

LEGAL INJUNCTION AND SUSPENSION OF OPERATIONS IN PERU

Strike Resources Limited (**Strike**) has learned that a court in Peru has granted an injunction restraining its local holding companies from working, or otherwise dealing with, most of their Peruvian mineral concessions¹. The injunction was made without the Strike companies being served notice of such proceedings nor thereby having an opportunity to present any arguments to the court.

Based upon the information currently available in relation to the claim, Strike considers there is no basis for the injunction, for reasons including those detailed below. Strike has instructed its lawyers to apply to have it set aside urgently.

Notwithstanding Strike's view that the injunction has no basis, Strike has decided to review its commitment to continue sole funding the advancement of its projects in Peru.

As a consequence Strike will immediately act to reduce its operational and administrative expenses in Peru and will be reviewing options with regard to utilising its remaining cash reserves.

Injunction

The injunction appears to arise from a dispute regarding a 2006 agreement (**Option Termination Agreement**) under which Strike subsidiary, Apurimac Ferrum S.A.C. (**AF**) acquired 14 mineral concessions from Minera los Andes y el Pacifico S.A. (**MAPSA**), which were subject to an option (**Option**) in favour of Millenium Trading S.A.C. (**Millenium**)². Under the Option Termination Agreement Millenium terminated the Option to allow the transfer of the concessions to AF. In return, Millenium was granted the right to conduct a small-scale mining operation on one of the concessions, the identity of which was to be agreed subsequently or determined by arbitration. AF referred the question of which concession Millenium should mine to arbitration in 2010, as agreement on that question had not been reached.

Millennium has brought several unsuccessful court actions seeking to establish that the fact that the identity of the concession was not agreed renders the Option Termination Agreement invalid. It is also pursuing this line of argument in the arbitration. Strike considers that there is no basis for that argument.

The injunction appears to have been obtained by Minera Apu (**Apu**), which is not a party to the Option, the Option Termination Agreement or any other agreement with a Strike company, yet it is associated with Millenium and MAPSA. The injunction appears to cover 84 concessions, despite the fact that the agreements referred to above involved only 14 concessions. There is no basis apparent to Strike on which Apu could conceivably have any claim against these concessions. Nevertheless, Apu – directly and indirectly, through its legal representative, Mr. Carlos Navarro - also initiated and is pursuing 38 legal actions attempting to question the validity of concessions held by AF and third parties, all of which are outstanding at the Judiciary (though AF has obtained favourable resolutions in the first instance in 4 cases, while Apu has not won a single case).

¹ Strike has not yet received official notice of the injunction and some details are still unclear.

² Strike first announced this dispute on 8 October 2010 and has kept the market informed of developments.

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