Wednesday, 25 March 2020 ASX Code: SRK

# ASX MARKET ANNOUNCEMENT

## Utah Point, Port Hedland Considered as Preferred Port Option for Paulsens East Iron Ore Project

Strike Resources Limited (ASX:SRK) (**Strike)** continues to optimise the project economics and operating parameters of its Paulsens East Iron Ore Project (**Project**), which includes a refinement of project costs and the logistics for the bulk transport of iron ore from mine to port.

As part of such optimisation process, Strike has recently completed a Trade-Off Study looking at the suitability of alternative port locations from which to ship its iron ore, both from a cost perspective and from the perspective of simplicity of product handling and the potential to increase mine throughput, port capacity and vessel shipping size to enhance project economics.

This Trade-Off Study has focussed on Port Hedland, which has existing infrastructure that can be rapidly utilised to bring the Project into production.

### HIGHLIGHTS

- Further studies undertaken by Strike indicate Utah Point (Port Hedland) as a preferred Port destination for export of Paulsens East iron ore.
- Utilising Utah Point has a number of commercial advantages including:
  - a further simplified and de-risked operational process, with direct mine to port product distribution with no transhipment requirements;
  - minimisation of product double handling;
  - a reduction in capital requirements as a consequence of the availability of existing port infrastructure;
  - accommodation for larger vessel sizes leading to more efficient production scheduling and lower transport costs to China; and
  - potential to upscale production in excess of the planned 1.5Mt per year to take advantage of strong iron-ore market.
- Pilbara Ports Authority has confirmed available capacity for Strike's planned operations, subject to reaching agreement on commercial and haulage terms.
- Strike is currently updating its Scoping Study to detail the economic impact of utilising Utah Point.
- Strike continues to target first shipment of iron ore in Q4 2020.
- Strike notes the favourable movement in iron ore price and exchange rate relative to its Scoping Study metrics of USD$85/tonne and USD/AUD $0.68 respectively (currently USD$88.50/tonne and USD/AUD $0.60.

Strike is pleased to confirm that the Utah Point Multi-User Bulk Handling facility (**Utah Point**) at Port Hedland is now being considered as a preferred port for exporting iron ore from Strike's Paulsens East Iron Ore Project.

## Background

On 28 November 2019[1], Strike released the results of its Scoping Study for the Paulsens East Iron Ore Project (**Project**), reporting excellent Project economics on the basis of a 1.5 Million tonnes per annum (**Mtpa**) production rate. An economic model prepared by the Company as part of the Scoping Study forecasts a pre-tax net present value (**NPV**) range of between $81 Million to $238 Million (**Base Case $155 Million**) and an estimated operating net cashflow for the Company of between $99 Million to $289 Million (**Base Case $189 Million**) over an initial four-year mine life. The Scoping Study applied an iron ore price of USD$85/tonne and an exchange rate of USD/AUD $0.68, which has since moved favourably to an iron ore price of USD$88.50/tonne and an exchange rate of USD/AUD $0.60.

The Scoping Study considered the Onslow Marine Supply Base (**OMSB**) at Beadon Creek, Onslow as the preferred port for export, due to its relatively close proximity (~223km) to the Project. Current depth restrictions in the harbour at Beadon Creek limit the size of ships which can currently dock at the OMSB, thereby requiring the ore to be first loaded onto barges and towed to a deep water anchorage, before being transhipped to Ocean Going Vessels (**OGV**).

## Port Trade-Off Study

Since the completion of the Scoping Study, the Company has undertaken a detailed 'Trade-Off' Study into alternative port solutions in the Port of Dampier (~340km from the Project) and the Port of Port Hedland (~560km). The Trade-Off Study examined the various port options both from a cost perspective and from the perspective of simplicity of product handling and the potential to increase mine throughput, port capacity and vessel shipping size to enhance project economics.

The conclusion from the 'Trade-Off' Study is that Utah Point at the Port of Port Hedland offers potentially a more attractive commercial solution than Onslow as an export port for the Project, where Utah Point:

- Requires no direct capital investment by Strike at the port, as there is already a well-established and operational facility present, designed for iron ore (Onslow would require a ~A$3 Million capital investment by Strike in ship-loading infrastructure).
- Has available stockpile and throughput capacity in excess of the proposed production rate of 1.5Mtpa for the Project, for the proposed life of mine (four years).
- Allows direct access and dumping of ore from Quad road trains into the ore hoppers (or bunkers) with no requirement for any intermediary stockpiles or double handling of ore.
- Allows the ore to be reclaimed at a rate in excess of 4,000 wet tonnes per hour (i.e. Gross Loading Rates (**GLR**)) directly into the hold of Class "C" Panamax or Mini-Cape sized Vessels (with cargo capacities of up to 110,000 tonnes) - no transhipment is required, resulting in lower operating risk and costs.
- Offers lower shipping demurrage costs, as a result of the high GLR.
- Already has established licences, operators (private and Government) and approvals for stockpiling, loading and shipping of iron ore.
- Accommodates significantly larger ships, which reduces the unit rate (A$/t) shipping costs.
- Has expansion capacity for Strike to potentially increase exports above 1.5Mtpa.

Whilst haulage costs are higher from Paulsens East to Utah Point compared to Onslow, these additional costs would be mostly offset by the elimination of transhipment and double handling costs which would have to be incurred at Onslow, together with lower shipping costs as a result of Utah Point being able to accommodate larger ships.

In summary, Utah Point offers significantly less operational risk for the Project compared to a transhipment operation out of Onslow, with significantly lower capital costs, comparable overall operating costs together with the potential to increase export volumes above 1.5Mtpa.

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

## About Utah Point, Port Hedland

Utah Point was opened in 2010 and is operated by the Pilbara Ports Authority (**PPA**). It was established to provide multi-user access to port facilities and export markets, with an environmental licence to load approximately 24 Million tonnes of bulk material per year.

Strike has confirmed with PPA that sufficient capacity exists at Utah Point to accommodate Strike's planned production of 1.5Mtpa for at least four years subject to reaching agreement on commercial and haulage terms. Strike has executed a Confidentiality Agreement with PPA and commercial discussions are ongoing relating to the terms and conditions of access.

Strike Managing Director William Johnson

> *"The availability of suitable capacity at Utah Point now provides Strike with a choice of logistics solutions for Paulsens East, further de-risking the Project. The mine to port logistics chain for Utah Point is much simpler than for Onslow, with less double handling of ore and no transhipment required. Being already an established multi-user iron ore export port with available capacity and existing ship-loading facilities provides further advantages. As we advance with our Project studies, Strike will however continue to evaluate both port options to maintain maximum Project flexibility".*

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## AUTHORISED FOR RELEASE - FOR FURTHER INFORMATION:

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## ABOUT STRIKE RESOURCES LIMITED (ASX:SRK)

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

## FORWARD LOOKING STATEMENTS

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

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