

ASX MARKET ANNOUNCEMENT

Iron Ore Production Ramps Up in Peru

HIGHLIGHTS

- Significant Company milestone achieved with 20,000 tonnes of high-grade direct shipping ore (DSO) mined from the Apurimac Project in Peru since late December 2020, with ore stockpiled locally for crushing and screening.
- Strike is initially targeting annualised production of ~125,000 tonnes of iron ore from specific portions of concessions comprising the Apurimac Project.
- Potential exists to significantly expand production through ore from multiple sites within the Apurimac Project, once steady state operations are achieved.
- Targeting production of a high grade "Apurimac Premium Lump" DSO product of 64-65% Fe with low impurities.
- Current strong iron ore price (currently US\$168 per tonne¹) and high lump premium (of an additional potential ~US\$33 per tonne) indicate a significant near term positive cashflow opportunity.
- Production costings have been completed with anticipated FOB cost at Pisco Port of less than ~US\$70 per tonne.
- First cashflow from sales expected in the June 2021 Quarter.

Strike Resources Limited (ASX:SRK) (**Strike**) is pleased to provide an update on a significant milestone in company operations in Peru relating to its 100% owned Apurimac Iron Ore Project.

Strike confirms that since mining of high-grade surface deposits of iron ore from the Apurimac Project concessions commenced in late December 2020, over 20,000 tonnes of direct shipping ore (DSO) has been mined and transported by trucks for local crushing and screening, with over 6,000 tonnes of material having been crushed to date.

Strike is now ramping up operations to increase throughput both via mining operations and the engagement of a second crushing and screening plant to increase crushing capacity to 1,000 tonnes per day.

Once Strike has successfully crushed approximately 20,000 tonnes of material, it plans to progressively transport the Apurimac Premium Lump DSO product to a stockpile at the Port of Pisco, (located approximately 570km by road from the Apurimac Project) using locally sourced trucks.

1 62% Fe Index (CFR China), as at 16 March 2021





Figure 1. Mining of outcropping iron ore at Apurimac Project by local miners



Figure 2. Loading of Ore onto trucks for delivery to crushing plant

FOB Costings

The total free on board (FOB) cost of the Apurimac Premium Lump product at the Port of Pisco is expected to be less than US\$70 per tonne, including mining, crushing and screening, haulage, port and administration costs.

These figures are based on actual costs incurred to date with respect to mining and crushing together with quotations for key sectors of the supply chain including road transport and port costs and based upon the Company's previous experience in 2013 where it commenced a trial mining operation from the Apurimac Project with ore delivered and sold to a steel mill in Peru.

The Company notes that the Benchmark iron ore price continues to remain very strong – currently ~US\$168 per tonne¹. Furthermore, the premium attached to Lump ore over Fines has increased significantly, reaching record highs this month of ~US\$0.51 per dry metric tonne unit. Based on Fe content of 64% for the Apurimac Premium Lump product, this would imply an uplift of ~ US\$33 per tonne of Lump ore over the Benchmark iron ore price for Fines, once the Apurimac Premium Lump product is established in the market.

Apurimac Premium Lump DSO

Based upon the previous experience in a similar pilot operation undertaken in 2013 and a review of assay results of the DSO material crushed to date, Strike is targeting the sale of a high-grade DSO lump product with low impurities.

| Product | % |
|--------------------------------|-------|
| Fe | 64.35 |
| P | 0.07 |
| S | 0.07 |
| SiO ₂ | 2.85 |
| LOI | 0.56 |
| Al ₂ O ₃ | 0.91 |

Table 1: Target characteristics of Apurimac Premium Lump DSO material

Strike also refers to a previous study on the DSO material identified at the Apurimac Project. For further details, refer to Strike's ASX Announcement dated 23 November 2010: Apurimac Project Update.



Figure 3: High grade Apurimac ore prior to crushing and screening



Figure 4: Crushing and screening of Apurimac ore underway at local plant to produce high grade Apurimac Premium Lump DSO product.



Figure 5. Stockpiles of Apurimac Premium Lump Ore at local crushing and screening plant

Off-take

Strike has engaged with multiple parties regarding off-take of the Apurimac Premium Lump product from Peru and is in advanced discussions in this regard. Strike is confident of securing an off-take agreement shortly.

Mining Background

The process of engagement of local miners to mine this DSO material is based on Peruvian mining legislation which allows local miners to mine up to 350 tonnes per day (or ~125,000 tonnes per annum) of iron ore from specific portions of a mining concession. This legislation allows for significantly reduced timetables and simplified processes for obtaining environmental and other permits.

Strike proposes to ultimately undertake similar mining operations from multiple sites with increased multiples of annualised production, once steady state operations from the first deposit are achieved within the framework of current Peruvian mining regulations.

William Johnson, Managing Director:

Whilst the Company remains firmly focussed on developing Paulsens East in the Pilbara into production, current market conditions have provided an opportunity to generate additional valuable cashflow from a mining operation at our Apurimac Project in Peru as well.

Our local Peruvian team on site have done a tremendous job in marshalling local communities, miners and contractors together. Strike looks forward to replicating this operation several times across different deposits and community groups so we can progressively ramp up production whilst providing sustainable economic employment opportunities for local community members.

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 ³ | Mt | Fe% | SiO ₂ % | Al ₂ O 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 |

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:

William Johnson
Managing Director

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

ABOUT STRIKE RESOURCES LIMITED (ASX:SRK)

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

JORC CODE (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.