



Half-Year Financial Report

**Strike Resources Limited and its controlled entities
for the half year ended 31 December 2014**

Strike Resources Limited

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Corporate Directory

Directors

Mr Malcolm Richmond
Chairman / Non-Executive Director

Mr William Johnson
Managing Director

Mr Matthew Hammond
Non-Executive Director

Ms Samantha Tough
Non-Executive Director

Mr Victor Ho
Non-Executive Director

Mr Farooq Khan
Alternate Director for Mr Victor Ho

Company Secretary

Mr David Palumbo

Registered Office

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Auditors

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38 Station Street
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Telephone: +61 8 9382 4600
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Stock Exchange Listing

Strike Resource Limited's shares are listed on the Australian Securities Exchange ("**ASX**")

ASX Code: **SRK**

Directors' Report

Your Directors present their report on the Consolidated Entity consisting of Strike Resources Limited ("**Company**" or "**Strike**") and the entities it controlled at the end of, or during, the half-year ended 31 December 2014.

Directors

The following persons were Directors of Strike during the whole of the half-year and up to the date of this report:

Malcolm Richmond
Matthew Hammond
William Johnson
Samantha Tough
Victor Ho
Farooq Khan

Review of Operations

Since suspending its operations in Peru during the first half of 2014, the Company has not undertaken any further work in its main iron ore assets in Peru.

The decision to suspend activity in Peru was made taking account of a number of factors, including negative market sentiment towards resource juniors with high capital cost projects, the slide in iron ore prices and some difficult local community issues in Peru that were frustrating attempts to advance the project in a timely way.

As a result of this decision, the Company closed its office in Peru and the Managing Director, who had relocated to Peru the previous year, returned to Perth. The company has taken steps to minimise its ongoing expenses whilst the Board of Directors considers future options for Strike.

Several companies undertook due diligence the Company's Peru projects during 2014. However, no offers were received that the Board considered to be sufficiently attractive to present to shareholders. Since the cost of maintaining the key exploration concessions and assets relating to the projects in Peru is relatively low, the Company will continue to hold these for the time being and examine opportunities to realise value from them.

Strike is in the fortunate position to still have sufficient cash in the bank to explore other opportunities. An independent consultancy was engaged during the year to analyse and present to the Board of Directors a range of options relating to future directions for the Company. The Board of Directors continues to review and discuss these options with representatives of the Company's major shareholders.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 4.

This report is made in accordance with a resolution of directors.



William Johnson
Managing Director
13 March 2015

DECLARATION OF INDEPENDENCE BY WAYNE BASFORD TO THE DIRECTORS OF STRIKE RESOURCES LIMITED

As lead auditor for the review of Strike Resources Limited for the half-year ended 31 December 2014, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Strike Resources Limited and the entities it controlled during the period.



Wayne Basford
Director

BDO Audit (WA) Pty Ltd
Perth, 13 March 2015

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the half-year ended 31 December 2014

		Consolidated	
		31 December 2014	31 December 2013
	Note	\$	\$
Revenue	3	181,464	217,752
Other income	4	22,421	68,221
		<u>203,885</u>	<u>285,973</u>
Occupancy costs		-	(75,934)
Finance costs		(6,935)	(7,444)
Personnel costs			
Cash remuneration		(267,656)	(726,218)
Corporate costs			
Professional fees		(226,909)	(549,652)
Other corporate expenses		(196,535)	(1,212,546)
Foreign exchange gain/(loss)		(21,264)	196,105
Impairment loss			
Exploration and evaluation costs	5	(457)	(43,795,794)
Loan to Cuervo Resources Inc.		-	(827,641)
Financial assets at fair value through profit or loss		-	(109,616)
Sundry debtors		-	(135,686)
Loss on disposal of fixed assets		-	(10,460)
Reversal of legal accrual		232,721	-
Profit/(Loss) before income tax		<u>(283,150)</u>	<u>(46,968,913)</u>
Income tax expense		-	(9,128)
Profit/(Loss) for the half year		<u>(283,150)</u>	<u>(46,978,041)</u>
Other comprehensive income			
Items that will be reclassified to profit or loss			
Exchange differences on translation of foreign operations		(226,534)	1,100,878
Other comprehensive (loss) for the half year		<u>(226,534)</u>	<u>1,100,878</u>
Total comprehensive profit/(loss) for the period, net of income tax attributable to the owners		<u>(509,684)</u>	<u>(45,877,163)</u>
Basic profit/(loss) per share from profit/(loss) from continuing operations attributable to the ordinary equity holders of the Company			
		(0.19)	(32.32)
Diluted earnings per share from profit/(loss) from continuing operations attributable to the ordinary equity holders of the Company			
		(0.19)	(32.32)

The above Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position

as at 31 December 2014

	Note	Consolidated	
		31 December 2014	30 June 2014
		\$	\$
Current assets			
Cash and cash equivalents		9,801,542	10,350,983
Trade and other receivables		53,029	74,328
Non-Current Assets held for sale		512,280	498,992
Total current assets		10,366,851	10,924,303
Non-current assets			
Exploration and evaluation expenditure	5	-	-
Total non-current assets		-	-
Total assets		10,366,851	10,924,303
Current liabilities			
Trade and other payables	6	2,437,298	2,414,711
Provisions		-	70,355
Total current liabilities		2,437,298	2,485,066
Total liabilities		2,437,298	2,485,066
Net assets		7,929,553	8,439,237
Equity			
Issued capital	7	148,439,925	148,439,925
Reserves		15,400,680	15,627,214
Accumulated losses		(155,911,052)	(155,627,902)
Total equity		7,929,553	8,439,237

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity

for the half-year ended 31 December 2014

	Contributed equity	Currency translation reserve	Share-based payments reserve	Accumulated Losses	Total equity
	\$	\$	\$	\$	\$
Consolidated entity					
At 1 July 2013	148,439,925	1,899,896	13,233,026	(106,866,452)	56,706,395
<i>Total comprehensive income for the period</i>					
Loss for the half-year	-	-	-	(46,978,041)	(46,978,041)
<i>Other comprehensive income</i>					
Exchange differences on translation of foreign operations	-	1,100,878	-	-	1,100,878
Total comprehensive income/(loss) for the half year	-	1,100,878	-	(46,978,041)	(45,877,163)
Transactions with owners in their capacity as owners:					
Issue of shares	-	-	-	-	-
At 31 December 2013	148,439,925	3,000,774	13,233,026	(153,844,493)	10,829,232
At 1 July 2014	148,439,925	2,394,188	13,233,026	(155,627,902)	8,439,237
<i>Total comprehensive income for the period</i>					
Loss for the half- year	-	-	-	(283,150)	(283,150)
<i>Other comprehensive income</i>					
Exchange differences on translation of foreign operations	-	(226,534)	-	-	(226,534)
Total comprehensive income/(loss) for the half year	-	(226,534)	-	(283,150)	(509,684)
At 31 December 2014	148,439,925	2,167,654	13,233,026	(155,911,052)	7,929,553

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows

for the half-year ended 31 December 2014

	31 December 2014	31 December 2013
Note	\$	\$
Cash flows from operating activities		
Payments to suppliers and employees	(711,997)	(1,434,444)
Net cash (outflow) from operating activities	(711,997)	(1,434,444)
Cash flows from investing activities		
Payments for exploration and evaluation expenditure	-	(1,047,484)
Interest received	140,135	240,950
Proceeds from disposal of fixed assets	22,421	1,476
Net cash inflow/(outflow) from investing activities	162,556	(805,058)
Net decrease in cash and cash equivalents held	(549,441)	(2,239,502)
Cash and cash equivalents at the beginning of the financial year	10,350,983	14,414,971
Effect of exchange rate changes on cash held	-	39,201
Cash and cash equivalents at end of the period	9,801,542	12,214,670

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

Notes to the Consolidated Financial Statements

for the half-year ended 31 December 2014

1. Basis of preparation of half-year report

The accounting policies applied by the Group in these half-year financial statements are consistent with the financial statements for the year ended 30 June 2014.

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2014 reporting period and have not been applied in these financial statements. Strike Resources Limited is continuing to assess the impact of these standards and interpretations.

2. Segment information

Description of segments

Management has determined the operating segments based on the reports reviewed by the Board of Directors that are used to make strategic decisions.

The Board of Directors considers the business from both a product and a geographic perspective and has identified two reportable segments as follows:

- Australia
- Peru (Iron Ore)*

*On 14 April 2014, the Company announced that it was undertaking a full strategic review of all of its assets and has determined to close its office and operations in Peru.

Segment information provided to the Board of Directors

The segment information provided to the Board of Directors for the reportable segments for the half-year 31 December 2014 and 31 December 2013 are as follows:

Half-year 2014	Peru	Australia	Total
Interest revenue	-	181,464	181,464
Revenue interest	-	181,464	181,464
Adjusted Loss	9,549	(271,392)	(261,843)
Total segment assets	766,671	9,787,007	10,553,678
Total segment liabilities	(2,707,031)	(38,897,440)	(41,604,471)

2. Segment information (continued)

Half-year 2013	Peru	Australia	Total
Interest revenue	-	217,752	217,752
Revenue interest	-	217,752	217,752
Adjusted Loss	(45,334,007)	(6,995,655)	(52,329,662)
Total segment assets 30 June 2014	1,641,801	10,233,180	11,874,981
Total segment liabilities 30 June 2014	(41,908,076)	(502,310)	(42,410,386)

Other segment information

(i) *Adjusted Loss*

A reconciliation of adjusted Loss to operating profit before income tax is provided as follows:

	31 December 2014 \$	31 December 2013 \$
Adjusted Loss	(261,843)	(52,329,662)
Intersegment eliminations	(28,233)	5,385,807
Depreciation	(15,495)	(26,025)
Other income	22,421	967
	(283,150)	(46,968,913)
Profit/(loss) before tax from continuing operations	(283,150)	(46,968,913)
	(283,150)	(46,968,913)

2. Segment information (continued)

(ii) *Segment assets and segment liabilities*

Reportable segments' assets and liabilities are reconciled to total assets and liabilities respectively as follows:

	31 December 2014 \$	30 June 2014 \$
Segment assets	10,553,678	11,874,981
Intersegment eliminations	(186,827)	(950,678)
Total assets as per the Consolidated Statement of Financial Position	10,366,851	10,924,303
Segment liabilities	(41,604,471)	(42,410,386)
Intersegment eliminations	39,167,173	39,925,320
Total liabilities as per the Consolidated Statement of Financial Position	(2,437,298)	(2,485,066)

The amounts provided to the Board of Directors with respect to total assets are measured in a manner consistent with that of the financial statements. These assets are allocated based on the operations of the segment and the physical location of the asset.

3. Revenue

	31 December 2014 \$	31 December 2013 \$
Interest received – term deposits	181,464	217,752

4. Other Income

Other income

Profit on disposal of fixed assets	22,421	-
Other income	-	68,221
	22,421	68,221

5. Exploration and Evaluation Expenditure

	31 December 2014 \$	30 June 2014 \$
Beginning balance	-	41,842,078
Foreign Exchange adjustment	-	158,264
Exploration and evaluation expenditure additions	457	1,249,903
Impairment loss – exploration and evaluation ¹	(457)	(43,250,245)
Ending balance	<u>-</u>	<u>-</u>

¹ 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 \$457 during the half year. On 14 April 2014, the Group announced that it was undertaking a full strategic review of all of its assets and due to this it was closing AF's office and operations in Peru.

The ultimate recoverability of deferred exploration and evaluation expenditure is dependent on the successful development or sale of the relevant area of interest.

6. Trade and Other Payables

	31 December 2014 \$	30 June 2014 \$
Current		
Trade creditors and accruals	57,653	88,458
Legal fees ¹	684,808	855,800
Withholding tax ²	1,694,837	1,470,453
	<u>2,437,298</u>	<u>2,414,711</u>

¹ Amount payable to Miranda and Amado Abogados for legal fees incurred in defending claims against the Company's concessions over the past three years. The payable was settled subsequent to period end, resulting in a reversal of legal provision of \$232,721 recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income for the half year ended 31 December 2014.

² Withholding tax accrual of \$1,694,837 arising from the Peruvian Tax Administration ("SUNAT") audit on Apurimac Ferrum S.A ("AF") relating to Non Resident Income Tax Withholding for the fiscal years 2010 and 2011. The SUNAT notified AF of a set of Resolutions that determine a debt owing for Non Domiciled Income Tax Withholding and Fine Resolutions. AF has obtained independent advice in respect to the SUNAT findings identifying that the Company has strong arguments in its defence. As a result, AF has officially lodged a claim against the SUNAT findings. At the date of this report, AF is yet to receive a resolution from SUNAT regarding the claim. Should the SUNAT deny AF's claiming arguments, AF plans to appeal all findings before the Administrative Tax Court.

7. Contributed Equity

	31 December 2014 \$	30 June 2014 \$
145,334,268 (2013: 145,334,268) fully-paid ordinary shares	<u>148,439,925</u>	<u>148,439,925</u>

Each fully-paid, ordinary share carries one vote per share and the right to participate in dividends.

7. Contributed Equity (continued)

	Date of movement	No.	\$
Movement in ordinary share capital			
At 1 July 2013		145,334,268	148,439,925
Shares issued		-	-
At 30 June 2014		145,334,268	148,439,925
Share issued		-	-
At 31 December 2014		145,334,268	148,439,925

8. Dividends

No dividends were paid or provided for during the half-year ended 31 December 2014.

9. Contingent Assets and Liabilities

Cerro Ccopane

The Cerro Ccopane project, located approximately 20km to the north of the company's Cusco project in Peru was previously operated and held by Canadian listed company Cuervo Resources Inc ("Cuervo"). On December 11, 2013 Strike announced it had issued a demand notice for C\$5,250,000 plus applicable interest to Cuervo in respect of financing of the Cerro Ccopane project provided by Strike. The demand notice was issued following Strike's concerns regarding the solvency of Cuervo and events of default occurring under the current agreements between the companies. Strike also issued a notice of its intention to enforce its security held over 90% of the shares of the Peruvian company holding the key assets of the project, if the full amount owed to Strike was not paid by December 16, 2013. To date no further action has been undertaken.

Strike has been made aware that all of the Canadian directors of Cuervo have resigned and the company is at risk of being wound-up by the Ontario government. Strike is examining its options to recover value as a secured creditor of Cuervo.

Since the last annual reporting date, there has been no other change in any contingent assets or contingent liabilities.

10. Commitments

No new commitments have been entered into by the Group since 30 June 2014.

11. Related party transactions

a. Subsidiaries

Interests in subsidiaries are set out below.

During the period \$8,696 (30 June 2014: \$2,811,122) was loaned to subsidiaries.

Investment in Controlled Entities

	Country of Incorporation	Percentage of Ownership	
		2014	2013
Strike Finance Pty Ltd	Australia	100%	100%
Strike Australian Operations Pty Ltd	Australia	100%	100%
Strike Operations Pty Ltd ("SOPL")	Australia	100%	100%
Strike Indo Operations Pty Ltd ("SIOPL")	Australia	100%	100%
Ferrum Holdings Limited	British Anguilla	100%	100%
Strike Resources Peru S.A.C.	Peru	100%	100%
Apurimac Ferrum S.A.	Peru	100%	100%
Ferrum Trading S.A.C.	Peru	100%	-

12. Events occurring after the reporting period

There have been no significant events occurring after the reporting date.

Directors' Declaration

In the Directors' opinion:

1. the consolidated financial statements and notes as set out on pages 6 to 13 are in accordance with the *Corporations Act 2001*, including:
 - a) complying with Accounting Standards, the *Corporations Regulations 2001*, and other mandatory professional reporting requirements, and
 - b) giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2014 and of its performance for the half-year ended on that date, and
2. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Directors.



William Johnson
Director
13 March 2015

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Strike Resources Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Strike Resources Limited, which comprises the consolidated statement of financial position as at 31 December 2014, 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 half-year ended on that date, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Strike Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Strike Resources Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.



Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Strike Resources Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

BDO Audit (WA) Pty Ltd

A handwritten signature in black ink, appearing to read 'Wayne Basford', is written over a faint, stylized 'BDO' logo.

Wayne Basford

Director

Perth, 13 March 2015