

## ASX MARKET ANNOUNCEMENT

### Peru Iron Ore Offtake Agreement Signed with US\$2 Million Prepayment

#### HIGHLIGHTS

- Binding Offtake Agreement signed with international iron-ore trading firm for 100% of Peru iron ore for two (2) year initial term
- Offtake Agreement incorporates US\$2 million prepayment facility to fund first ore on ship
- First ore on ship of a minimum of 30,000 tonnes expected in May/June 2021
- Strike is initially targeting annualised sales of ~125,000 tonnes of iron ore from specific portions of concessions comprising the Apurimac Project
- Potential exists to significantly expand sales through ore from multiple sites within the Apurimac Project, once steady state operations are achieved
- Current project profile targeting sale of a high grade "Apurimac Premium Lump" DSO product of ~65% Fe with low impurities
- FOB target cost at Pisco Port of less than ~US\$70 per tonne
- Based upon current iron ore prices and lump premiums, Strike is targeting a CFR price of approximately US\$180 - 200 per tonne for its Apurimac Premium Lump DSO product indicating a significant near term positive cashflow opportunity

Strike Resources Limited (ASX:SRK) (**Strike**) is pleased to advise on a further significant milestone for the Company with the execution of a binding Offtake Agreement (**Offtake Agreement**) for 100% of the iron ore currently being mined from its 100% owned Apurimac Iron Ore Project in Peru for an initial two (2) year term.

The Offtake Agreement also incorporates a US \$2 million prepayment facility to fund first ore on ship and to allow Strike to accelerate plans to expand iron ore sales to capitalise on current strong demand and premium prices for high grade Lump Iron Ore.

The Offtake Agreement has been entered into by Strike's 100% Peruvian subsidiary company and Good Importing International Pty Limited (**GII**), an international iron ore trading company currently involved in iron ore offtake into China from various countries including Australia, Russia and South Africa and having previously been involved as an offtake partner for a number of Australian iron ore producers including Mt Gibson Iron, Karara Mining, Pluton Resources and Shree Minerals.

Terms of the Offtake Agreement include market reflective pricing referenced to relevant S&P Global Platts pricing indices and market-typical lump premium and impurity penalties, on a Cost and Freight (CFR) basis for delivery into China.



The US\$2 million prepayment facility for iron ore is payable in three tranches with an initial US\$100,000 payable on execution of the Offtake Agreement and with US\$1,000,000 payable on Strike's confirmation of a 15,000 tonne stockpile of crushed ore at the mine site and the balance payable upon a 20,000 tonne stockpile being delivered to the Port at Pisco.

The US\$2 million prepayment will be offset against the proceeds of the first two shipments of iron ore from Peru with a profit share arrangement for the first shipment of iron ore in consideration of the US\$2 million prepayment advance.

The iron ore is currently being mined from Strike's 100% owned Apurimac Iron Ore Project in Peru by local miners under authorisation from Strike and based on Peruvian mining legislation which allows local miners to mine from specific portions of a mining concession with significantly reduced timetables and simplified processes for obtaining environmental and other permits.

Strike expects first ore on ship will occur in May/June 2021 with an initial shipment of at least 30,000 tonnes of Apurimac Premium Lump DSO with an average grade of approximately 65% Fe with low impurities.

Strike is initially targeting annualised sales of ~125,000 tonnes of iron ore from specific portions of concessions comprising the Apurimac Project. Potential exists to significantly expand sales through ore from multiple sites within the Apurimac Project, once steady state operations are achieved.

The FOB cost at Pisco Port remains on target at less than ~US\$70 per tonne, affording Strike the potential to generate a significant near term positive cashflow.

With the execution of the Offtake Agreement and with progressive draw down of the US\$2 million prepayment facility, Strike looks forward to accelerating sales of iron ore to capitalise on current strong demand and premium prices for high grade Lump Iron Ore.

William Johnson, Managing Director:

*"With the execution of the Offtake Agreement, Strike has secured both a long term purchaser for the iron ore being produced from its 100% owned Apurimac Project, as well as having received a financing source that lowers capital allocation towards its Peruvian operations.*

*It is a significant milestone for the Company as it moves towards revenue generation in an environment of high demand and prices for premium iron ore producers such as Strike.*

*The Company looks forward to announcing its first ore on ship in the near future."*

## ABOUT THE APURIMAC IRON ORE PROJECT

Strike's Apurimac Iron Ore Project in Peru is 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.

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 <sup>3</sup>	Mt	Fe%	SiO <sub>2</sub> %	Al <sub>2</sub> O <sub>3</sub> %	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
<b>Total Indicated and Inferred</b>			<b>269.4</b>	<b>57.3</b>	<b>9.4</b>	<b>2.56</b>	<b>0.04</b>	<b>0.16</b>

Refer Strike's ASX Announcement dated 20 January 2015: Apurimac Mineral Resources Updated to JORC 2012 Standard.

In addition to the current JORC Mineral Resource, there is significant exploration potential given the deposits are open at depth and along strike (with very promising drill results including 154m @ 62% Fe) with extensive undrilled gravity and magnetic anomalies.

A Pre-Feasibility Study completed in 2008 and updated in 2010 on the Apurimac Project indicated clear potential for development of a world class iron ore project, with competitive capital costs and very low operating costs:

- 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.

## **AUTHORISED FOR RELEASE - FOR FURTHER INFORMATION:**

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Managing Director

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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 in Peru and is in the process of spinning-out its battery minerals related assets (the Solaroz Lithium Brine Project in Argentina and the Burke Graphite Project in Queensland) via the IPO of Lithium Energy Limited (proposed ASX : LEL), which is seeking to raise \$9 million under a fully underwritten Prospectus (dated 30 March 2021) – Strike will retain a 43% shareholding in Lithium Energy Limited post-IPO.

## **JORC CODE (2012) COMPETENT PERSON'S STATEMENT**

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

- 20 January 2015: Apurimac Mineral Resources Updated to JORC 2012 Standard.

The information in the original announcement that relates to these Mineral Resources and related Exploration Results is based on, and fairly represents, information and supporting documentation prepared by Mr Ken Hellsten, B.Sc. (Geology), who is a Fellow of the Australian 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 Exploration Results, Mineral Resources and Ore Reserves' (the **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.

## **FORWARD LOOKING STATEMENTS**

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