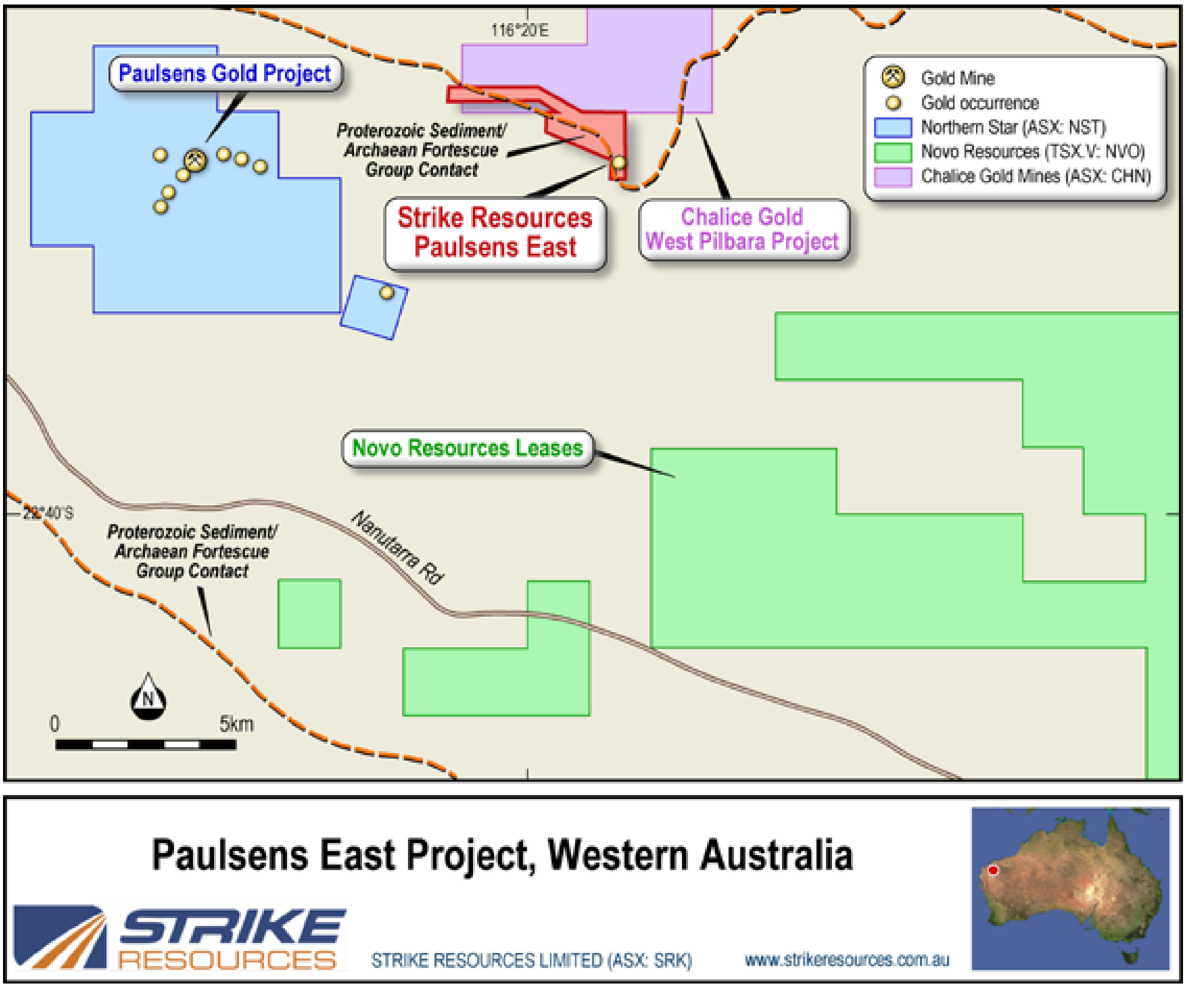


*Figure 8 – Strike's Paulsens East Tenement (Retention Licence RL 47/7)*

Strike is currently evaluating all of its Pilbara tenements and planning further exploration activities to determine their prospectivity for lithium, tantalum, rare earths and gold.

For further details, please refer to Strike's ASX announcement dated 20 November 2017: Gold Potential of Strikes Pilbara Tenements.

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L Source: Northern Star Resources Ltd company website: http://www.nsrltd.com/

# DIRECTORS' REPORT

The Directors present their report on Strike Resources Limited ABN 94 088 488 724 (**Company** or **SRK**) and its controlled entities (the **Consolidated Entity** or **Strike**) for the financial year ended 30 June 2018 (**Balance Date**).

SRK is a company limited by shares that was incorporated in Western Australia and has been listed on the Australian Securities Exchange (**ASX**) since 7 March 2000 (ASX Code: SRK).

The Company has prepared a consolidated financial report incorporating the entities that it controlled during the financial year, being wholly owned subsidiaries.

## PRINCIPAL ACTIVITIES

Strike's principal activities during the financial year were:

- the investigation of potential value-adding strategies in relation to the development of its Apurimac Iron Ore Project in Peru;
- the exploration and evaluation of its Burke Graphite Project in Queensland; and
- the exploration and evaluation of its projects in Western Australia.

## OPERATING RESULTS

| Consolidated | June 2018<br>$ | June 2017<br>$ |
|---|---|---|
| Total revenue | 652,845 | 171,203 |
| Total expenses | (1,334,459) | (1,319,132) |
| Loss before tax | (681,614) | (1,147,929) |
| Income tax expense | - | - |
| Loss after tax | (681,614) | (1,147,929) |

Revenues included $0.529 million total gains from listed investments comprising $0.279 million realised gains and $0.25 million unrealised gains (30 June 2017: nil).

## CASH FLOWS

| Consolidated | June 2018<br>$ | June 2017<br>$ |
|---|---|---|
| Net cash flow from operating activities | (1,697,877) | (1,834,293) |
| Net cash flow from investing activities | (1,251,713) | 175,804 |
| Net change in cash held | (2,949,590) | (1,658,489) |
| Cash held at year end | 2,361,403 | 5,308,855 |

In addition, Strike held an investment portfolio of $1.93 million comprising liquid investments in a diversified portfolio of various ASX 200 listed resource stocks (30 June 2017: $nil).

# DIRECTORS' REPORT

## FINANCIAL POSITION

| Consolidated | June 2018 $ | June 2017 $ |
|---|---|---|
| Cash | 2,361,403 | 5,308,855 |
| Financial assets at fair value through profit or loss | 1,932,400 | - |
| Receivables | 46,221 | 76,584 |
| Other assets | 587,776 | 381,954 |
| Liabilities | (95,097) | (65,390) |
| **Net assets** | **4,832,703** | **5,702,003** |
| Issued capital | 148,439,925 | 148,439,925 |
| Reserves | 14,996,757 | 15,184,443 |
| Accumulated losses | (158,603,979) | (157,922,365) |
| **Total equity** | **4,832,703** | **5,702,003** |

## REVIEW OF OPERATIONS

### Apurimac Iron Ore Project (Peru)

Between 2006 and 2014, Strike's primary focus was on the development of its Apurimac Magnetite Iron Ore Project in Peru, recognised as one of the highest grade, large scale magnetite projects in the world with the potential to support the establishment of a significant iron ore operation.[1]

Adverse market conditions however led Strike in 2014 to suspend all development activities on this and its other iron ore projects in Peru.[2]

In early 2018, the Ministry of Transport and Communications in Peru (**MOTC**) announced that it would 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**).[3]

Strike's Apurimac 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 Apurimac Project's development prospects.

With spot prices for iron ore strengthening from the lows of approximately US$40 per tonne in 2015 to approximately US$68/t today (with a trading range of approximately US$60/t to 80/t during 2017/2018), the timing of the MOTC initiative, being co-incident with strengthening iron ore prices, is considered by Strike to be extremely positive for the Apurimac Project.

Strike is highly encouraged by the prospect of the Andahuaylas Railway and is currently planning to re-start project activity in Peru, subject to the development timetable of the railway.

1 Refer Strike's ASX Announcements dated 23 July 2008: Prefeasibility Results Confirm World Class Prospects in Peru, 23 November 2010: Apurimac Project Update (and Strike's December 2010 Quarterly Report) and 19 January 2015: Apurimac Mineral Resources Updated to JORC 2012 Standard

2 Refer Strike's ASX Announcements dated 28 February 2014: Legal Injunction and Suspension of Operations in Peru, 13 March 2014 Lifting of Injunction and Strategic Review and14 April 2014: Exit from Peru

3 Refer Strike's ASX Announcement dated 8 February 2018: Peru Government Plans Railway Linking Strike's Apurimac Iron Ore Project to Port

4 Market index tracks the industry standard NYMEX traded 62% Fe CFR China (Source www.marketindex.com.au/iron-ore)

# DIRECTORS' REPORT

**Burke Graphite Project (Queensland)**

Strike's Burke Graphite Project[4] (in which Strike holds a ~70% interest[5]) is located in the Cloncurry region in North Central Queensland.

During the financial year:

- Strike reported a maiden JORC Inferred Mineral Resource Estimate (**MRE**) on its Burke Graphite Project in Queensland, confirming the project as one of highest grade natural graphite deposits in the world[6].
- Strike's Managing Director met with a number of major lithium-ion battery manufacturers and graphite companies in China to endeavour to develop strategic relationships with potential graphite concentrate offtake partners and other parties who are otherwise active in the Chinese graphite/graphene industry. Strike engaged an experienced Beijing-based Consultant to facilitate and advance discussions with these and other parties.
- Strike had discussions with various Universities and Research Institutions in Australia with regard to partnering with Strike on researching the development of commercial applications for its graphite, with a focus on areas with the best near-term commercial potential and where, if possible, Australian Government funding support can also be secured.
- Strike completed ground Electro Magnetic (**EM**) survey which identified the Corella Prospect as a significant target area for additional high grade mineralisation as well as identifying new zones of increased conductivity adjacent to previously drilled graphite mineralisation at the Burke Prospect.
- Strike commenced further metallurgical test work on samples of graphite material taken from the Burke Project to examine the potential suitability of Burke graphite for use in electric vehicle (EV) batteries.

For further details, refer to Strike's ASX announcements dated:

- 16 October 2017: Test-work confirms the potential suitability of Burke graphite for Lithium-ion battery usage and Graphene production
- 13 November 2017: Maiden Mineral Resource Estimate Confirms Burke Project as One of the World's Highest Grade Natural Graphite Deposits
- 22 January 2018: Burke Graphite Project - Update ;
- 13 June 2017: Extended Intersections of High-Grade Graphite Encountered at Burke Graphite Project and 21 June 2017: Further High-Grade Intersection Encountered at Burke Graphite Project;
- 26 June 2018: Burke Graphite Project – New Target Area Identified From Ground Electro-Magnetic Surveys

4 Refer Strike's ASX announcement dated 9 November 2016: Strike Secures Graphite Project in Queensland

5 In July 2017, Strike completed its earn-in obligations to acquire a 60% interest in the Burke Graphite Project tenements. All subsequent expenditure on the project are shared in proportion to the owners' interests (with an industry standard dilution to apply if a party elects not to contribute their share).

6 Refer Grade Tonnage Data in Table 2 of CSA Global's Burke Graphite Project MRE Technical Summary dated 9 November 2017 (attached as Annexure A of Strike's ASX Announcement dated 13 November 2017: Maiden Mineral Resource Estimate Confirms Burke Project as One of the World's Highest Grade Natural Graphite Deposits)

# DIRECTORS' REPORT

**Lithium Exploration (Western Australia)**

During the financial year, Strike received the grant of Exploration Licences EL 45-4799 and E45-4800 totalling ~31,000 hectares in the North Pilbara of Western Australia[7]. These tenements exist within the extent of the known lithium and tantalum mineral fields in the region, adjacent to licences that have outcropping lithium and tantalum elevated pegmatite occurrences.

**Paulsens-East Project (Western Australia)**

Strike's Paulsens East tenement, which is located ~7km east of the Paulsens Gold Mine operated by Northern Star Resources Ltd (ASX:NST), has been held by Strike for many years for its deposit of high grade hematite. Strike has historically conducted extensive drilling on the tenement for iron ore.

During the financial year, Strike conducted a review of historical data within the tenement for other mineralisation, which indicated the presence of a historical gold occurrence hosted within conglomerate rocks. The geological setting with mineralised conglomerates is similar to the Novo Resources Corp. (TSX-V:NVO) / Artemis Resources Limited (ASX:ARV) gold discoveries, with these discoveries having opened up fresh geological models for gold prospectivity compared with traditional paradigms

For further details, refer to Strike's ASX announcement dated 20 November 2017: Gold Potential of Strike's Pilbara Tenements.

## DIVIDENDS

No dividends have been paid or declared during the financial year.

## SECURITIES ON ISSUE

The Company has the following total securities on issue as at 30 June 2018 (and as at the date of this report):

| | Quoted on ASX | Unlisted | Total |
|---|---|---|---|
| Fully paid ordinary shares | 145,334,268 | - | 145,334,268 |
| **Total** | **145,334,268** | **-** | **145,334,268** |

The following unlisted options lapsed during the financial year:

| Date of Lapse | Description of Options | № of Options | Exercise Price | Date of Issue | Expiry Date |
|---|---|---|---|---|---|
| 17 June 2018 | $0.30 (17 June 2018) Unlisted Managing Director's Options | 3,000,000 | $0.30 | 18 June 2013 | 17 June 2018 |

## SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There have been no significant changes in the state of affairs of the Consolidated Entity save as otherwise disclosed in this Directors' Report or the financial statements and notes thereto.

7 Refer Strike's ASX Announcement dated 18 August 2016: New Lithium Projects in Chile and Western Australia

# DIRECTORS' REPORT

## FUTURE DEVELOPMENTS

The Consolidated Entity will continue to:

- maintain its iron ore projects in Peru as potentially strategic assets which may, when market conditions improve, provide opportunity for Strike to recover value from the same;
- advance its other resource projects through exploration, evaluation and development; and
- investigate and pursue other prospective projects in the resources sector.

The likely outcomes of these activities depend on a range of technical and economic factors and also industry, geographic and other strategy specific issues. In the opinion of the Directors, it is not possible or appropriate to make a prediction on the results of these activities, the future course of markets or the forecast of the likely results of the Consolidated Entity's activities.

## ENVIRONMENTAL REGULATION

The Consolidated Entity holds mineral tenement/concession licences issued by the relevant mining and environmental protection authorities of the various countries in which Strike operates (from time to time). In the course of its mineral exploration, evaluation and development activities, the Consolidated Entity adheres to licence conditions and environmental regulations imposed upon it by various authorities (as applicable). The Consolidated Entity has complied with all licence conditions and environmental requirements (as applicable) during the financial year and up to the date of this report. There have been no known material breaches of the Consolidated Entity's licence conditions and environmental regulations during the financial year and up to the date of this report.

## BOARD OF DIRECTORS

| **Farooq Khan** | **Chairman** |
|---|---|
| *Appointed* | 18 December 2015; Director since 1 October 2015 |
| *Qualifications* | BJuris, LLB (*Western Australia*) |
| *Experience* | Mr Khan is a qualified lawyer having previously practised principally in the field of corporate law. Mr Khan has extensive experience in the securities industry, capital markets and the executive management of ASX-listed companies. In particular, Mr Khan has guided the establishment and growth of a number of public listed companies in the investment, mining and financial services sector. He has considerable experience in the fields of capital raisings, mergers and acquisitions and investments. |
| *Special responsibilities* | Member of the Audit Committee<br>Member of the Remuneration and Nomination Committee |
| *Relevant Interests in shares and options* | 530,010 shares (directly) |
| *Other current directorships in listed entities* | Executive Chairman of:<br>Orion Equities Limited (ASX:OEQ) (since October 2006)<br>Bentley Capital Limited (ASX:BEL) (Director since December 2003)<br><br>Executive Chairman and Managing Director of:<br>Queste Communications Ltd (ASX:QUE) (since March 1998) |
| *Former directorships in other listed entities in past 3 years* | Nil |

# DIRECTORS' REPORT

| **William Johnson** | **Managing Director** |
|---|---|
| *Appointed* | 25 March 2013; Director since July 2006 |
| *Qualifications* | MA (*Oxon*), MBA |
| *Experience* | William Johnson holds a Masters degree in engineering science from Oxford University, England and an MBA from Victoria University, New Zealand. His 30-year business career spans multiple industries and countries, with executive/CEO experience in mineral exploration and investment (Australia, Peru, Chile, Saudi Arabia, Oman, North Africa and Indonesia), telecommunications infrastructure investment (New Zealand, India, Thailand and Malaysia) and information technology and Internet ventures (New Zealand, Philippines and Australia). Mr Johnson is a highly-experienced public company director and has considerable depth of experience in corporate governance, business strategy and operations, investment analysis, finance and execution. |
| *Special responsibilities* | None |
| *Relevant Interests in shares and options* | 249,273 shares (directly) |
| *Other current directorships in listed entities* | Executive Director of:<br>Bentley Capital Limited (ASX:BEL) (since 1 January 2016; Director since March 2009)<br><br>Non-Executive Director of:<br>Keybridge Capital Limited (ASX:KBC) (since July 2016)<br>Yowie Group Ltd (ASX:YOW) (since April 2018)<br>Molopo Energy Limited (ASX:MPO) (since June 2018) |
| *Former directorships in other listed entities in past 3 years* | Nil |

| **Malcolm Richmond** | **Non-Executive Director** |
|---|---|
| *Appointed* | Director since 25 October 2006; previously Chairman (3 February 2011 to 18 December 2015) |
| *Qualifications* | BSc Hons (Metallurgy) and B. Comm. Merit (Econs) (*New South Wales*) |
| *Experience* | Mr Richmond has 30 years' experience with the Rio Tinto and CRA Groups in a number of positions including: Vice President, Strategy and Acquisitions; Managing Director, Research and Technology; Managing Director, Development (Hamersley Iron Pty Limited) and Director of Hismelt Corporation Pty Ltd. He was formerly Deputy Chairman of the Australian Mineral Industries Research Association and Vice President of the WA Chamber of Minerals and Energy. Mr Richmond has also served as a Member on the Boards of a number of public and governmental bodies and other public listed companies.<br><br>He is a qualified metallurgist and economist with extensive senior executive and board experience in the resource and technology industries both in Australia and internationally. His special interests include corporate strategy and the development of markets for internationally traded minerals and metals - particularly in Asia.<br><br>Mr Richmond served as Visiting Professor at the Graduate School of Management and School of Engineering, University of Western Australia until January 2012 and is a Fellow of the Australian Academy of Technological Sciences & Engineering, a Fellow of Australian Institute of Mining and Metallurgy and a Member of Strategic Planning Institute (US). |
| *Special responsibilities* | Chairman of the Audit Committee<br>Member of the Remuneration and Nomination Committee |
| *Relevant Interests in shares and options* | Nil |
| *Other current directorships in listed entities* | Non-Executive Director of:<br>Argonaut Resources NL (ASX:ARE) (since 14 March 2012) |
| *Former directorships in other listed entities in past 3 years* | Nil |

# DIRECTORS' REPORT

| Matthew Hammond | Non-Executive Director |
|---|---|
| *Appointed* | 25 September 2009 |
| *Qualifications* | BA (Hons) (*Bristol*) |
| *Experience* | Mr Hammond is Group Managing Director and CFO of Mail.ru, a leading European Internet communication and entertainment services group, which is listed on the London Stock Exchange. Prior to that he was Group Strategist for Metalloinvest Holdings, where he had broad-ranging responsibilities for part of the non-core asset portfolio and advised the Metalloinvest Board on strategic acquisitions and investments. He began his career at Credit Suisse and was Sector Head in Equity Research and in Private Bank Ultra High Net Worth Client Advisory advising on portfolio allocation, strategic M&A and individual investments. As a Technology Analyst at Credit Suisse, he was ranked #1 in the Extell and Institutional Investor surveys 8 times. |
| *Special responsibilities* | Chairman of the Remuneration and Nomination Committees<br>Member of the Audit Committee |
| *Relevant Interests in shares and options* | Nil |
| *Other current directorships in listed entities* | Managing Director and Chief Financial Officer of:<br>Mail.Ru Group Limited (LSE:MAIL)<br>(since April 2011; Director since May 2010; CFO since June 2013); |
| *Former directorships in other listed entities in past 3 years* | Non-Executive Director of:<br>Realm Therapeutics plc (formerly PuriCore plc) (LSE:RLM) (May 2010 to 17 November 2017) |

| Victor Ho | Director and Company Secretary |
|---|---|
| *Appointed* | Director since 24 January 2014; Company Secretary since 30 September 2015 |
| *Qualifications* | BCom, LLB (*Western Australia*), CTA |
| *Experience* | Victor Ho has been in Executive roles with a number of ASX-listed companies across the investments, resources and technology sectors over the past 18+ years. Mr Ho is a Chartered Tax Adviser (CTA) and previously had 9 years' experience in the taxation profession with the Australian Tax Office (ATO) and in a specialist tax law firm. Mr Ho has been actively involved in the investment management of listed investment companies (as an Executive Director and/or a member of the Investment Committee), the structuring and execution of a number of corporate, M&A and international joint venture (in South America, Indonesia and the Middle East) transactions, capital raisings and capital management initiatives and has extensive experience in public company administration, corporations' law and stock exchange compliance and investor/shareholder relations. |
| *Special responsibilities* | Secretary of Audit Committee and Remuneration and Nomination Committee |
| *Relevant Interests in shares and options* | Nil |
| *Other positions held in listed entities* | Executive Director (also Company Secretary) of:<br>Orion Equities Limited (ASX:OEQ) (Secretary since 2 August 2000 and Director since 4 July 2003)<br>Queste Communications Ltd (ASX:QUE) (Secretary since 30 August 2000 and Director since 3 April 2013)<br><br>Company Secretary of:<br>Bentley Capital Limited (ASX:BEL) (since 5 February 2004)<br>Keybridge Capital Limited (ASX:KBC) (since 13 October 2016) |
| *Former position in other listed entities in past 3 years* | None |

# DIRECTORS' REPORT

## DIRECTORS' MEETINGS

The following table sets out the numbers of meetings of the Company's Directors held during the financial year (including Directors' circulatory resolutions), and the numbers of meetings attended by each Director of the Company:

| | Board Meetings | | Audit Committee | | Remuneration Committee | |
|---|---|---|---|---|---|---|
| **Name of Director** | **Attended** | **Max. Possible Meetings** | **Attended** | **Max. Possible Meetings** | **Attended** | **Max. Possible Meetings** |
| Farooq Khan | 5 | 5 | 2 | 2 | 1 | 1 |
| William Johnson | 5 | 5 | - | - | - | - |
| Malcolm Richmond | 5 | 5 | 2 | 2 | 1 | 1 |
| Matthew Hammond | 5 | 5 | 1 | 2 | 1 | 1 |
| Victor Ho | 5 | 5 | 2[(a)] | 2 | - | - |

Notes:

(a) Mr Ho attended Audit Committee meetings as Secretary of the Audit Committee

### Audit Committee

The Audit Committee was established in March 2010 and currently comprises Malcolm Richmond (as Chairman), Farooq Khan and Matthew Hammond.

The Audit Committee has a formal charter to prescribe its objectives, duties and responsibilities, access and authority, composition, membership requirements of the Committee and other administrative matters. Its function includes reviewing and approving the audited annual and reviewed half-yearly financial reports, ensuring a risk management framework is in place, reviewing and monitoring compliance issues, reviewing reports from management and matters related to the external auditor.

A copy of the Audit Committee Charter may be downloaded from the Company's website: http://strikeresources.com.au/corporate/corporate-governance/.

### Remuneration and Nomination Committee

The Remuneration and Nomination Committee was established in August 2010 and currently comprises Matthew Hammond (as Chairman), Farooq Khan and Malcolm Richmond.

The Remuneration and Nomination Committee has a formal charter to prescribe its purpose, key responsibilities, composition, membership requirements, powers and other administrative matters. The Committee has a:

- Remuneration function - with key responsibilities to make recommendations to the Board on policy governing the remuneration benefits of the Managing Director and Executive Directors, including equity-based remuneration and assist the Managing Director to determine the remuneration benefits of senior management and advise on those determinations; and a
- Nomination function - with key responsibilities to make recommendations to the Board as to various Board matters including the necessary and desirable qualifications, experience and competencies of Directors and the extent to which these are reflected in the Board, the appointment of the Chairman and Managing Director, the development and review of Board succession plans and addressing Board diversity.

A copy of the Remuneration and Nomination Committee Charter may be downloaded from the Company's website: http://strikeresources.com.au/corporate/corporate-governance/.

# REMUNERATION REPORT

This Remuneration Report details the nature and amount of remuneration for each Director and Company Executive (being a company secretary or senior manager) (**Key Management Personnel)** of the Company.

The information provided under headings (1) to (8) below has been audited for compliance with section 300A of the *Corporations Act 2001 (Cth)* as required under section 308(3C).

### (1) Key Management Personnel disclosed in this report

| Name | Current Position | Tenure |
|---|---|---|
| Farooq Khan | Chairman | Chairman since 18 December 2015; Director since 1 October 2015 |
| William Johnson | Managing Director | Since 25 March 2013; Director since July 2006 |
| Victor Ho | Director and Company Secretary | Director since 24 January 2014; Company Secretary since 30 September 2015 |
| Malcolm Richmond | Non-Executive Director | Director since 25 October 2006; Previously, Chairman between 3 February 2011 and 18 December 2015 |
| Matthew Hammond | Non-Executive Director | Since 25 September 2009 |

### (2) Remuneration Policy

The Board (with guidance from the Remuneration and Nomination Committee) determines the remuneration structure of all Key Management Personnel having regard to the Consolidated Entity's strategic objectives, scale and scope of operations and other relevant factors, including experience and qualifications, length of service, market practice (including available data concerning remuneration paid by other listed companies in particular companies of comparable size and nature within the resources sector in which the Consolidated Entity operates), the duties and accountability of Key Management Personnel and the objective of maintaining a balanced Board which has appropriate expertise and experience, at a reasonable cost to the Company.

**The Remuneration and Nomination Committee**: A purpose of the Committee is to assist the Managing Director and the Board to adopt and implement a remuneration system that is required to attract, retain and motivate the personnel who will enable the Company to achieve long-term success. In carrying out this 'remuneration function', the Committee's key responsibilities are to:

- make recommendations to the Board on the specific benefits to be provided to the Managing Director within the policy
- conduct an annual review of Non-Executive Directors' fees and determining whether the limit on the Non-Executive Directors' fee pool remains appropriate, and
- assist the Managing Director to determine the remuneration (including equity-based remuneration) of 'Senior Management' (being executive direct reports to the Managing Director and other senior employees) and advise on those determinations.

A copy of the Remuneration and Nomination Committee Charter may be downloaded from the Company's website: http://strikeresources.com.au/corporate/corporate-governance/.

**Corporate Governance Principles:** The Company's Corporate Governance Statement (**CGS**) also addresses matters pertaining to the Board, Senior Management and Remuneration.

The latest version of the CGS may be downloaded from the Company's website:
http://strikeresources.com.au/corporate/corporate-governance/.

# REMUNERATION REPORT

**Fixed Cash Short-term Employment Benefits:** The Key Management Personnel of the Company are paid a fixed amount per annum plus applicable employer superannuation contributions. The Non-Executive Directors of the Company are paid a maximum aggregate base remuneration of $550,000[8] per annum inclusive of employer superannuation contributions where applicable, to be divided as the Board determines appropriate.

The Board has determined the following fixed cash remuneration for current Key Management Personnel as follows:

(1) Mr Farooq Khan (Chairman) - a base fee of $80,000 per annum plus employer superannuation contributions;

(2) Mr William Johnson (Managing Director) - a base fee of $208,000 per annum plus employer superannuation contributions;

(3) Mr Victor Ho (Director and Company Secretary) - a base fee of $95,000 (comprising $45,000 Director's fees and $50,000 Company Secretarial fees) per annum plus employer superannuation contributions;

(4) Mr Malcolm Richmond (Non-Executive Director) - a base fee of $45,000 per annum plus employer superannuation contributions; and

(5) Mr Matthew Hammond (Non-Executive Director) - a base fee of $45,000 per annum.

**Special Exertions and Reimbursements:** Pursuant to the Company's Constitution, each Director is also entitled to receive:

(a) Payment for reimbursement of all travelling, hotel and other expenses reasonably incurred by a Director for the purpose of attending meetings of the Board or otherwise in and about the business of the Company; and

(b) In respect of Non-Executive Directors, payment for the performance of extra services or the making of special exertions for the benefit of the Company (at the request of and with the concurrence of the Board).

**Short-Term Benefits:** The Managing Director has the opportunity to earn an annual short-term incentive (**STI**) cash amount if predefined key performance indicators (**KPI's**) are achieved. The STI/KPI's are reviewed annually (where applicable). There were no STI KPI's set for the Managing Director in respect of the past 2017/18 financial year or the 2018/19 financial year.

**Long-Term Benefits:** Other than early termination benefits disclosed in 'Employment Agreements' below, Key Management Personnel have no right to termination payments save for payment of accrued unused annual and long service leave (where applicable) (other than Non-Executive Directors).

**Equity-Based Benefits:** The Company has not provided equity based benefits (e.g. grant of shares or options) to Key Management Personnel during the financial year. The Company has previously granted unlisted options to Key Management Personnel (refer 'Options Held By Key Management Personnel' below). There were no shares issued as a result of the exercise of options previously issued to Key Management Personnel during the financial year.

**Employee Share Option Plan:** The Company has an Employee Share Option Plan (the **ESOP**) which was last approved by shareholders at the 2008 Annual General Meeting held on 6 November 2008[9]. The ESOP was developed to assist in the recruitment, reward, retention and motivation of employees (and potentially Executive Directors). Under the ESOP, the Board will nominate personnel to participate and will offer options to subscribe for shares in the Company to those personnel. A summary of the terms of ESOP is set out in Annexure B to the Company's Notice of Annual General Meeting and Explanatory Statement dated 8 October 2008[10]. The Company has not granted any options to Key Management Personnel during the financial year.

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8 As approved by shareholders at the Annual General Meeting held on 25 November 2009; refer SRK's Notice of Annual General Meeting released on ASX on 27 October 2009 and SRK's ASX Announcement dated 25 November 2009: Results of Annual General Meeting

9 Refer SRK's ASX announcement dated 6 November 2008: Results of Annual General Meeting

10 Refer SRK's ASX announcement dated 8 October 2008: Notice of 2008 AGM and Explanatory Statement and Proxy Form

# REMUNERATION REPORT

**Post-Employment Benefits:** The Company does not presently provide retirement benefits to Key Management Personnel. The Company notes that shareholder approval is required where a Company proposes to make a "termination payment" (for example, a payment in lieu of notice, a payment for a post-employment restraint and payments made as a result of the automatic or accelerated vesting of share based payments) in excess of one year's "base salary" (defined as the average base salary over the previous 3 years) to a director or any person who holds a managerial or executive office.

**Performance-Related Benefits and Financial Performance of Company:** Save for any applicable STI(s) in place for the Managing Director or any applicable equity-benefits that may be provided to Key Management Personnel, the current remuneration of Key Management Personnel is fixed, is not dependent on the satisfaction of a performance condition and is unrelated to the Company's performance.

In considering the Company's performance and its effects on shareholder wealth, Directors have had regard to the data set out below for the latest financial year and the previous four financial years.

| | 2018 | 2017 | 2015 | 2014 | 2013 |
|---|---|---|---|---|---|
| Profit/(Loss) Before Income Tax | (681,614) | (1,147,929) | (628,670) | (517,864) | (48,761,450) |
| Basic Earnings/(Loss) per share (cents) | (0.60) | (0.79) | (0.43) | (0.36) | (33.55) |
| Dividends Paid (total) | - | - | - | - | - |
| Dividends Paid (per share) | - | - | - | - | - |
| Capital Returns Paid (total) | - | - | - | - | - |
| Capital Returns Paid (per share) | - | - | - | - | - |
| VWAP Share Price on ASX for financial year ($) | 0.07 | 0.05 | 0.05 | 0.05 | 0.05 |
| Closing Bid Share Price on ASX at 30 June ($) | 0.05 | 0.04 | 0.04 | 0.05 | 0.04 |

**(3) Details of Remuneration of Key Management Personnel**

Details of the nature and amount of each element of remuneration of each Key Management Personnel paid or payable by the Company during the financial year are as follows:

| 2018 | | Short-term Benefits | | Post-Employment Benefits | Other Long-term Benefits | Equity-Based | |
|---|---|---|---|---|---|---|---|
| Key Management Personnel | Performance - related % | Cash salary and fees $ | Non-cash benefit $ | Superannuation $ | Long service leave $ | Shares & options $ | Total $ |
| **Directors:** | | | | | | | |
| William Johnson | | 208,000 | - | 19,760 | - | - | 227,760 |
| Farooq Khan | | 79,999 | - | 7,600 | - | - | 87,599 |
| Malcolm Richmond | | 45,000 | - | 4,275 | - | - | 49,275 |
| Victor Ho | | 44,999 | - | 4,275 | - | - | 49,274 |
| Matthew Hammond | | 45,000 | - | - | - | - | 45,000 |
| **Company Secretary:** | | | | | | | |
| Victor Ho | | 50,000 | - | 4,750 | - | - | 54,750 |

| 2017 | | Short-term Benefits | | Post-Employment Benefits | Other Long-term Benefits | Equity-Based | |
|---|---|---|---|---|---|---|---|
| Key Management Personnel | Performance - related % | Cash salary and fees $ | Annual Leave $ | Superannuation $ | Long service leave $ | Shares & options $ | Total $ |
| **Directors:** | | | | | | | |
| William Johnson | - | 202,400 | - | 19,228 | - | - | 221,628 |
| Farooq Khan | - | 80,000 | - | 7,600 | - | - | 87,600 |
| Malcolm Richmond | - | 45,000 | - | 4,275 | - | - | 49,275 |
| Victor Ho | - | 45,000 | - | 4,275 | - | - | 49,275 |
| Matthew Hammond | - | 45,000 | - | - | - | - | 45,000 |
| **Company Secretary:** | | | | | | | |
| Victor Ho | - | 50,000 | - | 4,750 | - | - | 54,750 |

# REMUNERATION REPORT

### (4) Employment Agreements

Details of the material terms of employment agreements entered by the Company with Key Management Personnel are as follows:

| Key Management Personnel and Position Held | Relevant Date(s) | Current Base Salary/Fees per annum | Other Current Terms |
|---|---|---|---|
| William Johnson<br>(Managing Director) | 22 April 2013 (date of employment agreement)<br>11 March 2013 (commencement date)<br>1 May 2015 (date of effect of current remuneration) | $208,000<br>plus employer superannuation contributions (currently 9.5% of base salary) | · Standard annual leave (20 days) and personal/sick leave (10 days paid) entitlements plus entitlement to long service leave of 60 days after 7 years of service with an additional 5 days after each year of service thereafter.<br>· One month's notice of termination by the Company or employee. Immediate termination without notice if employee commits any serious act of misconduct.<br>· Permitted to be a Non-Executive Director of no more than 2 public companies provided that it does not compromise ability to devote the care and attention to the Company's affairs required by the position.<br>· Entitlement to cash short-term incentive (**STI**) payments in respect of up to 30% of annual base salary, as set by the Board (having regard to advice from the Remuneration and Nomination Committee) – no STI was defined in respect of the 2017/2018 financial year and as at the date of this report. |

### (5) Other Benefits Provided to Key Management Personnel

No Key Management Personnel has during or since the end of the financial year, received or become entitled to receive a benefit, other than a remuneration benefit as disclosed above, by reason of a contract made by the Company or a related entity with the Director or with a firm of which he is a member, or with a Company in which he has a substantial interest.

### (6) Engagement of Remuneration Consultants

The Company has not engaged any remuneration consultants to provide remuneration recommendations in relation to Key Management Personnel during the year. The Board has established a policy for engaging external Key Management Personnel remuneration consultants which includes, inter alia, that the Non-Executive Directors on the Remuneration Committee be responsible for approving all engagements of and executing contracts to engage remuneration consultants and for receiving remuneration recommendations from remuneration consultants regarding Key Management Personnel. Furthermore, the Company has a policy that remuneration advice provided by remuneration consultants be quarantined from Management where applicable.

### (7) Shares held by Key Management Personnel

The number of ordinary shares in the Company held by Key Management Personnel is set below:

| Key Management Personnel | Balance at 30 June 2017 | Received as part of remuneration | Net Change | Balance at 30 June 2018 |
|---|---|---|---|---|
| Farooq Khan | 750,803 | - | - | 750,803 |
| William Johnson | 249,273 | - | - | 249,273 |
| Victor Ho | - | - | - | - |
| Malcolm Richmond | - | - | - | - |
| Matthew Hammond | - | - | - | - |

Note:

(a) The disclosures of shareholdings above are in accordance with the accounting standards which require disclosure of shares held directly, indirectly or beneficially by each key management person, a close member of the family of that person, or an entity over which either of these persons have, directly or indirectly, control, joint control or significant influence (as defined under Accounting Standard AASB 124 Related Party Disclosures)

# REMUNERATION REPORT

**(8) Options held by Key Management Personnel**

The number of options in the Company held by Key Management Personnel is set below:

| 2018<br>Key Management Personnel | Balance at 30 June 2017 | Granted | Exercised | Lapsed / Cancelled | Balance at 30 June 2018 | Granted and vested during year | Vested and exercisable at 30 June 2018 |
|---|---|---|---|---|---|---|---|
| William Johnson | 3,000,000[(a)] | - | - | 3,000,000[11] | - | - | - |
| Farooq Khan | - | - | - | - | - | - | - |
| Victor Ho | - | - | - | - | - | - | - |
| Malcolm Richmond | - | - | - | - | - | - | - |
| Matthew Hammond | - | - | - | - | - | - | - |

Note:

(a) $0.30 (17 June 2018) Unlisted Managing Director's Options issued on 18 June 2013 after receipt of shareholder approval [12]

**(9) Voting and Comments on the Remuneration Report at the 2017 AGM**

At the Company's most recent (2017) AGM, a resolution to adopt the prior year (2017) Remuneration Report was put to a vote and passed unanimously on a show of hands with the proxies received also indicating majority (99.85%) support in favour of adopting the Remuneration Report.[13] No comments were made on the Remuneration Report at the 2017 AGM.

This concludes the audited Remuneration Report.

11 Refer Strike's ASX announcement dated 20 June 2018: Lapse of Unlisted Managing Director's Options

12 Refer Strike's ASX announcement dated 18 June 2013: Appendix 3B – Grant of Options and Cancellation of Options and Strike's Notice of General Meeting lodged on ASX on 17 May 2013

13 Refer Strike's ASX announcement dated 16 November 2017: Results of 2017 Annual General Meeting

# DIRECTORS' REPORT

## DIRECTORS' AND OFFICERS' INSURANCE

The Company insures Directors and Officers against liability they may incur in respect of any wrongful acts or omissions made by them in such capacity (to the extent permitted by the *Corporations Act 2001 (Cth)*) (**D&O Policy**). Details of the amount of the premium paid in respect of the insurance policies are not disclosed as such disclosure is prohibited under the terms of the contract.

## DIRECTORS' AND OFFICERS' DEEDS

In addition to the rights of indemnity provided under the Company's Constitution (to the extent permitted by the *Corporations Act 2001 (Cth)*), the Company has also entered into a deed with each of the Directors and the Company Secretary (**Officer**) to regulate certain matters between the Company and each Officer, both during the time the Officer holds office and after the Officer ceases to be an officer of the Company, including the following matters:

(a) The Company's obligation to indemnify an Officer for liabilities or legal costs incurred as an officer of the Company (to the extent permitted by the *Corporations Act 2001 (Cth)*); and

(b) Subject to the terms of the deed and the *Corporations Act 2001 (Cth)*, the Company may advance monies to the Officer to meet any costs or expenses of the Officer incurred in circumstances relating to the indemnities provided under the deed and prior to the outcome of any legal proceedings brought against the Officer.

## LEGAL PROCEEDINGS ON BEHALF OF COMPANY

No person has applied for leave of a court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of such proceedings. The Company was not a party to any such proceedings during and since the financial year.

## AUDITORS

Details of the amounts paid or payable to the Auditors for audit and non-audit services provided during the financial year are set out below:

| Auditor | Audit & Review Fees $ | Non-Audit Services $ | Total $ |
|---|---|---|---|
| Rothsay Auditing | 14,000 | - | 14,000 |

The Board is satisfied that the provision of non-audit services by the Auditors during the year is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001 (Cth).* The Board is satisfied that the nature of the non-audit services disclosed above did not compromise the general principles relating to auditor independence as set out in the Institute of Chartered Accountants in Australia and APES 110 Code of Ethics for Professional Accountants: Professional Independence, including reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Company, acting as advocate for the Company or jointly sharing economic risk and rewards.

Rothsay Auditing continues in office in accordance with Section 327 of the *Corporations Act 2001 (Cth)*.

## AUDITOR'S INDEPENDENCE DECLARATION

A copy of the Auditor's Independence Declaration as required under section 307C of the *Corporations Act 2001 (Cth)* forms part of this Directors Report and is set out on page 27. This relates to the Audit Report, where the Auditors state that they have issued an independence declaration.

# DIRECTORS' REPORT

## EVENTS SUBSEQUENT TO BALANCE DATE

The Directors are not aware of any matters or circumstances at the date of this Directors' Report, other than those referred to in this Directors' Report or the financial statements or notes thereto (in particular Note 22), that have significantly affected or may significantly affect the operations, the results of operations or the state of affairs of the Company in subsequent financial years.

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

| | |
|---|---|
| Farooq Khan<br>Chairman | William Johnson<br>Managing Director |

25 September 2018

ROTHSAY
Level 1, Lincoln House, 4 Ventnor Avenue, West Perth WA 6005
P.O. Box 8716, Perth Business Centre WA 6849
Phone (08) 9486 7094 www.rothsayresources.com.au

The Directors
Strike Resources Limited
Level 2 23 Ventnor Ave
West Perth WA 6005

Dear Sirs

In accordance with Section 307C of the Corporations Act 2001 (the "Act") I hereby declare that to the best of my knowledge and belief there have been:

i) no contraventions of the auditor independence requirements of the Act in relation to the audit of the 30 June 2018 financial statements; and

ii) no contraventions of any applicable code of professional conduct in relation to the review.

Graham Swan FCA (Lead auditor)

Rothsay Auditing

Dated 25 September 2018

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

## for the year ended 30 June 2018

| | Note | 2018 | 2017 |
|---|---|---|---|
| **REVENUE** | | **$** | **$** |
| Interest revenue | **2** | 82,423 | 171,200 |
| **Other** | | | |
| Other income | | 570,422 | 3 |
| **TOTAL REVENUE AND INCOME** | | **652,845** | **171,203** |
| **EXPENSES** | **3** | | |
| Exploration and evaluation expenses | | (331,421) | (246,426) |
| Personnel expenses | | (508,047) | (508,330) |
| Corporate expenses | | (335,782) | (415,262) |
| Occupancy expenses | | (43,618) | (33,281) |
| Finance expenses | | (5,510) | (5,663) |
| Foreign exchange loss | | 13,731 | (17,792) |
| Administration expenses | | (123,812) | (92,378) |
| **LOSS BEFORE INCOME TAX** | | **(681,614)** | **(1,147,929)** |
| Income tax expense | **5** | - | - |
| **LOSS FOR THE YEAR** | | **(681,614)** | **(1,147,929)** |
| **OTHER COMPREHENSIVE INCOME** | | | |
| Other Comprehensive Income, Net of Tax | | | |
| Exchange differences on translation of foreign operations | | (187,686) | (37,463) |
| **TOTAL COMPREHENSIVE LOSS FOR THE YEAR** | | **(869,300)** | **(1,185,392)** |
| **LOSS PER SHARE FOR LOSS ATTRIBUTABLE TO THE ORDINARY EQUITY HOLDERS OF THE COMPANY:** | | | |
| Basic and diluted loss per share (cents) | **6** | (0.60) | (0.82) |

The accompanying notes form part of these consolidated financial statements

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

## as at 30 June 2018

| | Note | 2018 | 2017 |
|---|---|---|---|
| | | $ | $ |
| **CURRENT ASSETS** | | | |
| Cash and cash equivalents | **7** | 2,361,403 | 5,308,855 |
| Financial assets at fair value through profit or loss | **8** | 1,932,400 | - |
| Receivables | **10** | 46,221 | 76,584 |
| Other current assets | | 3,436 | 10,230 |
| **TOTAL CURRENT ASSETS** | | **4,343,460** | **5,395,669** |
| **NON-CURRENT ASSETS** | | | |
| Exploration and evaluation expenditure | **11** | 581,433 | 369,902 |
| Property, plant and equipment | | 2,907 | 1,822 |
| **TOTAL NON-CURRENT ASSETS** | | **584,340** | **371,724** |
| **TOTAL ASSETS** | | **4,927,800** | **5,767,393** |
| **CURRENT LIABILITIES** | | | |
| Payables | **12** | 89,610 | 53,336 |
| Provisions | | 5,487 | 12,054 |
| **TOTAL CURRENT LIABILITIES** | | **95,097** | **65,390** |
| **TOTAL LIABILITIES** | | **95,097** | **65,390** |
| **NET ASSETS** | | **4,832,703** | **5,702,003** |
| **EQUITY** | | | |
| Issued capital | **13** | 148,439,925 | 148,439,925 |
| Reserves | **14** | 14,996,757 | 15,184,443 |
| Accumulated losses | | (158,603,979) | (157,922,365) |
| **TOTAL EQUITY** | | **4,832,703** | **5,702,003** |

The accompanying notes form part of these consolidated financial statements

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

## for the year ended 30 June 2018

| | Issued capital | Currency translation reserve | Share-based payments reserve | Accumulated losses | Total |
|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ |
| **BALANCE AT 1 JUL 2016** | **148,439,925** | **2,074,804** | **13,233,026** | **(156,774,436)** | **6,973,319** |
| Loss for the year | - | - | - | (1,147,929) | (1,147,929) |
| Other comprehensive income | - | (123,387) | - | - | (123,387) |
| **Total comprehensive loss for the year** | **-** | **(123,387)** | **-** | **(1,147,929)** | **(1,271,316)** |
| **BALANCE AT 30 JUN 2017** | **148,439,925** | **1,951,417** | **13,233,026** | **(157,922,365)** | **5,702,003** |
| **BALANCE AT 1 JUL 2017** | **148,439,925** | **1,951,417** | **13,233,026** | **(157,922,365)** | **5,702,003** |
| Loss for the year | - | - | - | (681,614) | (681,614) |
| Other comprehensive income | - | (187,686) | - | - | (187,686) |
| | | | - | - | - |
| **Total comprehensive loss for the year** | **-** | **(187,686)** | **-** | **(681,614)** | **(869,300)** |
| **BALANCE AT 30 JUN 2018** | **148,439,925** | **1,763,731** | **13,233,026** | **(158,603,979)** | **4,832,703** |

The accompanying notes form part of these consolidated financial statements

# CONSOLIDATED STATEMENT OF CASH FLOWS

## for the year ended 30 June 2018

| | Note | 2018 $ | 2017 $ |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Payments to suppliers and employees | | (1,154,925) | (1,051,074) |
| Payments for exploration and evaluation | | (542,952) | (783,219) |
| **NET CASH USED IN OPERATING ACTIVITIES** | **7(a)** | **(1,697,877)** | **(1,834,293)** |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Interest received | | 112,176 | 176,135 |
| Dividends received | | 40,462 | - |
| Payment for share investments | | (4,237,532) | - |
| Proceeds from share investments | | 2,835,092 | - |
| Payment for purchases of plant and equipment | | (1,911) | (331) |
| **NET CASH PROVIDED BY/(USED IN) INVESTING ACTIVITIES** | | **(1,251,713)** | **175,804** |
| **NET DECREASE IN CASH HELD** | | **(2,949,590)** | **(1,658,489)** |
| Cash and cash equivalents at beginning of financial year | | 5,308,855 | 6,970,738 |
| Effect of exchange rate changes on cash held | | 2,138 | (3,394) |
| **CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR** | **7** | **2,361,403** | **5,308,855** |

The accompanying notes form part of these consolidated financial statements

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
## for the financial year ended 30 June 2018

**1. ABOUT THIS FINANCIAL REPORT**

**1.1 Background**

This financial report covers the consolidated financial statement of the consolidated entity consisting of Strike Resources Limited (the **Company**), its subsidiaries and investments in associates (the **Consolidated Entity** or **Strike**). The financial report is presented in the Australian currency.

Strike Resources Limited is a company limited by shares incorporated in Australia and whose shares are publicly traded on the Australian Securities Exchange (**ASX**).

These financial statements have been prepared on a streamlined basis where key information is grouped together for ease of understanding and readability. The notes include information which is required to understand the financial statements and is material and relevant to the operations, financial position and performance of the Consolidated Entity.

Information is considered material and relevant if, for example:

(a) the amount in question is significant because of its size or nature;

(b) it is important for understanding the results of the Consolidated Entity;

(c) it helps to explain the impact of significant changes in the Consolidated Entity's business; or

(d) it relates to an aspect of the Consolidated Entity's operations that may be important to its future performance.

The notes to the financial statements are organised into the following sections:

**(a)** **Key Performance**: Provides a breakdown of the key individual line items in the statement of comprehensive income that is most relevant to understanding performance and shareholder returns for the year:

**Notes**
2 Revenue
3 Expenses
4 Segment information
5 Income tax expense
6 Loss per share

**(b)** **Financial Risk Managemen**t: Provides information about the Consolidated Entity's exposure and management of various financial risks and explains how these affect the Consolidated Entity's financial position and performance:

**Notes**
7 Cash and cash equivalents
8 Financial assets at fair value through profit or loss
9 Financial risk management

**(c)** **Other Assets and Liabilities**: Provides information on other balance sheet assets and liabilities that do not materially affect performance or give rise to material financial risk:

**Notes**
10 Receivables
11 Exploration and evaluation expenditure
12 Payables

**(d)** **Capital Structure:** This section outlines how the Consolidated Entity manages its capital structure and related financing costs (where applicable), as well as capital adequacy and reserves. It also provides details on the dividends paid by the Company:

**Notes**
13 Issued capital
14 Reserve
15 Share-based payments

**(e)** **Consolidated Entity Structure**: Provides details and disclosures relating to the parent entity of the Consolidated Entity, controlled entities, investments in associates and any acquisitions and/or disposals of businesses in the year. Disclosure on related parties is also provided in the section:

**Notes**
16 Parent entity information
17 Investment in controlled entities
18 Related party transactions

**(f)** **Other:** Provides information on items which require disclosure to comply with Australian Accounting Standards and other regulatory pronouncements however, are not considered significant in understanding the financial performance or position of the Consolidated Entity:

**Notes**
19 Auditors' remuneration
20 Commitments
21 Contingencies
22 Events occurring after the reporting period

Significant and other accounting policies that summarise the measurement basis used and presentation policies and are relevant to an understanding of the financial statements are provided throughout the notes to the financial statements.

**1.2 Basis of Preparation**

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Australia Accounting Interpretations and the *Corporations Act 2001 (Cth)*. The Company is a for-profit entity for the purpose of preparing the financial statements.

**Compliance with International Financial Reporting Standards (IFRS)**

The consolidated financial statements of the Consolidated Entity comply with International Financial Reporting Standards (**IFRS**) as issued by the International Accounting Standards Board (**IASB**).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
## for the financial year ended 30 June 2018

**Reporting Basis and Financial Statement Presentation**

The financial report has been prepared on a going concern basis and is based on historical costs modified by the revaluation of financial assets and financial liabilities for which the fair value basis of accounting has been applied.

The principal accounting policies adopted in the preparation of these financial statements have been consistently applied to all the years presented, unless otherwise stated.

**1.3 Principles of Consolidation**

The consolidated financial statements incorporate the assets and liabilities of the Company as at 30 June 2018 and the results of its subsidiaries for the year then ended. The Company and its subsidiaries are referred to in this financial report as Strike or the Consolidated Entity.

All inter-company balances and transactions between entities in the Consolidated Entity, including any unrealised profits or losses, have been eliminated on consolidation.

**1.4 Comparative Figures**

Where required by the Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial period**.**

**1.5 Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST. Cash flows are presented in the Statement of Cash Flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
## for the financial year ended 30 June 2018

**1.6 Summary of Accounting Standards Issued But Not Yet Effective**

The following new Accounting Standards and Interpretations (which have been released but not yet adopted) have no material impact on the Consolidated Entity's financial statements or the associated notes therein.

| AASB reference | Title and Affected Standard(s) | Nature of Change | Application date |
|---|---|---|---|
| AASB 9, and relevant amending standards | Financial Instruments | AASB 9 replaces AASB 139 *Financial Instruments: Recognition and Measurement*.<br><br>Except for certain trade receivables, an entity initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.<br><br>Debt instruments are subsequently measured at fair value through profit or loss (FVTPL), amortised cost, or fair value through other comprehensive income (FVOCI), on the basis of their contractual cash flows and the business model under which the debt instruments are held.<br><br>There is a fair value option (FVO) that allows financial assets on initial recognition to be designated as FVTPL if that eliminates or significantly reduces an accounting mismatch.<br><br>Equity instruments are generally measured at FVTPL. However, entities have an irrevocable option on an instrument-by-instrument basis to present changes in the fair value of non-trading instruments in other comprehensive income (OCI) without subsequent reclassification to profit or loss.<br><br>For financial liabilities designated as FVTPL using the FVO, the amount of change in the fair value of such financial liabilities that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation in OCI of the fair value change in respect of the liability's credit risk would create or enlarge an accounting mismatch in profit or loss.<br><br>All other AASB 139 classification and measurement requirements for financial liabilities have been carried forward into AASB 9, including the embedded derivative separation rules and the criteria for using the FVO.<br><br>The incurred credit loss model in AASB 139 has been replaced with an expected credit loss model in AASB 9.<br><br>The requirements for hedge accounting have been amended to more closely align hedge accounting with risk management, establish a more principle-based approach to hedge accounting and address inconsistencies in the hedge accounting model in AASB 139. | Annual reporting periods beginning on or after 1 January 2018 |
| AASB 2014-10 | Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture | The amendments clarify that a full gain or loss is recognised when a transfer to an associate or joint venture involves a business as defined in AASB 3 *Business Combinations*.<br><br>Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture.<br><br>AASB 2015-10 defers the mandatory effective date (application date) of AASB 2014-10 so that the amendments are required to be applied for annual reporting periods beginning on or after 1 January 2018 instead of 1 January 2016. | Annual reporting periods beginning on or after 1 January 2018 |
| AASB 2016-5 | Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions | This Standard amends AASB 2 *Share-based Payment*, clarifying how to account for certain types of share-based payment transactions. The amendments provide requirements on the accounting for:<br>• The effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments<br>• Share-based payment transactions with a net settlement feature for withholding tax obligations<br>• A modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. | Annual reporting periods beginning on or after 1 January 2018 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
## for the financial year ended 30 June 2018

**1.6 Summary of Accounting Standards Issued But Not Yet Effective (continued)**

| AASB reference | Title and Affected Standard(s) | Nature of Change | Application date |
|---|---|---|---|
| AASB 15, and relevant amending standards | Revenue from Contracts with Customers | AASB 15 replaces all existing revenue requirements in Australian Accounting Standards (AASB 111 *Construction Contracts*, AASB 118 *Revenue*, AASB Interpretation 13 *Customer Loyalty Programmes*, AASB Interpretation 15 *Agreements for the Construction of Real Estate*, AASB Interpretation 18 *Transfers of Assets from Customers* and AASB Interpretation 131 *Revenue – Barter Transactions Involving Advertising Services*) and applies to all revenue arising from contracts with customers, unless the contracts are in the scope of other standards, such as AASB 117 (or AASB 16 *Leases*, once applied).<br><br>The core principle of AASB 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with the core principle by applying the following steps:<br>• Step 1: Identify the contract(s) with a customer<br>• Step 2: Identify the performance obligations in the contract<br>• Step 3: Determine the transaction price<br>• Step 4: Allocate the transaction price to the performance obligations in the contract<br>• Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation | Annual reporting periods beginning on or after 1 January 2018 |
| AASB 2017-1 | Amendments to Australian Accounting Standards – Transfers of Investments Property, Annual Improvements 2014-2016 Cycle and Other Amendments | The amendments clarify certain requirements in:<br>• AASB 1 First-time Adoption of Australian Accounting Standards – deletion of exemptions for first-time adopters and addition of an exemption arising from AASB Interpretation 22 Foreign Currency Transactions and Advance Consideration<br>• AASB 12 Disclosure of Interests in Other Entities – clarification of scope<br>• AASB 128 Investments in Associates and Joint Ventures – measuring an associate or joint venture at fair value<br>• AASB 140 Invest*ment Property* – change in use. | Annual reporting periods beginning on or after 1 January 2018 |
| AASB Interpretation 22 | Foreign Currency Transactions and Advance Consideration | The Interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. | Annual reporting periods beginning on or after 1 January 2018 |
| AASB 16 | Leases | AASB 16 requires lessees to account for all leases under a single on-balance sheet model in a similar way to finance leases under AASB 117 *Leases*. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset).<br><br>Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will be required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.<br><br>Lessor accounting is substantially unchanged from today's accounting under AASB 117. Lessors will continue to classify all leases using the same classification principle as in AASB 117 and distinguish between two types of leases: operating and finance leases. | Annual reporting periods beginning on or after 1 January 2019 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
## for the year ended 30 June 2018

**2. REVENUE**

| The Consolidated Entity's operating loss before income tax includes the following items of revenue: | **2018** **$** | **2017** **$** |
|---|---|---|
| **Revenue** | | |
| Interest revenue | 82,423 | 171,200 |
| | 82,423 | 171,200 |
| **Other** | | |
| Net gain on financial assets at fair value through profit or loss | 529,960 | - |
| Dividend revenue | 40,462 | - |
| Other income | - | 3 |
| | **652,845** | **171,203** |

**Accounting policy**

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties. The Consolidated Entity recognises revenue when the amount of revenue can be reliably measured. It is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Consolidated Entity's activities as described below. The Consolidate Entity bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. Revenue is recognised for the major business activities as follows:

**(i) Interest revenue**

Interest income is recognised using the effective interest method. When a receivable is impaired, the Consolidated Entity reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

**(ii) Other revenues**

Other revenues are recognised on a receipts basis.

**3. EXPENSES**

The Consolidated Entity's operating loss before income tax includes the following items of expenses:

| | **2018** **$** | **2017** **$** |
|---|---|---|
| Exploration and evaluation expenses | | |
| Impairment loss | 319,363 | 205,895 |
| Other exploration and evaluation expenses | 12,058 | 40,531 |
| Personnel expenses | | |
| Salaries, fees and employee benefits | 508,047 | 508,330 |
| Corporate expenses | | |
| Professional fees | 138,675 | 211,419 |
| ASX fees | 23,215 | 24,058 |
| Accounting, taxation and related administration | 139,108 | 154,431 |
| Audit | 14,000 | 14,000 |
| Share registry | 6,331 | 6,823 |
| Other corporate expenses | 14,453 | 4,531 |
| Occupancy expenses | 43,618 | 33,281 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
## for the year ended 30 June 2018

| **3. EXPENSES (continued)** | **2018** | **2017** |
|---|---|---|
| | **$** | **$** |
| Finance expenses | 5,510 | 5,663 |
| Foreign exchange loss | (13,731) | 17,792 |
| Administration expenses | | |
| Insurance | 16,661 | 18,282 |
| Travel, accommodation and incidentals | 44,547 | 43,400 |
| Depreciation | 827 | 795 |
| Other administration expenses | 61,777 | 29,901 |
| | **1,334,459** | **1,319,132** |

**Accounting policy**

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income, except when they are deferred in equity as qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation. Foreign exchange gains or losses that relate to borrowings are presented in the Consolidated Statement of Profit or Loss and Other Comprehensive Income within finance costs. All other foreign exchange gains and losses are presented in the Consolidated Statement of Profit or Loss and Other Comprehensive Income on a net basis within other income or operating expenses.

### 4. SEGMENT INFORMATION

The operating segments are reported in a manner consistent with the internal reporting provided to the Managing Director. The Managing Director is responsible for allocating resources and assessing performance of the operating segments and has considered the business and geographical perspectives of the operating results and determined that the Consolidated Entity operates only in Australia and Peru.

| | **Peru** | **Australia** | **Total** |
|---|---|---|---|
| **2018** | **$** | **$** | **$** |
| Revenue | - | 82,423 | 82,423 |
| Other | - | 570,422 | 570,422 |
| **Total segment revenues** | **-** | **652,845** | **652,845** |
| Exploration and evaluation expenses | 238,050 | 93,371 | 331,421 |
| Personnel expenses | - | 508,047 | 508,047 |
| Corporate expenses | 72,915 | 262,867 | 335,782 |
| Finance expenses | 2,918 | 2,592 | 5,510 |
| Depreciation expense | - | 827 | 827 |
| Other expenses | 8,247 | 144,625 | 152,872 |
| **Total segment loss** | **(322,130)** | **(359,484)** | **(681,614)** |
| **Adjusted EBITDA** | **(322,130)** | **(358,273)** | **(680,403)** |
| **Total segment assets** | **67,093** | **4,860,707** | **4,927,800** |
| **Total segment liabilities** | **83,385** | **11,712** | **95,097** |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
## for the year ended 30 June 2018

### 4. SEGMENT INFORMATION (continued)

| **2017** | **Peru** $ | **Australia** $ | **Total** $ |
|---|---|---|---|
| Revenue | - | 171,200 | 171,200 |
| Other | 3 | - | 3 |
| **Total segment revenues** | **3** | **171,200** | **171,203** |
| Exploration and evaluation expenses | 205,895 | 40,531 | 246,426 |
| Personnel expenses | - | 508,330 | 508,330 |
| Corporate expenses | 193,512 | 221,750 | 415,262 |
| Finance expenses | 3,563 | 2,100 | 5,663 |
| Depreciation expense | - | 795 | 795 |
| Other expenses | 24,181 | 118,475 | 142,656 |
| **Total segment loss** | **(427,148)** | **(720,781)** | **(1,147,929)** |
| **Adjusted EBITDA** | **(427,148)** | **(720,781)** | **(1,147,929)** |
| | | | |
| **Total segment assets** | **70,184** | **5,697,209** | **5,767,393** |
| **Total segment liabilities** | **59,190** | **6,200** | **65,390** |

**Accounting policy**

The operating segments are reported in a manner consistent with the internal reporting provided to the Managing Director. The Managing Director is responsible for allocating resources and assessing performance of the operating segments and has considered the business and geographical perspectives of the operating results and determined that the Consolidated Entity operates only in Australia and Peru.

### 5. INCOME TAX EXPENSE

| | **2018** $ | **2017** $ |
|---|---|---|
| **(a) The components of tax expense comprise:** | | |
| Current tax | - | - |
| Deferred tax | - | - |
| | - | - |
| **(b) The prima facie tax on operating loss before income tax is reconciled to the income tax as follows:** | | |
| Prima facie tax payable on operating loss before income tax at 27.5% (2017: 27.5%) | (187,444) | (315,680) |
| Adjust tax effect of: | | |
| Non-deductible expenses | 1,131 | 12,811 |
| Movement in unrecognised temporary differences | (89,550) | (28,087) |
| Current year tax losses not recognised | 275,863 | 330,956 |
| **Income tax attributable to entity** | - | - |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
## for the year ended 30 June 2018

| | 2018 | 2017 |
|---|---|---|
| **5. INCOME TAX EXPENSE (continued)** | **$** | **$** |
| **(c) Unrecognised deferred tax balances** | | |
| Unrecognised deferred tax asset - revenue losses | 8,103,922 | 7,729,462 |
| Unrecognised deferred tax asset - other | 4,238,211 | 9,853,788 |
| | **12,342,133** | **17,583,250** |

**Critical accounting judgement and estimate**

Deferred tax assets have not been recognised as, in the Directors' opinion, it is not probable that future taxable profit will be available against which the Consolidated Entity can utilise the benefits. The utilisation of revenue and capital tax losses are subject to compliance with taxation legislation.

**Accounting policy**

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and for unused tax losses. The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses. Deferred tax assets and liabilities are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities, and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in Other Comprehensive Income or directly in equity. In this case, the tax is also recognised in Other Comprehensive Income or directly in equity, respectively.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
## for the year ended 30 June 2018

### 6. LOSS PER SHARE

| | 2018 | 2017 |
|---|---|---|
| | **cents** | **cents** |
| Basic and diluted loss per share | (0.60) | (0.82) |

| | 2018 | 2017 |
|---|---|---|
| The following represents the loss and weighted average number of shares used in the EPS calculations: | **$** | **$** |
| Net loss after income tax | (869,300) | (1,185,392) |
| | **Shares** | **Shares** |
| Weighted average number of ordinary shares | 145,334,268 | 145,334,268 |

**Accounting policy**
Basic earnings/loss per share is determined by dividing the operating result after income tax by the weighted average number of ordinary shares on issue during the financial period.

Diluted earnings/loss per share adjusts the figures used in the determination of basic earnings/loss per share by taking into account amounts unpaid on ordinary shares and any reduction in earnings/loss per share that will probably arise from the exercise of options outstanding during the financial period.

### 7. CASH AND CASH EQUIVALENTS

| | 2018 | 2017 |
|---|---|---|
| | **$** | **$** |
| Cash at bank | 335,649 | 883,855 |
| Term deposits | 2,025,754 | 4,425,000 |
| | **2,361,403** | **5,308,855** |

**(a) Reconciliation of operating loss after income tax to net cash used in operating activities**

| | 2018 | 2017 |
|---|---|---|
| | **$** | **$** |
| **Loss after income tax** | **(681,614)** | **(1,147,929)** |
| **Add non-cash items:** | | |
| Depreciation | 827 | 795 |
| Impairment loss | 319,363 | 205,895 |
| Unrealised movement in financial assets | (250,707) | - |
| Adjustment for movement in foreign exchange | (189,825) | (119,993) |
| **Changes in assets and liabilities:** | | |
| Receivables | (113,629) | (186,741) |
| Other current assets | (1,853) | (1,851) |
| Financial assets at fair value through profit or loss | (279,253) | - |
| Exploration and evaluation expenditure | (530,894) | (575,796) |
| Payables | 36,268 | (7,353) |
| Provisions | (6,560) | (1,320) |
| | **(1,697,877)** | **(1,834,293)** |

**Accounting policy**
Cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts (if any) are shown within short-term borrowings in current liabilities on the Statement of Financial Position.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
## for the year ended 30 June 2018

| 8. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS | 2018 | 2017 |
|---|---|---|
| | $ | $ |
| Listed securities at fair value | 1,932,400 | - |

**Accounting policy**
Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition, financial assets at fair value through profit and loss acquired principally for the purpose of selling in the short term or if so designated by management and within the requirements of AASB 139: (Recognition and Measurement of Financial Instruments) will recognise its realised and unrealised gains and losses arising from changes in the fair value of these assets in the Statement of Profit or Loss and Other Comprehensive Income in the period in which they arise.

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the balance sheet date which is the current bid price.

### 9. FINANCIAL RISK MANAGEMENT

The Consolidated Entity's financial instruments consist of deposits with banks, receivables and payables. The Consolidated Entity's financial instruments are subject to market (which includes interest rate and foreign exchange risk), credit and liquidity risks.

The Board is responsible for the overall internal control framework (which includes risk management) but no cost-effective internal control system will preclude all errors and irregularities. The system is based, in part, on the appointment of suitably qualified management personnel. The effectiveness of the system is continually reviewed by management and at least annually by the Board.

The financial receivables and payables of the Consolidated Entity in the table below are due or payable within 30 days. The Consolidated Entity holds the following financial assets and liabilities:

| | | 2018 | 2017 |
|---|---|---|---|
| | **Note** | **$** | **$** |
| Cash and cash equivalents | **7** | 2,361,403 | 5,308,855 |
| Receivables | **10** | 46,221 | 76,584 |
| | | **2,407,624** | **5,385,439** |
| Payables | **12** | (89,610) | (53,336) |
| **Net financial assets** | | **2,318,014** | **5,332,103** |

**(a) Market risk**
Market risk is the risk that the fair value and/or future cash flows from a financial instrument will fluctuate as a result of changes in market factors. Market risk comprises of foreign exchange risk from fluctuations in foreign currencies and interest rate risk from fluctuations in market interest rates.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
## for the year ended 30 June 2018

**9. FINANCIAL RISK MANAGEMENT (continued)**

***(i) Foreign exchange risk***

The Consolidated Entity operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar and Peruvian Nuevo Soles.

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the Consolidated Entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting.

The Consolidated Entity has a policy of not hedging foreign exchange risk and therefore has not entered into any hedging against movements in foreign currencies against the Australian dollar, including forward exchange contracts, as at the reporting date and is currently fully exposed to foreign exchange risk.

The Consolidated Entity's exposure to foreign exchange risk expressed in US dollars at the reporting date are as follows:

| | 2018 | 2017 |
|---|---|---|
| | USD | USD |
| Cash and cash equivalents | 36,742 | 25,438 |
| Payables | (58,970) | (45,013) |
| **Net financial assets/(liabilities)** | (22,228) | (19,575) |

The Consolidated Entity has performed a sensitivity analysis on its exposure to exchange risk. The management assessment is based upon an analysis of current and future market position. The analysis demonstrates the effect on the current year results and equity when the Australian dollar strengthened or weakened by 10% against the foreign currencies detailed above.

| | Impact on post-tax profit | | Impact on other components of equity | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| | $ | $ | $ | $ |
| Increase 10% | (2,223) | (1,958) | - | - |
| Decrease 10% | 2,223 | 1,958 | - | - |

***(ii) Interest rate risk***

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Consolidated Entity's exposure to market risk for changes in interest rates relate primarily to investments held in interest bearing instruments. The weighted average interest rate of the cash at bank for the year for the table below is 2.44% (2017: 2.86%).

| | 2018 | 2017 |
|---|---|---|
| | $ | $ |
| Cash at bank | 335,649 | 883,855 |
| Term deposit | 2,025,754 | 4,425,000 |
| | **2,361,403** | **5,308,855** |

The following table illustrates the sensitivity of profit and equity to a reasonably possible change in interest rates based on observation of current market conditions. The calculations are based on a change in the average market interest rate and the financial instruments that are sensitive to changes in interest rates.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
## for the year ended 30 June 2018

**9. FINANCIAL RISK MANAGEMENT (continued)**

| | Impact on post-tax profit | | Impact on other components of equity | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| | $ | $ | $ | $ |
| Increase by 25bps | 5,904 | 13,272 | - | - |
| Decrease by 25bps | (5,904) | (13,272) | - | - |

**(b) Liquidity risk**

Liquidity risk is the risk that the Consolidated Entity will encounter difficulty in meeting obligations associated with financial liabilities. The Consolidated Entity has no borrowings. The Consolidated Entity's non-cash investments can be realised to meet trade and other payables arising in the normal course of business. The financial liabilities disclosed in the above table have a maturity obligation of not more than 30 days.

**(c) Credit risk**

Credit risk refers to the risk that a counterparty under a financial instrument will default (in whole or in part) on its contractual obligations resulting in financial loss to the Consolidated Entity. Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, including outstanding receivables and committed transactions. Concentrations of credit risk are minimised primarily by the management carrying out all market transactions through recognised and creditworthy brokers and the monitoring of receivable balances. The Consolidated Entity's business activities do not necessitate the requirement for collateral as a means of mitigating the risk of financial loss from defaults.

The credit quality of the financial assets are neither past due nor impaired and can be assessed by reference to external credit ratings (if available with Standard & Poor's) or to historical information about counterparty default rates. The maximum exposure to credit risk at reporting date is the carrying amount of the financial assets as summarised below:

| | 2018 | 2017 |
|---|---|---|
| **Cash and cash equivalents** | **$** | **$** |
| AA- | 2,311,184 | 5,253,553 |
| No external credit rating available | 49,465 | 55,302 |
| | **2,360,649** | **5,308,855** |
| **Receivables (due within 30 days)** | | |
| No external credit rating available | **46,221** | **76,584** |

**10. RECEIVABLES**

| | | |
|---|---|---|
| Interest receivable | 11,973 | 41,725 |
| Other receivables | 34,248 | 34,859 |
| | **46,221** | **76,584** |

**Accounting policy**

Receivables are recorded at amounts due less any provision for doubtful debts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when considered nonrecoverable.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
## for the year ended 30 June 2018

### 11. EXPLORATION AND EVALUATION EXPENDITURE

| | 2018 | 2017 |
|---|---|---|
| | $ | $ |
| **Opening balance** | 369,902 | - |
| Exploration and evaluation costs | 530,894 | 575,797 |
| Impairment loss | (319,363) | (205,895) |
| **Closing balance** | **581,433** | **369,902** |

**Critical accounting estimates and judgements**
The Consolidated Entity has assessed the carrying amount of the exploration and evaluation in accordance with AASB 6 (Exploration for and Evaluation of Mineral Resources) and has recognised an impairment expense of $319,363 during the current financial year. The ultimate recoverability of deferred exploration and evaluation expenditure is dependent on the successful development or sale of the relevant area of interest.

**Accounting policy**
Exploration and evaluation expenditure incurred is initially capitalised in respect of each identifiable area of interest where the Consolidated Entity has right of tenure. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence or otherwise of economically-recoverable reserves. Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made.

Under AASB 6 (Exploration for and Evaluation of Mineral Resources), if facts and circumstances suggest that the carrying amount of any recognised exploration and evaluation assets may be impaired, the Consolidated Entity must perform impairment tests on those assets and measure any impairment in accordance with AASB 136 (Impairment of Assets). Any impairment loss is to be recognised as an expense. A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

### 12. PAYABLES

| | 2018 | 2017 |
|---|---|---|
| | $ | $ |
| Trade payables | 62,043 | 22,692 |
| Other creditors and accruals | 27,114 | 30,197 |
| Withholding tax | 453 | 447 |
| | **89,610** | **53,336** |

**Accounting policy**
These amounts represent liabilities for goods and services provided to the Consolidated Entity prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months from the reporting date. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

### 13. ISSUED CAPITAL

| | 2018 | 2017 |
|---|---|---|
| | $ | $ |
| 145,334,268 (2017: 145,334,268) fully paid ordinary shares | **148,439,925** | **148,439,925** |

There has been no movement in issued capital since 1 July 2016.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
## for the year ended 30 June 2018

**13. ISSUED CAPITAL (continued)**

**Accounting policy**
Ordinary shares are classified as equity. Fully paid ordinary shares carry one vote per share and the right to dividends.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

**(a) Options**
Information relating to unlisted options issued to Directors and options issued under the Strike Resources Limited Employee Share Option Plan, including details of options issued, exercised and lapsed during the financial year and options outstanding at the end of the reporting period, is set out in Note 15.

**(b) Capital risk management**
The Company's objectives when managing its capital are to safeguard its ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders and to maintain a capital structure balancing the interests of all shareholders.

The Board will consider capital management initiatives as is appropriate and in the best interests of the Company and shareholders from time to time, including undertaking capital raisings, share buy-backs, capital reductions and selling assets to reduce debt.

The Consolidated Entity has no external borrowings.

| **14. RESERVE** | **2018** | **2017** |
|---|---|---|
| | **$** | **$** |
| Share-based payments reserve | 13,233,026 | 13,233,026 |
| Foreign currency translation reserve | 1,763,731 | 1,951,417 |
| | **14,996,757** | **15,184,443** |

**(a) Share-based payments reserve**
The share-based payments reserve records the consideration (net of expenses) received by the Company on the issue of options. In relation to options issued to Directors and employees for nil consideration, the fair values of these options are included in the share-based payments reserve.

**(b) Foreign currency translation reserve**
Exchange differences arising on translation of the foreign controlled entities are taken to the foreign currency translation reserve as described in the accounting policy note below and accumulate in a separate reserve within equity. The cumulative amount is reclassified to profit or loss when the net investment is disposed of.

**Accounting policy**

**Foreign currency translation reserve**
The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
## for the year ended 30 June 2018

### 14. RESERVES (continued)

**Accounting policy (continued)**

(i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

(ii) income and expenses for Consolidated Statement of Profit or Loss and Other Comprehensive Income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and

(iii) all resulting exchange differences are recognised in Other Comprehensive Income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in Other Comprehensive Income.

### 15. SHARE-BASED PAYMENTS

The Company has the following options on issue at balance date:

| Grant date | Expiry date | Exercise price ($) | Opening balance | During the year Granted | Exercised | Lapsed | Closing balance | Vested and exercisable at year end |
|---|---|---|---|---|---|---|---|---|
| **Financial year 2018** | | | | | | | | |
| 18-Jun-13 | 17-Jun-18 | 0.30 | 3,000,000 | - | - | (3,000,000) | - | - |
| | | | 3,000,000 | - | - | (3,000,000) | - | - |
| Weighted average exercise price | | | 0.30 | | | | - | - |
| **Financial year 2017** | | | | | | | | |
| 18-Jun-13 | 17-Jun-18 | 0.30 | 3,000,000 | - | - | - | 3,000,000 | 3,000,000 |
| | | | 3,000,000 | - | - | - | 3,000,000 | 3,000,000 |
| Weighted average exercise price | | | 0.30 | | | | 0.30 | 0.30 |

The options lapsed and were cancelled on 17 June 2018.

**Accounting policy**

Shared-based compensation benefits are provided to Directors (after receipt of shareholder approval) and to employees via the Strike Resources Limited Employee Share Option Plan.

The fair value of options granted is recognised as an employee benefits expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options granted, which includes any market performance conditions and the impact of any non-vesting conditions but excludes the impact of any service and non-market performance vesting conditions.

Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the entity revises its estimates of the number of options that are expected to vest based on the non-marketing vesting conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss with a corresponding adjustment to equity.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
## for the year ended 30 June 2018

### 16. PARENT ENTITY INFORMATION

The following information provided relates to the Company, Strike Resources Limited, as at 30 June 2018.

| | 2018 | 2017 |
|---|---|---|
| **Statement of profit or loss and other comprehensive income** | **$** | **$** |
| Loss for the year | (349,906) | (720,039) |
| Other comprehensive income | - | - |
| **Total comprehensive income for the year** | **(349,906)** | **(720,039)** |
| | | |
| **Statement of financial position** | | |
| Current assets | | |
| Cash and cash equivalents | 2,311,937 | 5,253,552 |
| Other | 32,029 | 71,931 |
| Non current assets | 3,840,997 | 1,203,874 |
| **Total assets** | **6,184,963** | **6,529,357** |
| | | |
| Current liabilities | 11,712 | 6,199 |
| **Total liabilities** | **11,712** | **6,199** |
| | | |
| **Net assets** | **6,173,251** | **6,523,158** |
| | | |
| Issued capital | 148,439,924 | 148,439,925 |
| Option reserve | 13,233,025 | 13,233,025 |
| Accumulated losses | (155,499,698) | (155,149,792) |
| **Equity** | **6,173,251** | **6,523,158** |

The parent entity does not have any contingent assets or liabilities.

### 17. INVESTMENT IN CONTROLLED ENTITIES

| | | Ownership interest | |
|---|---|---|---|
| **Investment in controlled entities** | **Incorporated** | **2018** | **2017** |
| Strike Finance Pty Ltd | Australia | 100% | 100% |
| Strike Australian Operations Pty Ltd | Australia | 100% | 100% |
| Strike Operations Pty Ltd | Australia | 100% | 100% |
| Strike Resources Peru S.A.C. | Peru | 100% | 100% |
| Apurimac Ferrum S.A.C. | Peru | 100% | 100% |
| Ferrum Trading S.A.C | Peru | 100% | 100% |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
## for the year ended 30 June 2018

### 17. INVESTMENT IN CONTROLLED ENTITIES (continued)

**Accounting policy**

Subsidiaries are all entities (including structured entities) over which the Consolidated Entity has control. The Consolidated Entity controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Consolidated Entity.

Intercompany transactions, balances and unrealised gains on transactions in the Consolidated Entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the assets transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Consolidated Entity.

### 18. RELATED PARTY TRANSACTIONS

**(a) Transactions with key management personnel**

Refer to the Remuneration Report contained in the Directors' Report for details of the remuneration paid or payable to each member of the Consolidated Entity's KMP for the year ended 30 June 2018. The total remuneration paid to KMP of the Consolidated Entity during the year is as follows:

| | 2018 | 2017 |
|---|---|---|
| **Directors** | **$** | **$** |
| Short-term employee benefits | 422,998 | 417,400 |
| Post-employment benefits | 35,910 | 35,378 |
| **Other KMP** | | |
| Short-term employee benefits | 50,000 | 50,000 |
| Post-employment benefits | 4,750 | 4,750 |
| | **513,658** | **507,528** |

**(b) Transactions with other related parties**

No other related party transactions have been identified other than those disclosed above.

### 19. AUDITORS' REMUNERATION

During the year the following fees were paid for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

| | 2018 | 2017 |
|---|---|---|
| **Audit and review of financial statements** | **$** | **$** |
| Rothsay Auditing | 14,000 | 14,000 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
## for the financial year ended 30 June 2018

### 20. COMMITMENTS

#### (a) Lease Commitments

On 1 February 2018, the Consolidated Entity entered into a non-cancellable operating lease agreement for shared office accommodation. The lease was for a further 12 month term expiring on or about 30 January 2019. The lease commitment is the Consolidated Entity's share of the lease costs and includes all outgoings (inclusive of GST).

#### (b) Mineral Tenements/Concessions - Commitments for Expenditure

**(i) Australian Tenements**

In order to maintain current rights of tenure to exploration tenements, the holders of Australian mineral tenements are required to outlay lease rentals and meet minimum expenditure commitments. The Consolidated Entity does not currently have any material commitments for expenditure relating to Australian tenements.

**(ii) Peruvian Mineral Concessions**

The Consolidated Entity is required to pay annual licence fees by 30 June of each year, at rates which vary on an amount per-hectare basis. The total amount of this commitment will depend upon the number and area of concessions retained, relinquished or granted (if any) and cannot therefore be reliably estimated.

### 21. CONTINGENCIES

#### (a) Australian 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.

#### (b) Government Royalties

The Consolidated Entity is liable to pay royalties on production obtained from its mineral tenements/concessions.

#### (c) Directors' Deeds

The Consolidated Entity has entered into deeds of indemnity with Strike Resources Limited Directors, indemnifying them against liability incurred in discharging their duties as Directors/officers of the Consolidated Entity. As at the reporting 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.

#### (d) Deferred Payments from Settlement Agreement Relating to Apurimac Ferrum SAC

Pursuant to a settlement agreement dated 30 December 2012 whereby the Consolidated Entity acquired the (50%) balance of equity interest in Apurimac Ferrum SAC (**AF**) (the holder of the Apurimac and Cusco Projects) from D&C Pesca SAC, the Consolidated Entity has a series of deferred payment obligations as outlined below.

The Consolidated Entity has payment obligations if certain milestones are achieved as follows:

(i) **Resource Milestone Payment:** US$2 million on the delineation of at least 500 Mt of JORC Mineral Resources at an average grade of at least 55% Fe with at least 275 Mt of contained iron having an average grade of at least 52.5% Fe, on the Apurimac Project mineral concessions.

(ii) **Approvals Milestone Payment**: Up to US$3 million on AF receiving all formal government environmental and community approvals for the construction and operation of an iron ore mine and required infrastructure with a design capacity of at least 10Mtpa of iron ore product, relating to the Apurimac Project mineral concessions.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
## for the financial year ended 30 June 2018

**21. CONTINGENCIES (continued)**

**(d) Deferred Payments from Settlement Agreement Relating to Apurimac Ferrum SAC (continued)**

(iii) **Construction Milestone Payment**: Up to US$5 million on formal approval of the AF Board to commence construction of an iron ore project or the commencement of bulk earthworks for an iron ore mine or processing plant, in either case with a design capacity of at least 10Mtpa of iron ore product, relating to the Apurimac Project mineral concessions.

The Consolidated Entity has royalty payment obligations as follows:

(i) 1.5% of the net profits from sales of iron ore mined and iron ore products produced from the Apurimac and Cusco Project mineral concessions.

(ii) 2% of the proceeds of sales of other metals (on a net smelter return basis) mined from the Apurimac and Cusco Project mineral concessions.

AF may extinguish the royalties (save for royalties on other metals up to a cap of US$0.5 million per annum) by making an Extinguishment Payment as follows - US$30 million, if paid 4 years from 20 December 2012 but before the Construction Milestone occurs or the 15th anniversary of the settlement agreement (whichever is sooner).

Due to the inherent uncertainty surrounding the achievement and timing of the above milestones/royalty triggers, the Consolidated Entity regards these future payment obligations as contingencies.

For further background details, refer also to Strike's ASX Announcement dated 31 December 2012: Strike Moves to 100% Ownership of AF

**(e) Legal Disputes Over Peru Mineral Concessions**

The Consolidated Entity has successfully defended against a number of legal actions and claims made by several Peruvian parties (that have had a contractual relationship with AF) relating to the Consolidated Entity's mineral concessions in Peru. Whilst there still remain some outstanding claims and appeals, the Consolidated Entity believes that they will all eventually be dismissed, consistent with previous decisions by the relevant Peruvian authorities.

For further background details, refer also to Strike's ASX Announcement dated 1 May 2014: Strike Wins Millenium Arbitration Case in Peru

**22. EVENTS OCCURRING AFTER THE REPORTING PERIOD**

No matter or circumstance has arisen since the end of the financial year that significantly affected, or may significantly affect, the operations of the Consolidated Entity, the results of those operations, or the state of affairs of the Consolidated Entity in future financial periods.

# DIRECTORS' DECLARATION

The Directors of the Company declare that:

(1) The financial statements, comprising the Consolidated Statement of Profit or Loss and Other Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Cash Flows, Consolidated Statement of Changes in Equity, and accompanying notes as set out on pages 28 to 50 are in accordance with the *Corporations Act 2001 (Cth)* and:

(a) comply with Australian Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting; and

(b) give a true and fair view of the Consolidated Entity's financial position as at 30 June 2018 and of their performance for the 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;

(3) The Directors have been given the declarations required by section 295A of the *Corporations Act 2001 (Cth)* by the Managing Director (the person who, in the opinion of the Directors, performs the Chief Executive Officer function) and Company Secretary (the person who, in the opinion of the Directors, performs the Chief Financial Officer function); and

(4) The Company has included in the notes to the Financial Statements an explicit and unreserved statement of compliance with the International Financial Reporting Standards.

This declaration is made in accordance with a resolution of the Directors made pursuant to section 295(5) of the *Corporations Act 2001 (Cth)*.

Farooq Khan
Chairman

William Johnson
Managing Director

25 September 2018

ROTHSAY

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**INDEPENDENT AUDIT REPORT TO THE MEMBERS OF STRIKE RESOURCES LTD**

**Report on the Audit of the Financial Report**

***Opinion***

We have audited the financial report of Strike Resources Ltd ("the Company") and its subsidiaries ("the Group") which comprises the consolidated statement of financial position as at 30 June 2018, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended on that date and notes to the financial statements, including a summary of significant accounting policies and the directors' declaration of the Company.

In our opinion the financial report of the Group is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Group's financial position as at 30 June 2018 and of its financial performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

***Basis for Opinion***

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under these standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of this report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the "Code") that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

***Key Audit Matters***

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

*Key Audit Matters*

**Cash and cash equivalents**

The Group's cash and cash equivalents comprise 48% of total assets by value and are considered to be the key driver of the Group's operations and exploration activities. We do not consider cash and cash equivalents to be at a high risk of significant misstatement, or to be subject to a significant level of judgement. However due to the materiality in the context of the financial statements as a whole, they are considered to be an area which had an effect on our overall strategy and allocation of resources in planning and completing our audit.

Our procedures over the existence of the Group's portfolio of cash and cash equivalents included but were not limited to:

- Documenting and assessing the processes and controls in place to record cash transactions;
- Testing a sample of cash payments to determine they were bona fide payments, were properly authorised and recorded in the general ledger; and
- Agreeing 100% of cash holdings to independent third party confirmations.

We have also assessed the appropriateness of the disclosures included in notes 1 and 7 to the financial report.

**Investments**

The Group's portfolio of financial assets at fair value comprise 39% of total assets by value and are considered to be the key driver of the Group's operations. We do not consider financial assets at fair value to be at a high risk of significant misstatement or to be subject to a significant level of judgement. However due to their materiality in the context of the financial statements as a whole, they are considered to be an area which had an effect on our overall strategy and allocation of resources in planning and completing our audit.

Our procedures over the existence, completeness and valuation of the Group's portfolio of financial assets at fair value included but were not limited to:

- Documenting and assessing the processes and controls in place to record transactions and to value the assets;
- Agreeing the fair value of the listed investments to externally quoted prices, which was the current bid price; and
- Agreeing holdings in financial assets at fair value to independent third party documentation.

We have also assessed the appropriateness of the disclosures included in Notes 1 and 8 to the financial report.

***Other Information***

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2018, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If based on the work we have performed we conclude there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

***Directors' Responsibility for the Financial Report***

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with the 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 financial report that gives a true and fair view and is free from material misstatement whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or cease operations, or have no realistic alternative but to do so.

***Auditor's Responsibility for the Audit of the Financial Report***

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatementt, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

**A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/Home.aspx**

We communicate with the directors regarding, amongst other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe those matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communications.

**Report on the Remuneration Report**

***Opinion on the Remuneration Report***

We have audited the remuneration report included in the directors' report for the year ended 30 June 2018.

In our opinion the remuneration report of Strike Resources Ltd for the year ended 30 June 2018 complies with section 300A of the *Corporations Act 2001*.

***Responsibilities***

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Rothsay

**Rothsay Auditing**

**Graham Swan FCA**
**Partner**

Dated 25 September 2018

# LIST OF MINERAL CONCESSIONS

The following mineral concessions were held as at the end of the financial year (30 June 2018) and currently:

## Apurimac Iron Ore Project (Peru) (Strike – 100%)

| Name | Area (Ha) | Province | Code | Title | File No |
|---|---|---|---|---|---|
| (1) Opaban I | 999 | Andahuaylas | 5006349X01 | No 8625-94/RPM Dec 16, 1994 | 20001465 |
| (2) Opaban III | 990 | Andahuaylas | 5006351X01 | No 8623-94/RPM Dec 16, 1994 | 20001464 |
| (3) Ferrum 1 | 965 | Andahuaylas | 010298304 | No 00228-2005-INACC/J Jan 19, 2005 | 11053798 |
| (4) Ferrum 4 | 1,000 | Andahuaylas/ Aymaraes | 010298604 | No 00230-2005-INACC/J Jan 19, 2005 | 11053810 |
| (5) Ferrum 8 | 900 | Andahuaylas | 010299004 | No 00232-2005-INACC/J Jan 19, 2005 | 11053827 |
| (6) Cristoforo 22 | 379 | Andahuaylas | 010165602 | RP2849-2007-INGEMMET/PCD/PM Dec 13, 2007 | 11067786 |
| (7) Ferrum 31 | 327 | Andahuaylas | 010552807 | RP 1266-2008-INGEMMET/PCD/PM May 12, 2008 | 11076509 |
| (8) Ferrum 37 | 695 | Andahuaylas | 010621507 | RP 1164-2008-INGEMMET/PCD/PM May 12, 2008 | 11076534 |
| (9) Wanka 01 | 100 | Andahuaylas | 010208110 | RP 3445-2010-INGEMMET/PCD/PM Oct 18,2010 | 11102187 |
| (10) Sillaccassa 1 | 700 | Andahuaylas | 010212508 | RP 5088-2008-INGEMMET/PCD/PM Nov 19, 2008 | 11084877 |
| (11) Sillaccassa 2 | 400 | Andahuaylas | 010212608 | RP 3183-2008-INGEMMET/PCD/PM Sept 8, 2008 | 11081449 |

## Cusco Iron Ore Project (Peru) (Strike – 100%)

| Name | Area (Ha) | Province | Code | Title | File No. |
|---|---|---|---|---|---|
| (1) Flor de María | 907 | Chumbivilcas | 05006521X01 | No 7078-95-RPM Dec 29, 1995 | 20001742 |
| (2) Delia Esperanza | 1,000 | Chumbivilcas | 05006522X01 | No 0686-95-RPM Mar 31, 1995 | 20001743 |
| (3) El Pacífico II | 1,000 | Chumbivilcas | 05006524X01 | No 7886-94/RPM Nov 25, 1994 | 20001746 |

## Pilbara Tenements (Western Australia) (Strike – 100%)

| Tenement No | Status | Grant Date | Expiry Date | Area (blocks/Ha) | Area (km²) |
|---|---|---|---|---|---|
| EL 45/4799 | Granted | 4 July 2017 | 3 July 2022 | 26 blocks | ~83 |
| EL 45/4800 | Granted | 10 August 2017 | 9 August 2022 | 70 blocks | ~225 |

## Paulsens East Tenement (Western Australia) (Strike – 100%)

| Tenement No | Status | Grant Date | Expiry Date | Area (blocks/Ha) | Area (km²) |
|---|---|---|---|---|---|
| Retention Licence RL 47/7 | Granted | 4 December 2014 | 4 December 2019 | ~381 Ha | ~3.81 |

## Burke Graphite Project (Queensland) (Strike – ~70%)

| Tenement No | Status | Grant Date | Expiry Date | Area (blocks/Ha) | Area (km²) |
|---|---|---|---|---|---|
| Burke EPM 25443 | Granted | 4 September 2014 | 3 September 2019 | 51 sub-blocks | ~16 |
| Corella EPM 25696 | Granted | 2 April 2015 | 1 April 2020 | 11 sub-blocks | ~36 |

# ANNUAL MINERAL RESOURCES STATEMENT

The following JORC Code compliant (2004 and 2012) Mineral Resources estimates are as at the end of the financial year (30 June 2018) and currently:

## 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% | $SiO_2$% | $Al_2O_3$% | 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 has subsequently been 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% | $SiO_2$% | $Al_2O_3$% | 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.*

## Burke Graphite Project (Australia) (Strike – ~70%)

The Burke Graphite Project has a JORC Code (2012 Edition) compliant Mineral Resources Estimate (**MRE**):

| Category | Weathering State | Mt | TGC (%) | Contained Graphite (Mt) | Density (t/m) |
|---|---|---|---|---|---|
| Inferred | Oxide | 0.5 | 14.0 | 0.1 | 2.5 |
| | Fresh | 5.8 | 16.2 | 0.9 | 2.4 |
| **Inferred** | **Total Oxide + Fresh** | **6.3** | **16.0** | **1.0** | **2.4** |

*Note: The Mineral Resource was estimated within constraining wireframe solids defined above a nominal 5% TGC cut-off. The Mineral Resource is reported from all blocks within these wireframe solids. Differences may occur due to rounding. Refer also Grade Tonnage Data in Table 2 of CSA Global Pty Ltd's Burke Graphite Project MRE Technical Summary dated 9 November 2017 (attached as Annexure A of Strike's ASX Announcement dated 13 November 2017: Maiden Mineral Resource Estimate Confirms Burke Project as One of the World's Highest Grade Natural Graphite Deposits).*

# ANNUAL MINERAL RESOURCES STATEMENT

## Compliance

- The Mineral Resources estimates in respect of the Apurimac and Cusco Iron Ore Projects (above) have not changed since reported in last year's Annual Report.
- The Mineral Resources estimate in respect of the Burke Graphite Project (above) was prepared and first disclosed during the financial year ended 30 June 2018.
- The Mineral Resources estimates (above) are based on, and fairly represents, information and supporting documentation prepared by a Competent Person (recognised under the JORC Codes (2004 and 2012, as the case may be)).
- The Annual Mineral Resources Statement as a whole (in respect of each of the Apurimac/Cusco Iron Ore Projects and the Burke Graphite Project) has been approved by the Competent Persons named in the JORC Code Competent Persons' Statements section of this Annual Report (at pages 59 and 60) where further information concerning their qualifications and professional memberships are also disclosed.
- Due to the nature, stage and size of the Company's existing operations, Strike believes there would be no efficiencies gained by establishing a separate Mineral Reserves/Resources Committee responsible for reviewing and monitoring the Company's processes for calculating JORC Code compliant Mineral Reserves/Resources. The Board as a whole has responsibility in this regard (with assistance from external advisers as appropriate) including ensuring that appropriate internal controls are applied to such calculations.
- The Company ensures that any Mineral Reserve/Resource calculations are prepared by Competent Persons and where appropriate, reviewed independently and verified (including estimation methodology, sampling, analytical and test data).
- The Company will report any future Mineral Reserves/Resources estimates in accordance with the 2012 JORC Code.

# JORC CODE COMPETENT PERSONS' STATEMENTS

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

The information in this document that relates to Mineral Resources in relation to the Apurimac Iron Ore Project (Peru) is extracted from the following ASX market announcement made by the Strike Resources Limited on:

· 19 January 2015: Apurimac Mineral Resources Updated to JORC 2012 Standard

The information in the original announcement 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). The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcement. The Company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcement.

### 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.

### JORC Code (2012) Competent Person Statement - Burke Graphite Project Mineral Resources

**(a)** The information in this document that relates to **Mineral Resources** is extracted from the following ASX market announcement made by the Strike Resources Limited on:

· 13 November 2017: Maiden Mineral Resource Estimate Confirms Burke Project as One of the World's Highest Grade Natural Graphite Deposits

The information in the original announcement (including the CSA Global MRE Technical Summary in Annexure A) that relates to in-situ Mineral Resources for the Burke Graphite Project is based on information compiled by Mr Grant Louw under the direction and supervision of Dr Andrew Scogings, who are both full-time employees of CSA Global Pty Ltd. Dr Scogings takes overall responsibility for this information. Dr Scogings is a Member of the Australian Institute of Geoscientists (AIG) and the Australasian Institute of Mining and Metallurgy (AusIMM) and 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). The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcement. The Company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcement.

**(b)** The information in this document that relates to **metallurgical test work** is extracted from the following ASX market announcements made by the Strike Resources Limited on:

· 16 October 2017: Test-work confirms the potential suitability of Burke graphite for Lithium-ion battery usage and Graphene production

· 13 November 2017: Maiden Mineral Resource Estimate Confirms Burke Project as One of the World's Highest Grade Natural Graphite Deposits

# JORC CODE COMPETENT PERSONS' STATEMENTS

The information in the original announcements that relates to metallurgical test work is based on, and fairly represents, information and supporting documentation prepared by Mr Peter Adamini, BSc (Mineral Science and Chemistry), who is a Member of The Australasian Institute of Mining and Metallurgy (AusIMM). Mr Adamini is a full-time employee of Independent Metallurgical Operations Pty Ltd, who has been engaged by Strike Resources Limited to provide metallurgical consulting services. The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcements. The Company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcements.

**(c)** The information in this document that relates to **Exploration Results in relation to the ground Electro-Magnetic (EM) survey and other Exploration Results** is extracted from the following ASX market announcements made by the Strike Resources Limited on:

- 21 April 2017: Jumbo Flake Graphite Confirmed at Burke Graphite Project, Queensland
- 13 June 2017: Extended Intersections of High-Grade Graphite Encountered at Burke Graphite Project
- 21 June 2017: Further High-Grade Intersection Encountered at Burke Graphite Project
- 16 October 2017: Test-work confirms the potential suitability of Burke graphite for Lithium-ion battery usage and Graphene production
- 13 November 2017: Maiden Mineral Resource Estimate Confirms Burke Project as One of the World's Highest Grade Natural Graphite Deposits
- 26 June 2018: Burke Graphite Project – New Target Area Identified From Ground Electro-Magnetic Surveys

The information in the original announcements that relates to Exploration Results in relation to the ground Electro-Magnetic (EM) survey and other Exploration Results is based on, and fairly represents, information and supporting documentation prepared by Mr Peter Smith, BSc (Geophysics) (*Sydney*) AIG ASEG, who is a Member of The Australasian Institute of Geoscientists (AIG). Mr Smith is a consultant to Strike Resources Limited. Mr Smith 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). The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcements. The Company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcements.

The Strike ASX market announcements referred to above may be viewed and downloaded from the Company's website: www.strikeresources.com.au or the ASX website: www.asx.com.au under ASX code "SRK".

# FORWARD LOOKING STATEMENTS

This documents 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.

# ADDITIONAL ASX INFORMATION
## as at 23 October 2018

### CORPORATE GOVERNANCE STATEMENT

The Company has adopted the Corporate Governance Principles and Recommendations (3rd Edition, March 2014) issued by the ASX Corporate Governance Council in respect of the financial year ended 30 June 2018.

Pursuant to ASX Listing Rule 4.10.3, the Company's 2018 Corporate Governance Statement (dated on or about 24 October 2018) and ASX Appendix 4G (Key to Disclosures of Corporate Governance Principles and Recommendations) can be found at the following URL on the Company's Internet website:
http://strikeresources.com.au/corporate/corporate-governance/

### ISSUED CAPITAL

| Class of Security | Quoted on ASX | Unlisted | Total |
|---|---|---|---|
| Fully paid ordinary shares | 145,334,268 | - | 145,334,268 |

### DISTRIBUTION OF FULLY PAID ORDINARY SHARES

| Spread | of | Holdings | Number of Holders | Number of Shares | % of Total Issued Capital |
|---|---|---|---|---|---|
| 1 | - | 1,000 | 358 | 147,516 | 0.102% |
| 1,001 | - | 5,000 | 593 | 1,753,643 | 1.207% |
| 5,001 | - | 10,000 | 256 | 2,072,941 | 1.426% |
| 10,001 | - | 100,000 | 333 | 10,805,791 | 7.435% |
| 100,001 | - | and over | 85 | 130,554,377 | 89.830% |
| **TOTAL** | | | **1,625** | **145,334,268** | **100%** |

### UNMARKETABLE PARCELS

| Spread | of | Holdings | Number of Holders | Number of Shares | % of Total Issued Capital |
|---|---|---|---|---|---|
| 1 | - | 9,999 | 1,130 | 3,204,100 | 2.205% |
| 10,000 | - | over | 495 | 142,130,168 | 97.795% |
| **TOTAL** | | | **1,625** | **145,334,268** | **100.00%** |

An unmarketable parcel is considered, for the purposes of the above table, to be a shareholding of 9,999 shares or less (being a value of $500 or less in total), based upon the Company's closing share price of $0.05 on 23 October 2018.

### VOTING RIGHTS

Subject to any rights or restrictions for the time being attached to any class or classes of shares (at present there are none), at meetings of shareholders of the Company:

- Each shareholder entitled to vote may vote in person or by proxy or by power of attorney or, in the case of a shareholder which is a corporation, by representative;
- Every person who is present in the capacity of shareholder or the representative of a corporate shareholder shall, on a show of hands, have one vote; and
- Every shareholder who is present in person, by proxy, by power of attorney or by corporate representative shall, on a poll, have one vote in respect of every fully paid share held by him.

# ADDITIONAL ASX INFORMATION
## as at 23 October 2018

## TOP 20 ORDINARY FULLY PAID SHAREHOLDERS

| Rank | Holder name | Shares Held | % Issued Capital |
|---|---|---|---|
| 1 | BENTLEY CAPITAL LIMITED | 52,553,493 | 36.160% |
| 2 | HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED | 26,507,581 | 18.239% |
| 3 | DATABASE SYSTEMS LTD | 12,537,090 | 8.626% |
| 4 | ORION EQUITIES LIMITED | 10,000,000 | 6.881% |
| 5 | ACN 139 886 025 PTY LTD | 2,110,261 | 1.452% |
| 6 | JP MORGAN NOMINEES AUSTRALIA LIMITED | 1,863,855 | 1.282% |
| 7 | MR JOHN FAZZALORI | 1,649,879 | 1.135% |
| 8 | MR IANAKI SEMERDZIEV | 1,379,000 | 0.949% |
| 9 | D&C PESCA S.A.C. | 1,081,027 | 0.744% |
| 10 | MRS LILIANA TEOFILOVA | 947,000 | 0.652% |
| 11 | MR CHI MAU PHUONG | 923,437 | 0.635% |
| 12 | MR VU QUANG MINH DANG & MRS THI KIM DAU NGUYEN | 892,319 | 0.614% |
| 13 | IRIS SYDNEY HOLDINGS PTY LTD | 800,237 | 0.551% |
| 14 | EMPIRE HOLDINGS WA PTY LTD | 700,000 | 0.482% |
| 15 | TADMARO PTY LIMITED | 623,195 | 0.429% |
| 16 | PRINT LOGIC WA PTY LTD | 600,000 | 0.413% |
| 17 | CLASSIC CAPITAL PTY LTD | 600,000 | 0.413% |
| 18 | MR MARK REX KOZEL & MRS KRISTINE ANNE PATTISON | 534,552 | 0.368% |
| 19 | MR FAROOQ KHAN | 530,010 | 0.365% |
| 20 | CONCORDE SECURITIES PTY LTD | 500,000 | 0.344% |
| | **TOTAL** | **117,332,936** | **80.73%** |

## SUBSTANTIAL SHAREHOLDERS

| Substantial Shareholders | Registered Shareholder | Shares Held | % Voting Power |
|---|---|---|---|
| Bentley Capital Limited[I] | Bentley Capital Limited | 52,553,493 | 36.16% |
| ABU Holding International Limited and Associates [II] | HSBC Custody Nominees (Australia) Limited | 25,825,000 | 17.77% |
| Database Systems Ltd and Ambreen Chaudhri[III] | Database Systems Ltd | 12,537,090 | 8.63% |
| Orion Equities Limited[IV] | Orion Equities Limited | 10,000,000 | 6.88% |
| Queste Communications Ltd[V] | Orion Equities Limited | 10,000,000 | 6.88% |

I Refer Bentley's ASX announcement dated 4 September 2015 Notice of Change in Interests of Substantial Holder

II Refer Notice of Initial Substantial Holder dated 21 December 2012

III Based on Notice of Change in Interests of Substantial Holder dated 4 June 2013

IV Refer Orion's ASX announcement dated 4 September 2015: Notice of Change in Interests of Substantial Holder

V Refer Queste's ASX announcement dated 4 September 2015: Notice of Change in Interests of Substantial Holder; Orion is the registered holder of Strike shares and Queste is taken under section 608(3)(b) of the Corporations Act to have a relevant interest in securities in which Orion has a relevant interest by reason of having control of Orion

ASX Code: SRK

STRIKE RESOURCES LIMITED

A.B.N. 94 088 488 724

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