# Copper Strike Limited
# ABN 16 108 398 983

## Annual Financial Report
## for the financial Year ended 30 June 2010

# COPPER STRIKE LIMITED
# ABN 16 108 398 983

## CORPORATE DIRECTORY

**Board of Directors**

Tom Eadie

John Dunlop

Barrie Laws

**Company Secretary and Chief Financial Officer**

David Ogg

**Registered Office**

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Melbourne Victoria 3000

Telephone: 61 3 9640 0955

Facsimile: 61 3 9642 0698

Website: www.copperstrike.com.au

**Share Registry**

Security Transfer Registrars Pty Ltd

Alexandra House

Suite 1, 770 Canning Highway

Applecross WA 6153

**Auditor**

Melanie Leydin

Leydin Freyer Audit Pty Ltd

Chartered Accountants

Suite 304, 22 St Kilda Road

St Kilda Victoria 3182

**Stock Exchange Listing**

Copper Strike Limited is listed on the Australian Stock Exchange. Home Stock Exchange is Melbourne.

ASX Code: CSE

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## ACCOMPLISHMENTS FOR THE YEAR

- Work continued toward a Final Feasibility Study at the Einasleigh Project focussing on further drilling, geotechnical work and environmental studies / planning.

- Most of the drilling was targeted at increasing the knowledge of the Kaiser Bill and Einasleigh deposits. The 30 June 2010 resource inventory for the Einasleigh Project comprises:

  **Kaiser Bill (indicated plus inferred)**
  **15.0 Mt @ 0.84% copper, 0.13 g/t gold & 7 g/t silver**

  **Einasleigh (indicated plus inferred)**
  **1.1 Mt @ 2.9% copper, 0.16 g/t gold & 13 g/t silver**

  **Chloe / Jackson trend (indicated plus inferred)**
  **4.6 Mt @ 4.8% zinc, 2.0% lead, 0.2% copper and 51 g/t silver**

  **Railway Flat (inferred)**
  **0.9 Mt @ 3.4% zinc, 0.9% lead, 0.2% Cu & 16 g/t Ag**

- Coffey Environments was selected to progress the environmental permitting issues in the Einasleigh area to allow the granting of Mining Leases at Einasleigh and Kaiser Bill. They completed a Phase 1 programme which highlighted all of the issues that must be addressed. The priority issue is to determine an appropriate location for the tailings dam and waste rock dumps. A first step in this process is a redesign of the Kaiser Bill open-pit mine. To this end, the resource was re-evaluated and geotechnical drilling and down-hole surveys have been completed.

- Exploration work, including drilling, was advanced at several other prospects in the Einasleigh region. Excellent drill targets have been developed at several high priority prospects and several others are approaching drilling stage.

- Copper Strike now has six EPMs in the Einasleigh area covering almost 600 square kilometres. The ground ranges from blocks with resources and advanced drilling targets to underexplored areas covering highly prospective Proterozoic rock units, which are similar to the well mineralised Mt Isa and Broken Hill provinces.

- Our new joint venture partner on the Walford Creek Project in the Mt Isa Inlier, MM Mining, has identified drill targets to expand the known Inferred Resource of 6.5 Mt @ 0.6% copper, 1.6% lead, 2.1% zinc, 25 g/t silver and 0.07% cobalt. Drilling is planned for September 2010.

## OBJECTIVES FOR 2011

- Increase resources in the Einasleigh area by drill testing identified targets. Increased resources will add to the robustness of the project and its bankability.

- Complete all permitting obligations with the Queensland government to allow the granting of the Mining Leases at Einasleigh and Kaiser Bill. Granting of the Mining Leases will allow a quick start-up of the project when economic conditions permit.

- Introduce a strategic partner to facilitate development of the Einasleigh Project. A first step in this process is the planned acquisition of Teck Australia's original rights to the Einasleigh Project, which remain from the Initial Public Offering. These are: a right of first refusal to marketing of the concentrate and a right to earn a 51% interest in any discovery (at the Inferred Resource stage) by funding the Feasibility Study.

- Increase the resource inventory at Walford Creek based on drill results conducted by our joint venture partner, MM Mining.

**CHAIRMAN'S REPORT**

Copper Strike completed a Feasibility Study on the Einasleigh Project in June 2009 and the results were reported to the ASX using a copper price of US$2.50 per pound and an A$ to US$ exchange rate of $0.75. Readjusting the financial model for today's (early August 2010) values of prices and exchange rate (copper US$3.30 per pound and an exchange rate of $0.90), the following very positive outcomes are calculated:

- **Capital cost for the copper project** **$A108 million**
- **Net Present Value of the project at a 10% discount rate** **$A151 million**
- **Internal Rate of Return** **39%**

However, the Einasleigh Project is clearly very sensitive to a downturn in the price of base metals or an increase in the A$ / US$ exchange rate. Because of this, traditional bank financing for the project has not been available. Given this impediment to the development of the project, Copper Strike is pursuing three positive and parallel courses of action with the objective of obtaining finance for possible future production.

The first is more drilling. Successful drilling at Einasleigh or Kaiser Bill could quickly increase mineable resources to the point where the project is made more robust. Alternatively a new discovery could make a quantum shift to the economics of the project. Geologically, the Einasleigh region is very similar to other world class mineral provinces such as the Broken Hill Block and the Eastern Succession of the Mt Isa Inlier (the Cloncurry Block). The Chloe / Jackson trend deposits have affinities to Broken Hill type lead-zinc deposits such as the Broken Hill lode and Cannington. The Kaiser Bill and Einasleigh copper deposits are similar in style to Iron Oxide Copper Gold (IOCG) deposits. Even though the prospectivity and the size of the Einasleigh region is similar to the Broken Hill and Cloncurry Blocks, the exploration funds applied to Einasleigh are a tiny fraction of the amount spent in these other regions. We believe that the resources at Einasleigh will grow substantially over time.

The second course of action is to complete the environmental and planning work necessary to have the Mining Leases granted. With the granting of Mining Leases, Copper Strike would be in a lower risk position, enabling us to sell some of the future copper production forward, which could be used to finance the project if these future prices are sufficiently high.

The third course to possible financing is the introduction of a strategic partner. There are a few aspects of the Einasleigh Project, such as Teck's back-in rights mentioned above, that have made it difficult to attract a strategic partner. We are now addressing these issues.

There have been two changes at Board level this year. Mr Peter Topham retired from the Board after the last Annual General Meeting. Peter was a founding director of Copper Strike and the Board would like to thank him for his guidance and contribution over the first five years of Copper Strike's life. Mr John Dunlop joined the Board last November. John is a consultant mining engineer with close to 40 years surface and underground mining experience both in Australia and overseas spanning more than 25 countries. He is a former director of the Australasian Institute of Mining & Metallurgy and continues as chairman of its affiliate, the Mineral Industry Consultants Association. He is chairman of Alliance Resources, Alkane Resources and non-executive director of Gippsland Ltd. The directors of Copper Strike are very pleased to have John on the Board.

Copper Strike's focus is on developing the Einasleigh Project as expeditiously as possible. The Board, employees and contractors have all been working very hard in this direction and I would like to thank all of them for their diligence and tenacity. I would also like to thank Copper Strike's shareholders for their support in what has been a tough year for the Company.

## REPORT ON ACTIVITIES

### Einasleigh Project Feasibility Study

The Feasibility Study on the Einasleigh Project in North Queensland was completed during 2009 and is continually updated for new information as it is available. At current prices of US$3.30 per pound of copper and a $0.90 exchange rate the study showed a very positive financial outcome with a Net Present Value of $151 million. The outcomes of the feasibility study at today price are shown in the table below.

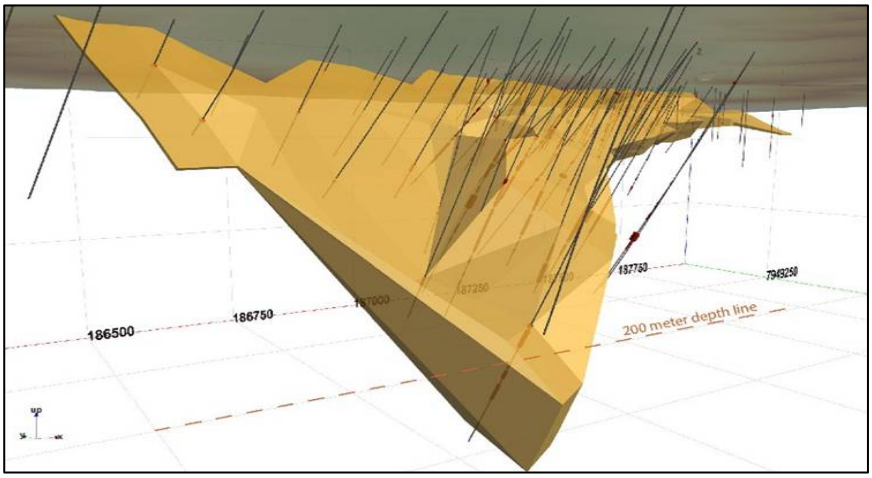
| **Key Assumptions** | |
|---|---|
| **Price / Exchange Rate** | Copper – US$3.30/lb with A$1.00 = US$0.90 |
| **Metallurgical Recoveries** | Copper 94%, gold 60%, zinc 91%, lead 92%, silver from 60% (to copper concentrate) to 90% (to lead concentrate) |
| **Ore throughput** | Up to 1.8mtpa of copper ore from Years 2 to 8 and 0.7mpta of zinc-lead ore from Years 9 and 10. |
| **Total Metal Production** | |
| **Years 2 to 8 (cumulative)** | 100,000 tonnes copper, 25,000 oz gold, 3.5 oz silver |
| **Years 9 and 10 (cumulative)** | 42,000 tonnes zinc, 25,000 tonnes lead, 2.2 million oz silver |
| **Financial Outcomes** | |
| **Capital Cost** | Copper project – A$108 million (no contingencies)<br>Zinc-lead project – A$14 million (no contingencies) |
| **Cash Margin after Capex** | A$442 million through life of mine (before tax) |
| **Internal Rate of Return** | 39% after tax |
| **Net Present Value** | A$151 million after tax at a 10% discount rate |

### The Einasleigh Project Deposits

Copper Strike's resource inventory in the Einasleigh area at 30 June 2010 is shown in the following table. Cut-off grades are: Kaiser Bill 0.4% Cu, Einasleigh 1.0% Cu, Jackson/Stella/Chloe 3.0% Zn equiv, and Railway Flat 2.0% Zn.

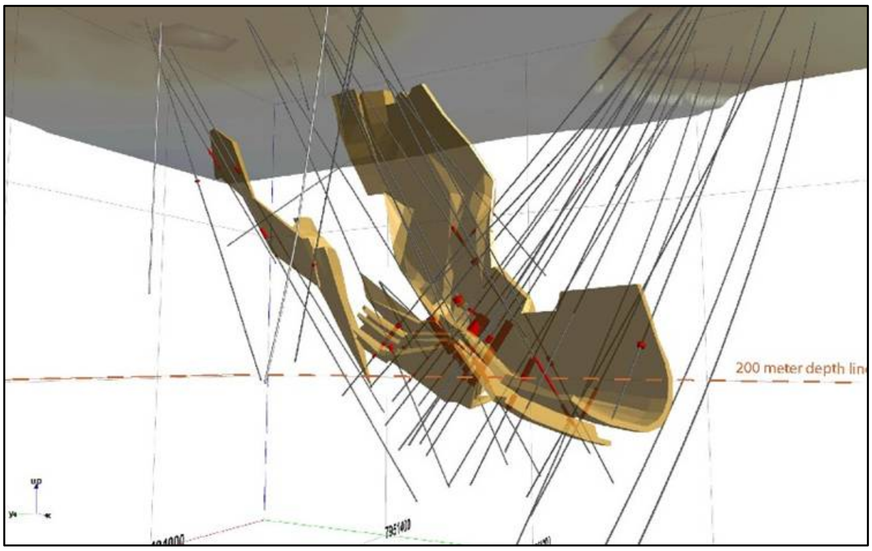
| Deposit | Resource Category | Size (Mt) | Cu (%) | Au (g/t) | Ag (g/t) | Zn (%) | Pb (%) |
|---|---|---|---|---|---|---|---|
| **Kaiser Bill** | Indicated | 13.5 | 0.84 | 0.13 | 6 | - | - |
| | Inferred | 1.5 | 0.85 | 0.08 | 11 | - | - |
| | | | | | | | |
| **Einasleigh** | Indicated | 0.5 | 4.0 | 0.22 | 18 | - | - |
| | Inferred | 0.6 | 1.9 | 0.10 | 8 | - | - |
| | | | | | | | |
| **Chloe** | Indicated | 2.2 | 0.2 | - | 39 | 4.7 | 2.0 |
| | Inferred | 0.5 | 0.3 | - | 32 | 6.9 | 2.1 |
| | | | | | | | |
| **Jackson** | Indicated | 1.1 | 0.1 | - | 78 | 4.6 | 2.4 |
| | Inferred | 0.4 | 0.2 | - | 64 | 4.6 | 1.4 |
| | | | | | | | |
| **Stella** | Inferred | 0.4 | 0.2 | - | 51 | 3.9 | 1.8 |
| | | | | | | | |
| **Railway Flat** | Inferred | 0.9 | 0.2 | - | 16 | 3.4 | 0.9 |

- **Kaiser Bill** is a shallow copper-gold-silver deposit that is amenable to low cost opencut mining. The deposit is still open particularly to the southwest where significant additional mineralisation is expected to be found.



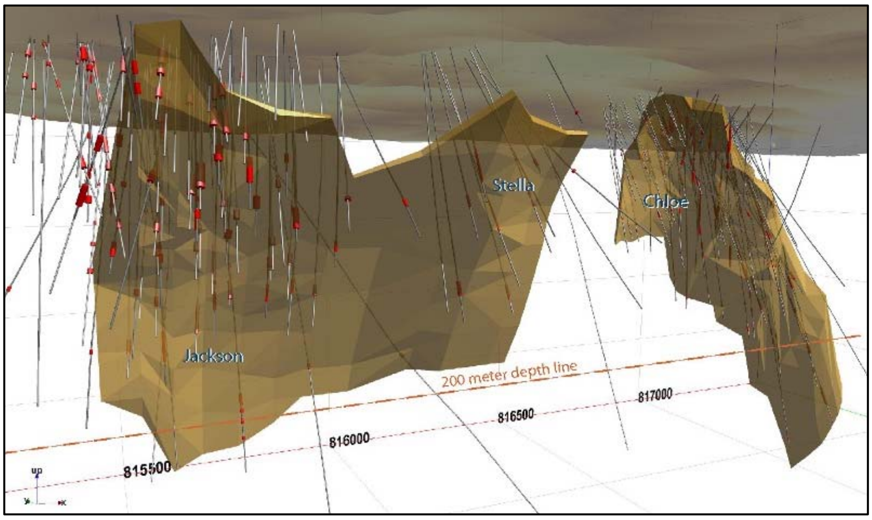

**Kaiser Bill copper-gold-silver deposit. The mostly open-cuttable resource stands at 15.0 Mt @ 0.85% Cu, 0.12g/t Au, 7g/t Ag.**

- **Einasleigh** is a smaller, high-grade copper deposit that will be accessed by underground mining. The potential to find more high-grade ore is considered to be excellent.



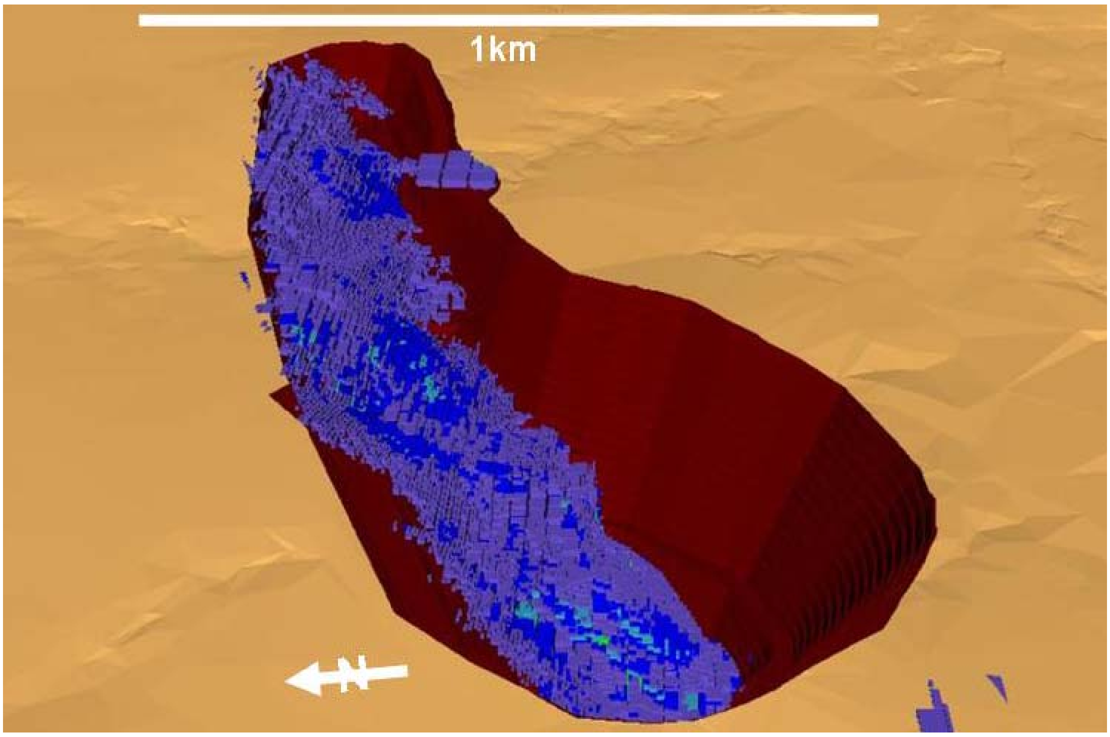

**Einasleigh copper-gold-silver deposit. This underground resource currently stands at over 1 million tonnes of 3% Cu, 0.16g/t, 13g/t Ag.**

- The dominant ore mineralogy of the copper deposits is chalcopyrite, a sulphide mineral that makes a 27% copper concentrate.
- Metallurgical performance is excellent with about 95% of the copper recovered to a clean, precious metal-rich concentrate.
- Most of the currently known zinc-lead-silver mineralisation is on the **Chloe** to **Jackson** trend, which includes the **Stella** deposit.

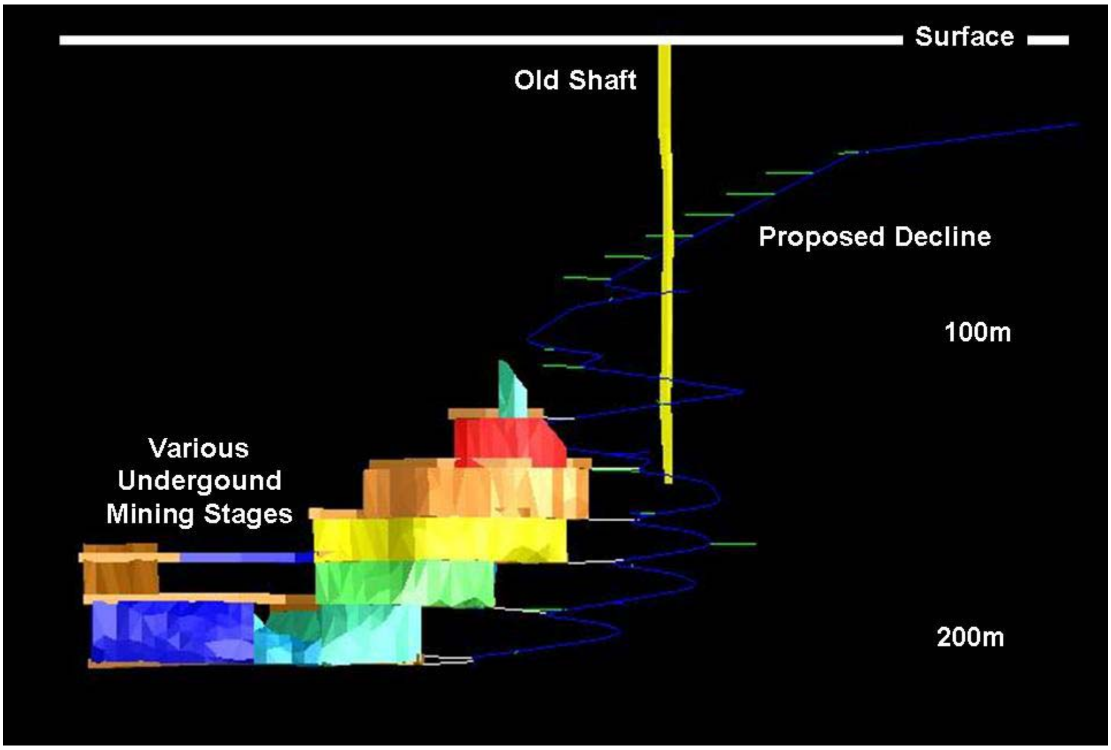



**The Chloe-Stella-Jackson trend contains three Zn-Pb-Ag deposits with resources of 4.8Mt @ 4.8% Zn, 2.0% Pb, 48g/t Ag and 0.2% Cu.**

- Potential for more mineralisation is outstanding on this trend with both **Chloe** and **Jackson** apparently improving with depth. The highest grade hole at **Chloe** was the deepest hole – 24 metres @ 7.9% Zn 3.2% Pb 0.4% Cu & 55 g/t Ag – about 300 metres deep. Both **Chloe** and **Jackson** are still open along strike, down dip and down plunge.




**Currently planned open pit mine at Kaiser Bill with the medium grade mineralisation in violet and the higher grades in royal and sky blue. The perspective for this picture is from the west with shallow mineralisation in the east (top of picture) and plunging to west. This planned pit is 230 meters deep.**




**Mining plan for the underground Einasleigh Copper Mine.**

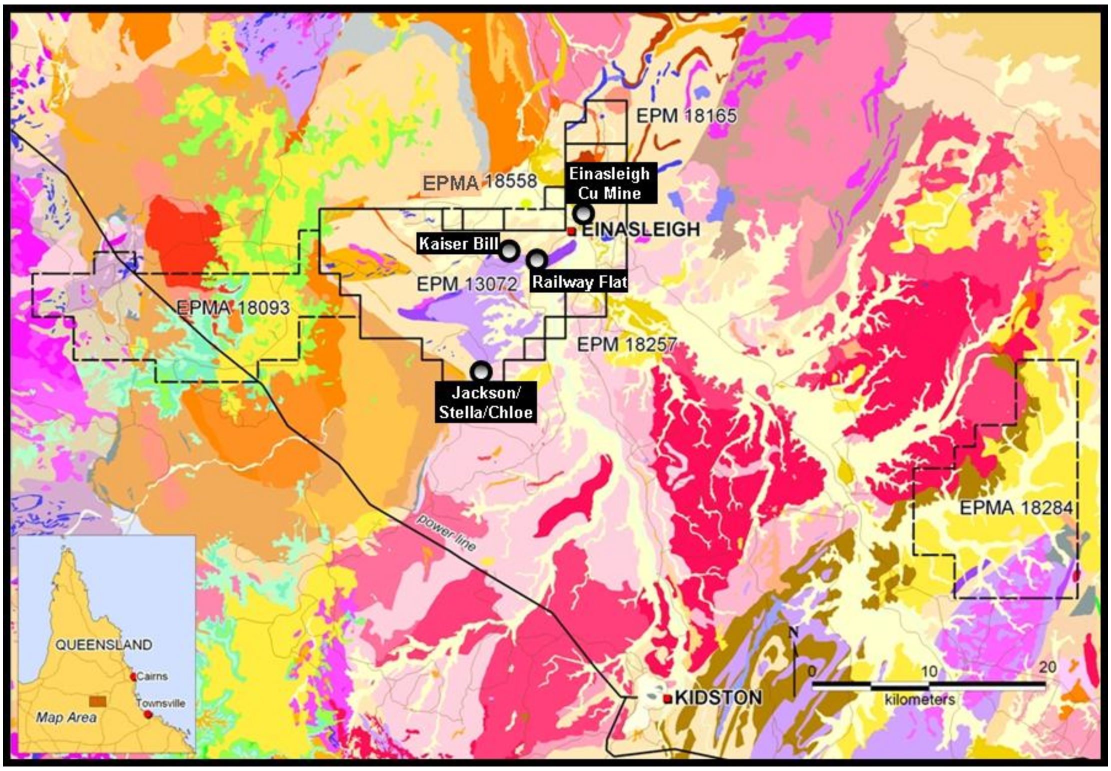
**Einasleigh Area Exploration**

Copper Strike now controls six EPMs and EPM applications (EPMAs) in the Einasleigh area. The main focus to date has been on the well-mineralised EPM 13072 which contains all of the currently known resources, and this focus will continue in the foreseeable future. In addition however, grass roots exploration and prospect definition programmes are planned for all of the surrounding EPM and EPMAs shown in the figure.

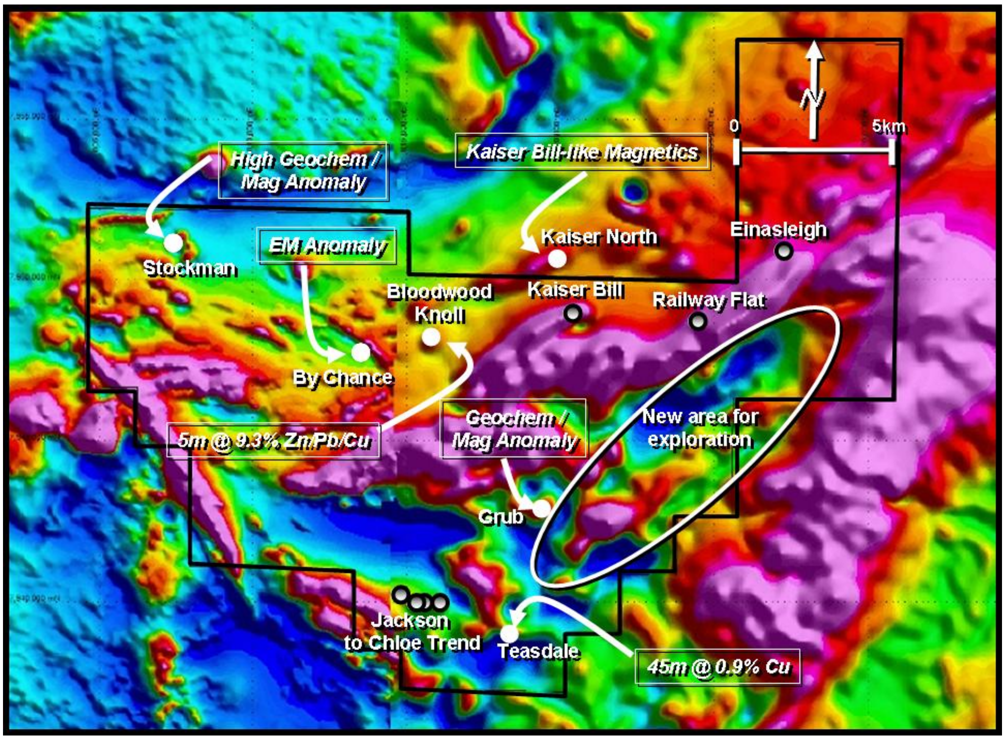
The closely surrounding licences cover the immediate extensions of the highly prospective Einasleigh Metamorphics and also contain at least one of the highly ranked prospects, Kaiser North.

The EPMAs to the west and east, 18093 and 18284, are underexplored tracts of ground which have similar geology to the core licence. Programmes on these licences will comprise geological mapping and prospecting followed by either broadscale or targeted geophysics as appropriate.

In and around the main Einasleigh EPM 13072, there are many first priority exploration targets as summarised below.




**Copper Strike's exploration tenure and the geology of the Einasleigh area. Copper Strike has six different tenements. All of the resources and most of the advanced prospects are on the main Einasleigh EPM 13072**




**Magnetic image (reduced to pole) covering the main Einasleigh EPM 13072 with the resources and advanced prospects highlighted.**

**Kaiser Bill area** – there remain three target areas at Kaiser Bill where there is additional tonnage potential. The most obvious is down plunge and down dip to the southwest where the deposit is open and appears to be at its best. This target area is currently being drilled. A second zone of interest is a linear high grade area in the central part of the deposit that is higher grade than average (>2% Cu). This zone has only been tested with four holes and its potential remains unknown. A third zone is immediately to the east of the currently outlined resource where the deposit may have changed to a vertical orientation and therefore has not been tested by the vertical drillholes in the area.

**Einasleigh Copper Mine area** – drilling of an electromagnetic anomaly north of the mine returned a best result of 16 metres containing 1% Cu. This zone may improve in grade in the 100 metres between this drillhole and the main deposit. Similarly small additional tonnages of high grade material may be found within and around the current resource if more drilling is conducted. More substantial tonnage potential exists in the kilometre south and north of the currently outlined deposit. To the south, the mineralisation is still open, though it has weakened. There is always potential for a redevelopment of thick high grade mineralisation within an open system. To the north there are several magnetic features similar to the Einasleigh anomaly that merit drilling.

**Jackson to Chloe trend** – several of the best holes at Chloe are the deepest holes, including the deepest hole of all which returned 24 metres @ 7.9% Zn 3.2% Pb 0.4% Cu & 55 g/t Ag. Clearly the Chloe mineralisation is open and still very strong at a depth of 300 metres. Similarly Jackson is still open and thick at depth, though not so high grade. To the west, the promising Young and Dreadnought deposits are virtually untested, despite their excellent location and geophysical signatures which are similar to Chloe.

**Teasdale** – more drilling is necessary to follow up the interesting result at Teasdale – 45 metres @ 0.9% Cu. A new exploration model has been developed which incorporates all geological mapping, geophysics and geochemical data. This suggests that there is substantial potential at Teasdale and the surrounding altered zones.

**Grub Gossan** – this zone is 600 metres long and has never been drilled because of the lack of an electromagnetic response. However, the high gold values (up to 2.3ppm in rocks and 0.3ppm in soils) and the extent of the outcropping copper-stained lode rocks, suggest that this magnetic feature is a very interesting copper-gold target for drilling.

**Bloodwood Knoll** – this electromagnetic/magnetic anomaly has only been drilled with four widely spaced holes. Copper Strike's best hole returned 5 metres @ 9.3% Zn/Pb/Cu. There is excellent potential for substantial mineralisation down dip from the previous drilling.

**By Chance** – this is a bullseye type electromagnetic anomaly that has never been properly tested with drilling. One hole is necessary to assess this interesting zone.

**Stockman** – the Stockman area contains several mineralised outcroppings with very high values of copper, lead and silver. Two of these zones were tested with drilling in the past year. Several others remain untested.

**Kaiser North** – two kilometres to the north of Kaiser Bill, there is a long, linear magnetic anomaly that looks very much like the one associated with the Kaiser Bill deposit. This area has conductive soil cover so prospecting and electromagnetics have been no help in assessing the feature to date. Further prospecting is warranted before the planning of a drillhole.

**New Area for Exploration** – a large area south of the Einasleigh and Railway Flat deposits has been highlighted on the previous magnetic map. This area has several very important magnetic features that have not been studied seriously because the area is covered by conductive soils, making their assessment impossible without drilling. Copper Strike plans to drill several holes into magnetic targets in the region in the coming year.

**Other Areas** – several other areas have been identified as priority target areas based on their location in the stratigraphy and their magnetic character. These areas will be studied more carefully with the objective of delineating further drilling targets.

Work is continuing at the present time to establish precise drill locations on each of the prospects, and to establish a rigorous ranking of the target areas.

***The information in this report as it relates to geology, geochemical, geophysical and exploration results was compiled by Mr. Tom Eadie, FAusIMM, who is a Competent Person and a full time employee of Copper Strike Limited. Mr. Eadie has more than 20 years experience in the activities being reported on and consents to the inclusion of this information in the form and context in which it appears in this report. All resources estimates in this report have been quoted in previous ASX reports and have been prepared by a Competent Person as defined in the 2004 edition of the 'Australasian Code for Reporting of Identified Mineral Resources and Ore Reserves'.***

## DIRECTORS' REPORT

The Directors of Copper Strike Limited submit herewith the annual financial report for the financial year ended 30 June 2010. In order to comply with the provisions of the Corporations Act 2001, the Directors report as follows:

Details of the Directors of the Company in office at any time during or since the end of the financial year and at the date of this report are:

### DIRECTORS

| | |
|---|---|
| **Mr Tom Eadie** | Executive Chairman |
| Qualifications | B.Sc (Hons). M.Sc., F.AusIMM, SA Fin |
| Experience | Tom Eadie has been Executive Chairman of the Company since its inception in 2004. In addition, he is a director of Royalco Resources Limited, the holder of numerous royalty interests and Chairman of Syrah Resources Ltd, an explorer 30% owned by Copper Strike.<br><br>Prior to these roles, Tom had twenty years of experience within the junior resources sector, including one year running Austminex NL, and at technical to senior Executive levels with major mining companies including Pasminco, Aberfoyle Resources and Cominco. At Pasminco, he was Executive General Manager – Exploration & Technology for 11 years. At Aberfoyle, he began as Chief Geophysicist before being put in charge of all mineral sands and base metal exploration. He is a past board member of the Australasian Institute of Mining and Metallurgy and the Australian Mineral Industry Research Association.<br><br>Tom has a B.Sc. (Hons) from the University of British Columbia, a M.Sc. in Physics (Geophysics) from the University of Toronto and a Graduate Diploma in Applied Finance and Investment from the Securities Institute of Australia (now the Financial Services Institute of Australasia). |
| Directorships in listed entities | Royalco Resources Limited<br>Syrah Resources Limited |
| Interests in shares<br>and options | 2,021,714 shares<br>750,000 31 October 2010 options exercisable at 25 cents |

| | |
|---|---|
| **Mr Barrie Laws** | Non Executive Director (appointed 21 October 2008) |
| Qualifications | B. Com, ACIS, ASA, SF Fin |
| Experience | Barrie Laws has had extensive experience in investment management and general management with Colonial Mutual, Equity Life and Norwich Union Life where he was Chief Executive Officer when he retired from full time employment.<br><br>Barrie is a non executive director of Acorn Capital which is a major investor in listed companies outside the 250 largest by market capitalisation. He is also a director of Acorn's wholly owned subsidiary, Australian Microcap Investments Pty Ltd, which is a trustee for a series of trusts that can invest in both listed and unlisted Microcap companies. |
| Directorships in other listed entities | Nil |
| Interests in shares and options | Nil |
| **Mr John Dunlop** | Non Executive Director (appointed 9 November 2009) |
| Qualifications | BE(Min), MEng Sc(Min), P Cert Arb., FAusIMM(CP), FIMMM, MAIME, MCIMM |
| Exerience | John Dunlop is a consultant mining engineer with close to 40 years surface and underground mining experience both in Australia and overseas spanning more than 25 countries. He is a former director of the Australasian Institute of Mining & Metallurgy (AusIMM) and continues as chairman of its affiliate, the Mineral Industry Consultants Association (MICA). |
| Directorships in other listed entities | Chairman of Alliance Resources Limited<br>Chairman of Alkane Resources Ltd<br>Chairman of Drummond Gold Ltd<br>Non-executive director of Gippsland Ltd. |
| Interests in shares and options | Nil |
| **Mr Peter Topham** | Non Executive Director (resigned 6 November 2009) |
| Qualifications | B.Ec., LLB, M.AusIMM |
| Experience | Board member since 30 March 2004. Peter Topham is the Executive Chairman of ASX listed Royalco Resources Limited, which specialises in mining royalty generation and exploration in the Philippines. From 1989 to 2000, Peter was Executive Chairman and Managing Director of Mineral Commodities Limited, for which he was responsible for re-juvenating and which, under his effective control, undertook extensive exploration in Queensland and Western Australia. Prior to becoming involved with Mineral Commodities, Peter worked in stockbroking and corporate finance with various companies including D&D Tolhurst, ANZ Capital Markets and HSBC. Peter is a Barrister and Solicitor of the Supreme Court of Victoria but does not carry on practice as such. |

## COMPANY SECRETARY

| | |
|---|---|
| **Mr David Ogg** | Secretary |
| Qualifications | B.Ec. M.AusIMM |
| Experience | David Ogg is a principal of David Ogg & Associates Pty Ltd. Prior to forming David Ogg & Associates Pty Ltd in 1989, David was involved in a variety of roles in the stockbroking, merchant banking and the financial services area generally. David was an executive director of Mineral Commodities Ltd from 1994 to 2000. He is a founding director and Company Secretary of Royalco Resources Ltd and Company Secretary of Syrah Resources Limited. |

## INDEMNIFICATION OF OFFICERS AND AUDITORS

The Company has during or since the financial year, in respect of each of the Directors and the Company Secretary agreed to indemnify against a liability, including costs or expenses in successfully defending legal proceedings. The Company has not, however, agreed to pay a premium in respect of a contract insuring against a liability for the costs or expenses to defend legal proceedings.

## NON-AUDIT SERVICES

The Directors are satisfied that the provision of non-audit services, during the year by the auditor (or by another person or firm on the auditor's behalf) is compatible with the general standards of independence for auditors imposed by the *Corporations Act 2001*. There were no non-audit services provided by the Company's auditor during the year to 30 June 2010.

There were no non-audit services provided during the financial year.

## REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

Information about the remuneration of Directors and senior management is set out in the remuneration report of this Directors' report on pages 15 to 21.

## SHARES OPTIONS

No share options were granted to the Directors and Executives or their nominees during or since the end of the financial year

**Share options on issue at year end or exercised during the year:**

Details of unissued ordinary shares of the Company under option at the date of this report are as follows:

| Item | Number | Issue Price of Shares | Expiry Date |
|---|---|---|---|
| Unlisted Options | 1,300,000 | 25 cents | 31 October 2010 |
| Unlisted Options | 600,000 | 30 cents | 31 October 2010 |
| Unlisted Options | 300,000 | 40 cents | 31 October 2010 |

During the year 2,000,000 options expired, no options were issued or exercised.

The holders of these options do not have the right, by virtue of the option, to participate in any share issue or interest issue of the company.

## PRINCIPAL ACTIVITIES

The Company's principal activity in the course of the financial year was exploration for base and precious metals. The Company continued in the pre-development phase of the Einasleigh project.

## OPERATING RESULTS

The consolidated operating loss after income tax for the financial year ended 30 June 2010 was $1,206,614 (2009: $2,648,277).

## REVIEW OF OPERATIONS

Refer to the Review of Operations preceding this Directors' Report.

## FINANCIAL POSITION

The net assets of the Consolidated Entity have increased by $1,439,701 to $19,102,874 at 30 June 2010. The increase has been caused by net capital raising of $2,646,315 less an operating loss of $1,206,614 for the year.

The Consolidated Entity's working capital, being current assets less current liabilities was $2,487,756 in 2010 compared with $1,960,412 in 2009

The Directors believe the Company remains in a sound position to expand and grow its current operations.

## DIVIDENDS

No dividends were paid or declared during the year and the Directors do not recommend the payment of a dividend.

## SIGNIFICANT CHANGES IN STATE OF AFFAIRS

During the year the company issued 25,202,526 shares at $0.11 raising $2,646,315 net of associated costs

There were no other significant changes in the state of the group's affairs during the year ended 30 June 2010.

## AFTER BALANCE DATE EVENTS

There has been no matter or circumstance, other than that referred to in Note 29 that has arisen since the end of the financial year, that has significantly affected, or may significantly affect, the operations of the Company, the results of those operations or the state of affairs of the Company in future financial years.

## FUTURE DEVELOPMENTS

Disclosure of information regarding likely developments of the operation of the Company in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the Company. Accordingly, this information has not been disclosed in this report.

## MEETING OF DIRECTORS

The following table sets out the number of meetings of the Company's Directors during the year ended 30 June 2010 and the number of meetings attended by each Director. During the financial year nine Board meetings were held.

| Director | Full Meetings of Directors | |
|---|---|---|
| | Held | Attended |
| Mr Tom Eadie | 9 | 9 |
| Mr Barrie Laws | 9 | 9 |
| Mr John Dunlop (appointed 9th November 2009) | 7 | 7 |
| Mr Peter Topham (resigned 6th November 2009) | 2 | 2 |

## ENVIRONMENTAL REGULATIONS

The Company holds participating interests in a number of mining and exploration tenements. The various authorities granting such tenements require the tenement holder to comply with the terms of the grant of the tenement and all directions given to it under those terms of the tenement. There have been no known breaches of the Company's environmental conditions, and no such breaches have been notified by any government agencies during the year ended 30 June 2010.

## PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied for leave of the Court under Section 327 of the Corporations Act 2001 to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Company was not a party to any proceedings during the year.

## AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration under s.307C of the *Corporation Act 2001* in relation to the audit of the full year is included on page 22.

## REMUNERATION REPORT (AUDITED)

**This report outlines the remuneration arrangements in place for Directors and Executives of Copper Strike Limited (the "Company").**

The Board policy for determining the nature and amount of remuneration of Directors and Executives is agreed by the Board of Directors as a whole. The Board obtains professional advice where necessary to ensure that the Company attracts and retains talented and motivated Directors and employees who can enhance Company performance through their contributions and leadership.

### Remuneration Philosophy

The remuneration of the Company has been designed to align Director and Executive objectives with shareholder and business objectives by providing both a fixed and variable remuneration component and offering long-term incentives based on key performance areas through the Company employee share option plan (ESOP). The Board believes the remuneration policy, to be appropriate and effective in its ability to attract and retain the best Executives and Directors to run and manage the Company, as well as create goal congruence between Directors, Executives, and shareholders.

### Executive Director Remuneration

In determining the level and make-up of Executive remuneration, the Board negotiates a remuneration to reflect the market salary for a position and individual of comparable responsibility and experience. Due to the limited size of the Company and of its operations and financial affairs, the use of a separate remuneration committee is not considered appropriate. Remuneration is regularly compared with the external market by participation in industry salary surveys and during recruitment activities generally. If required, the Board may engage an external consultant to provide independent advice in the form of a written report detailing market levels of remuneration for comparable Executive roles.

Remuneration consists of a fixed remuneration and a long term incentive portion as considered appropriate.

All Executives are eligible to receive a base salary (which is based on factors such as experience and comparable industry information), fringe benefits, options, and performance incentives. The Board reviews the Executive Chairman's remuneration package, and the Executive Chairman reviews the Senior Executives' remuneration packages, annually by reference to the Company's performance, Executive performance and comparable information within the industry.

The performance of Executives is measured against criteria agreed annually with each Executive and is based predominantly on the overall success of the Company in achieving its broader corporate goals. Bonuses and incentives are linked to predetermined performance criteria. The Board may, however, exercise its discretion in relation to approving incentives, bonuses, and options, and can require changes to the Executive Chairman's recommendations. This policy is designed to attract the highest calibre of Executives and reward them for performance that results in long-term growth in shareholder wealth.

Directors, Executives, staff and approved specialist advisors/contractors who are involved with the business are all entitled to participate in the ESOP.

Australian-resident Executives or Directors receive superannuation, which is currently 9% - 10% of their salaries, and do not receive any other retirement benefits (except salary sacrifice superannuation which is at the discretion of the employee).

All remuneration paid to Directors and Executives is valued at the cost to the Company and expensed. Options are valued using the Black-Scholes methodology.

### Non-Executive Director Remuneration

Non-Executive Directors' fees are paid within an aggregate limit which is approved by the shareholders from time to time. Retirement payments, if any, are agreed to be determined in accordance with the rules set out in the Corporations Act at the time of the Director's retirement or termination. Non-Executive Directors remuneration may include an incentive portion consisting of bonuses and/or options, as considered appropriate by the Board, which may be subject to shareholder approval in accordance with the ASX Listing Rules.

The amount of aggregate remuneration sought to be approved by shareholders and the manner in which it is apportioned amongst Directors is reviewed annually. The Board considers the amount of Director fees being paid by comparable companies with similar responsibilities and the experience of the non-Executive Directors when undertaking the annual review process.

The Company determines the maximum amount for remuneration, including thresholds for share-based remuneration, for Directors by resolution. Further details regarding components of Director and Executive remuneration are provided in the notes to the financial statements

### Performance Based Remuneration

As part of each Executive's remuneration package there is a performance-based component. This is based on the Executive meeting their responsibilities under the annual Business Plan related to the financial performance, exploration, operations and regulatory requirements to commercialise the Company's assets. The measurement of the Company's performance is achieved via periodic Board assessments of the Company's progress through its business plan, and by reference to its financial position. An individual member of staff's performance assessment is done by reference to their contribution to the Company's overall achievements. The intention of this program is to facilitate goal congruence between Executives with that of the business and shareholders. Generally, the Executive's performance-based remuneration is tied to the

Company's successful achievement of certain key milestones as they relate to its operating activities, as well as the Company's overall financial position. Further information has not been disclosed as it is commercially confidential.

**Relationship between the remuneration policy and company performance**

The tables below set out summary information about the Company's earnings and movements in shareholder wealth for the period July 2006 to June 2010:

| | 30 June 2010 | 30 June 2009 | 30 June 2008 | 30 June 2007 | 30 June 2006 |
|---|---|---|---|---|---|
| | | | | | |
| Revenue | 102,654 | 200,672 | 586,719 | 139,750 | 148,549 |
| Net profit/(loss) before tax | (1,206,614) | (2,648,277) | (255,281) | (627,966) | (952,567) |
| Net profit/(loss) after tax | (1,206,614) | (2,648,277) | (255,281) | (627,966) | (952,567) |
| | | | | | |
| Share price at start of year | $0.12 | $0.33 | $0.61 | $0.21 | $0.21 |
| Share price at end of year | $0.12 | $0.12 | $0.33 | $0.61 | $0.21 |
| | | | | | |
| Basic earnings/(loss) per share | (1.14) cps | (2.90)cps | (0.31)cps | (1.00)cps | (1.80)cps |
| Diluted earnings/(loss) per share | (1.11) cps | (2.77)cps | (0.29)cps | (1.00)cps | (1.80)cps |

**Key Management Personnel Compensation**

The Key Management Personnel of Copper Strike Limited during the year were:

| | |
|---|---|
| Mr T Eadie | Executive Chairman |
| Mr J Dunlop | Director – Non Executive (appointed 9th November 2009) |
| Mr P Topham | Director – Non Executive (resigned 9th November 2009) |
| Mr B Laws | Director – Non Executive |
| Mr D Ogg | Company Secretary |
| Mr T Lees | Exploration Manager |

## Details of Remuneration for Year Ended 30 June 2010

The remuneration for each Key Management Personnel of the consolidated entity during the year was as follows:

| | Salary, Fees and Commissions | Superannuation Contribution | Non-cash Benefits | Options | Total |
|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ |
| **Directors** | | | | | |
| Mr T Eadie | 230,000 | 22,300 | - | - | 252,300 |
| Mr P Topham | 12,500 | 875 | - | - | 13,375 |
| Mr J Dunlop | - | 18,668 | - | - | 18,668 |
| Mr B Laws | - | 38,150 | - | - | 38,150 |
| | **242,500** | **79,993** | **-** | **-** | **322,493** |

**Specified Executives**

| | | | | | |
|---|---|---|---|---|---|
| Mr D Ogg | 79,749 | - | | - | 79,749 |
| Mr T Lees | 148,500 | 14,626 | - | - | 163,126 |
| Mr J Ray | 69,069 | 10,416 | - | - | 79,485 |
| | **297,318** | **25,042** | - | **-** | **322,360** |

## Options Issued as Part of Remuneration for the Year Ended 30 June 2010

<u>Employee share option plan</u>

Copper Strike Limited operates an ownership-based scheme for executives and senior employees of the consolidated entity. In accordance with the provisions of the plan, as approved by shareholders at a previous annual general meeting, executives and senior employees may be granted options to purchase parcels of ordinary shares at an exercise price determined by the Board. Each employee share option converts into one ordinary share of Copper Strike Limited on exercise. No amounts are paid or payable by the recipient on receipt of the option. The options carry neither rights to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry.

The number of options granted is determined by the Board.

The purpose of the plan is to provide eligible employees with an incentive to remain with the Company and to improve the longer term performance of the Company and its return to shareholders. It is intended that the plan will enable the Company to retain and attract skilled and experienced employees and provide them with the motivation to make the Company more successful.

During the financial year, the following share-based payment arrangements were in existence

| Options series | Grant date | Expiry date | Grant date fair value | Vesting date |
|---|---|---|---|---|
| Issued 7th Feb 2005 | 7/02/2005 | 30/10/2010 | 0.07 | Vests at date of grant |
| Issued 15th November 2005 | 15/11/2009 | 30/10/2010 | 0.07 | Vests at date of grant |
| Issued 21st February 2007 | 14/10/2009 | 30/10/2010 | 0.16 | Vests at date of grant |
| Issued 1st May 2008 | 1/05/2008 | 30/10/2010 | 0.19 | Vests at date of grant |

There are no further service or performance criteria that need to be met in relation to options granted before the beneficial interest vests in the recipient.

There were no grants of share-based payment compensation to directors, senior management, and consultants during  the current financial year.

### Shares issued as part of remuneration for the Year Ended 30 June 2010

There were no shares issued as part of remuneration for the year ended 30 June 2010.

### Details of Remuneration for Year Ended 30 June 2009

The remuneration for each Key Management Personnel of the Consolidated Entity during the year was as follows:

| | Salary, Fees and Commissions | Superannuation Contribution | Non-cash Benefits | Options | Total |
|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ |
| **Directors** | | | | | |
| Mr T Eadie | 207,000 | 20,700 | - | - | 227,700 |
| Mr P Topham | 35,000 | 3,500 | - | - | 38,500 |
| Mr R Potts | 11,775 | - | - | - | 11,775 |
| Mr B Laws | - | 26,583 | - | - | 26,583 |
| | **253,775** | **50,783** | **-** | **-** | **304,558** |
| **Specified Executives** | | | | | |
| Mr D Ogg | 105,070 | - | - | - | 105,070 |
| Mr T Lees | 106,167 | 39,033 | - | - | 145,200 |
| Mr P Buckle | 125,643 | 12,564 | - | - | 138,207 |
| Mr J Ray | 177,083 | 17,708 | - | - | 194,791 |
| | **513,963** | **69,305** | **-** | **-** | **583,268** |

### Options Issued as Part of Remuneration for the Year Ended 30 June 2009

There were no options issued as part of remuneration for the year ended 30 June 2009.

### Shares issued as part of remuneration for the Year Ended 30 June 2009

There were no shares issued as part of remuneration for the year ended 30 June 2009.

### Executive Service Agreements

The following Executive Service Agreements were in place at 30 June 2010:

The Managing Director, Mr T Eadie, is employed under contract. The employment contract commenced on 1 August 2005. Under the terms of the present contract:

- Mr Eadie may resign from his position and thus terminate this contract by giving 3 months written notice.
- The Company may terminate this employment agreement by providing 12 months written notice.
- The Company may terminate the contact at any time without notice if serious misconduct has occurred. Where termination with cause occurs the CEO is only entitled to that portion of remuneration which is fixed, and only up to the date of termination.
- On termination of the agreement Mr Eadie will be entitled to be paid those outstanding amounts owing to him up until the Termination Date.

The Exploration Manager, Mr T Lees, is employed under contract. The current employment contract commenced on 1 January 2006. Under the terms of the present contract:

- Mr Lees may resign from his position and thus terminate this contract by giving 3 months written notice.
- The Company may terminate this employment agreement by providing 3 months written notice.
- The Company may terminate the contact at any time without notice if serious misconduct has occurred. Where termination with cause occurs Mr Lees is only entitled to that portion of remuneration which is fixed, and only up to the date of termination.
- On termination of the agreement Mr Lees will be entitled to be paid those outstanding amounts owing to him up until the Termination Date.

On 22 January 2009, an agreement was entered into for a temporary change in Mr Lees' contract of employment. This agreement commenced on 1 January 2009 and ends on 31 December 2009. The agreement provides that Mr Lees will work 3 days per week from 1 January 2009 to 31 December 2009 with a corresponding reduction in salary to reflect the lower work commitment. This agreement was entered into so as to preserve existing cash reserves pending an improvement in economic conditions.

The Chief Geologist, Mr P Buckle, was employed under contract. The employment contract commenced on 16 April 2007. Under the terms of the present contract:

- Mr Buckle may resign from his position and thus terminate this contract by giving 3 months written notice.
- The Company may terminate this employment agreement by providing 3 months written notice.
- The Company may terminate the contact at any time without notice if serious misconduct has occurred. Where termination with cause occurs Mr Buckle is only entitled to that portion of remuneration which is fixed, and only up to the date of termination.
- On termination of the agreement Mr Buckle will be entitled to be paid those outstanding amounts owing to him up until the Termination Date.

During the year, Mr Buckle's employment contract was terminated due to a temporary cessation of exploration activities on the Company's tenements as a result of the economic crisis.

The General Manager – Einasleigh Operations, Mr Joel Ray, was employed under contract. The current employment contract commenced on 16 October 2008. Under the terms of the present contract:

- Mr Ray may resign from his position and thus terminate this contract by providing 3 months written notice.
- The Company may terminate this employment agreement by providing 6 months written notice.

- The Company may terminate the contact at any time without notice if serious misconduct has occurred. Where termination with cause occurs Mr Ray is only entitled to that portion of remuneration which is fixed, and only up to the date of termination.
- On termination of the agreement Mr Ray will be entitled to be paid those outstanding amounts owing to him up until the Termination Date.

During the year, Mr Ray's employment contract was terminated due to a temporary cessation of exploration activities on the Company's tenements as a result of the economic crisis.

Signed in accordance with a resolution of the Directors made pursuant to s.298(2) of the *Corporations Act 2001*.

On behalf of the Directors

E T Eadie
Executive Chairman

MELBOURNE, 13 September 2010

LeydinFreyer

Suite 304, 22 St Kilda Road, St Kilda, Vic. 3182

Telephone: +613 9692 7222
Facsimile: +613 9529 8057

email: admin@leydinfreyer.com.au



**AUDITOR'S INDEPENDENCE DECLARATION**
**UNDER SECTION 307C OF THE CORPORATIONS ACT 2001**

To the Directors of Copper Strike Limited:

I declare that to the best of my knowledge and belief, in relation to the independent audit for the year ended 30 June 2010, there have been:

(i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and

(ii) no contraventions of any applicable code of professional conduct in relation to the review.

**MELANIE J LEYDIN**
Registered Company Auditor
Registration: 212298

13 September 2010

## DIRECTORS' DECLARATION

The Directors declare that:

a) in the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;
b) in the Directors' opinion the attached financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the Company and consolidated entity;
c) in the directors' opinion, the financial statements and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board; and
*d)* the Directors have been given the declarations required by *s.295A* of the *Corporations Act 2001.*

Signed in accordance with a resolution of the Directors made pursuant to *s.295(5)* of the *Corporations Act 2001.*

On behalf of the Directors

**Tom Eadie**
Chairman

13 September 2010

LeydinFreyer
ABN: 25 339 005 263

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Facsimile: +613 9529 8057
email: admin@leydinfreyer.com.au

**INDEPENDENT AUDITOR'S REPORT**
**TO THE MEMBERS OF COPPER STRIKE LIMITED**

We have audited the accompanying financial report of Copper Strike Limited (the Company) and its controlled entities (the consolidated entity), which comprises the consolidated statement of financial position as at 30 June 2010, and the consolidate statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, a summary of significant accounting policies and other explanatory notes and the directors declaration of the entity. The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

***Directors Responsibility for the Financial Report***

The Directors of the Company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 3, the Directors also state, in accordance with Accounting Standard AASB101: Presentation of Financial Statements, that compliance with Australian equivalents to International Financial Reporting Standards (IFRS) ensures that the financial report, comprising the financial statements and notes, complies with IFRS.

***Auditor's Responsibility***

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the consolidated entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Independence***

In conducting our audit, we followed applicable independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the Corporations Act 2001 has been provided to the directors of Copper Strike Limited.

***Auditor's opinion***

In our opinion:

(a) the financial report of Copper Strike Limited and its controlled entities is in accordance with the Corporations Act 2001, including:

(i) gives a true and fair view of the consolidated entity's financial position as at 30 June 2010 and of their performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001;

(b) the consolidated financial report also complies with International Financial Reporting Standards as disclosed in Note 3.

**Inherent Uncertainty on Going Concern**

Without qualifying our opinion, we draw attention to Note 3 in the financial report which indicates that during the year ended 30 June 2010, the consolidated entity incurred a net loss of $1,206,614, had negative operating cash flows and has insufficient cash reserves to meet its commitments for the next 18 months. These conditions, along with other matters set forth in Note 3, indicate the existence of an inherent uncertainty which may cast doubt about the consolidated entity's to continue as a going concern and whether they will realise their assets and extinguish their liabilities in the normal course of business and at the amounts stated in the financial report.

**Report on the Remuneration Report**

We have audited the Remuneration Report included in pages 15 to 21 of the report of the directors for the year ended 30 June 2010. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with s 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

**Auditor's Opinion**

In our opinion the Remuneration Report of Copper Strike Limited for the year ended 30 June 2010, complies with s 300A of the Corporations Act 2001.

Yours faithfully

**MELANIE J LEYDIN**
Registered Company Auditor
Registration: 212298

13 September 2010

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**
**FOR THE YEAR ENDED 30 JUNE 2010**

| | Note | Consolidated 2010 $ | Consolidated 2009 $ |
|---|---|---|---|
| **Continuing Operations** | | | |
| Interest Revenue | 5 | 102,654 | 200,672 |
| Administrative costs | | (240,050) | (202,808) |
| Employment costs | | (699,089) | (959,372) |
| Depreciation and amortisation | 6 | (33,299) | (38,174) |
| Exploration expenses written off | | (14,301) | (1,161,124) |
| Share of associates profits accounted for using the equity method | | (322,529) | (487,471) |
| Loss Before Tax | 6 | (1,206,614) | (2,648,277) |
| Income tax expense | 7 | - | - |
| **Loss for the year from continuing operations** | | **(1,206,614)** | **(2,648,277)** |
| **Other comprehensive income** | | **-** | **-** |
| **Total comprehensive income for the period** | | **(1,206,614)** | **(2,648,277)** |
| **Total comprehensive income for the period** | | (1,206,614) | (2,648,277) |
| **Loss attributable to** | | | |
| Owners of the company | | (1,206,614) | (2,648,277) |
| **Total comprehensive income attributable to** | | | |
| Owners of the company | | (1,206,614) | (2,648,277) |
| | | **Cents per Share** | **Cents per Share** |
| **Loss per share from continuing operations** | | | |
| Basic loss (cents per share) | 26 | (1.14) | (2.90) |
| Diluted loss (cents per share) | 26 | (1.11) | (2.77) |

*The accompanying notes form part of these financial statements.*

**COPPER STRIKE LIMITED**
**ABN 16 108 398 983**

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION
## AS AT 30 JUNE 2010

| | Note | Consolidated 2010 $ | Consolidated 2009 $ |
|---|---|---|---|
| **Current Assets** | | | |
| Cash and cash equivalents | 10 | 2,585,259 | 1,988,436 |
| Trade and other receivables | 11 | 125,558 | 81,723 |
| **Total Current Assets** | | 2,710,817 | 2,070,159 |
| **Non-Current Assets** | | | |
| Investments accounted for using the equity method | 12 | - | 322,529 |
| Plant and equipment | 13 | 48,095 | 75,082 |
| Intangible assets | 14 | 1,765 | 7,759 |
| Exploration and evaluation assets | 15 | 16,656,023 | 15,391,455 |
| Other non-current assets | 16 | 7,680 | 2,680 |
| **Total Non-Current Assets** | | 16,713,563 | 15,799,505 |
| **Total Assets** | | 19,424,380 | 17,869,664 |
| **Current Liabilities** | | | |
| Trade and other payables | 17 | 159,673 | 58,766 |
| Provisions | 18 | 63,388 | 50,981 |
| **Total Current Liabilities** | | 223,061 | 109,747 |
| **Non-Current Liabilities** | | | |
| Provisions | 18 | 98,445 | 96,744 |
| **Total Non-Current Liabilities** | | 98,445 | 96,744 |
| **Total Liabilities** | | 321,506 | 206,491 |
| **Net Assets** | | **19,102,874** | **17,663,173** |
| **Equity** | | | |
| Capital and reserves | | | |
| Issued Capital | 19 | 25,202,526 | 22,556,211 |
| Reserves | 20 | 243,783 | 380,013 |
| Accumulated losses | | (6,343,435) | (5,273,051) |
| Equity attributable to owners of the Company | | 19,102,874 | 17,663,173 |
| **Total Equity** | | **19,102,874** | **17,663,173** |

*The accompanying notes form part of these financial statements.*

COPPER STRIKE LIMITED
ABN 16 108 398 983

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2010

| CONSOLIDATED | | | | |
|---|---|---|---|---|
| | Issued Capital (Note 19) | Retained Earnings | Option Reserve (Note 20) | Total |
| Balance as at 1 July 2008 | 22,556,211 | (2,624,774) | 380,013 | 20,311,450 |
| Loss for the year | - | (2,648,277) | - | (2,648,277) |
| Other comprehensive income for the year | - | - | - | - |
| Total comprehensive income for the year | - | (2,648,277) | - | (2,648,277) |
| **Balance as at 30 June 2009** | **22,556,211** | **(5,273,051)** | **380,013** | **17,663,173** |
| | | | | |
| Balance as at 1 July 2009 | 22,556,211 | (5,273,051) | 380,013 | 17,663,173 |
| Loss for the year | - | (1,206,614) | - | (1,206,614) |
| Other comprehensive income for the year | - | - | - | - |
| Total comprehensive income for the year | - | (1,206,614) | - | (1,206,614) |
| Lapse of Options | - | 136,230 | (136,230) | - |
| Issue of Shares | 2,753,890 | - | - | 2,753,890 |
| Costs of Capital Raising | (107,575) | - | - | (107,575) |
| **Balance as at 30 June 2010** | **25,202,526** | **(6,343,435)** | **243,783** | **19,102,874** |

*The accompanying notes form part of these financial statements.*

## CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2010

| | Note | Consolidated 2010 $ | 2009 $ |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Interest Received | | 95,972 | 224,894 |
| Payments to suppliers and employees | | (961,757) | (986,982) |
| Refund of tenement deposits | | (5,000) | 9,674 |
| Net cash used in operating activities | 24.1 | (870,785) | (752,414) |
| **Cash flows from investing activities** | | | |
| Payments for property, plant and equipment | | (318) | (51,529) |
| Payment for software | | - | (3,789) |
| Payment for exploration expenditure | | (1,178,389) | (3,632,382) |
| Net cash used from investing activities | | (1,178,707) | (3,687,700) |
| **Cash flows from financing activities** | | | |
| Proceeds from the issue of shares | | 2,753,890 | - |
| Payment for capital raising expenses | | (107,575) | - |
| Net cash flows from financing activites | | 2,646,315 | - |
| **Net (Decrease)/Increase in cash and cash equivalents** | | 596,823 | (4,440,114) |
| Cash and cash equivalents at beginning of the financial year | | 1,988,436 | 6,428,550 |
| Less cash held by subsidiary derecognised | | - | |
| **Cash and cash equivalents at the end of the financial year** | 10 | 2,585,259 | 1,988,436 |

*The accompanying notes form part of these financial statements.*

## NOTES TO THE FINANCIAL STATEMENTS

### 1. General Information

Copper Strike Limited (the Company) is a limited company incorporated in Australia. The addresses of its registered office and principal place of business are disclosed in the introduction to the annual report. The principal activities of the Company and its subsidiaries (the Group) are described in the Directors Report

### 2. Adoption of new and revised Accounting Standards

### 2.1 Standards and Interpretations affecting amounts reported in the current period

The following new and revised Standards and Interpretations have been adopted in the current period and have affected the amounts reported in these financial statements. Details of other Standards and Interpretations adopted in these financial statements but that have had no effect on the amounts reported are set out in section 2.2.

**<u>Standards affecting presentation and disclosure</u>**

| | |
|---|---|
| AASB 101 *Presentation of Financial Statements* (as revised in September 2007), AASB 2007-8 *Amendments to Australian Accounting Standards arising from AASB 101* and AASB 2007-10 *Further Amendments to Australian Accounting Standards arising from AASB 101* | AASB 101 (September 2007) has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements. In addition, the revised Standard has required the presentation of a third statement of financial position at 1 July 2008, because the entity has applied new accounting policies retrospectively (see below). |
| AASB 8 *Operating Segments* | AASB 8 is a disclosure Standard that has resulted in the Company reconsidering its reportable segments (see note 22) |
| AASB 2009-2 *Amendments to Australian Accounting Standards – Improving Disclosures about Financial Instruments* | The amendments to AASB 7 expand the disclosures required in respect of fair value measurements and liquidity risk. The Group has elected not to provide comparative information for these expanded disclosures in the current year in accordance with the transitional reliefs offered in these amendments. |
| Amendments to AASB 5 *Noncurrent Assets Held for Sale and Discontinued Operations* (adopted in advance of effective date of 1 January 2010) | Disclosures in these financial statements have been modified to reflect the clarification in AASB 2009-5 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project* that the disclosure requirements in Standards other than AASB 5 do not generally apply to noncurrent assets classified as held for sale and discontinued operations. |

**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**

Amendments to AASB 107 *Statement of Cash Flows* (adopted in advance of effective date of 1 January 2010)

The amendments (part of AASB 2009-5 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project* ) specify that only expenditures that result in a recognised asset in the statement of financial position can be classified as investing activities in the statement of cash flows. Consequently, cash flows in respect of development costs that do not meet the criteria in AASB 138 *Intangible Assets* for capitalisation as part of an internally generated intangible asset (and, therefore, are recognised in profit or loss as incurred) have been reclassified from investing to operating activities in the statement of cash flows. Prior year amounts have been restated for consistent presentation.

**Standards and Interpretations affecting the reported results or financial position**

There have been no standards introduced during the year which have affected the reported results or financial position.

### 2.2 Standards and Interpretations adopted with no effect on the financial statements

The following new and revised Standards and Interpretations have also been adopted in these financial statements. Their adoption has not had any significant impact on the amounts reported in these financial statements but may affect the accounting for future transactions or arrangements.

AASB 2008-1 *Amendments to Australian Accounting Standard - Share-based Payments: Vesting Conditions and Cancellations*

The amendments clarify the definition of vesting conditions for the purposes of AASB 2, introduce the concept of 'non-vesting' conditions, and clarify the accounting treatment for cancellations.

AASB 2008-5 *Amendments to Australian Accounting Standards arising from the Annual Improvements Project* and AASB 2008-6 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project*

In addition to the changes affecting amounts reported in the financial statements described at 2.1 above, the amendments have led to a number of changes in the detail of the Group's accounting policies – some of which are changes in terminology only, and some of which are substantive but have had no material effect on amounts reported.

AASB 2009-4 *Amendments to Australian Accounting Standards arising from the Annual Improvements Project* and AASB 2009-5 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project*

In addition to the amendments to AASB 5 and AASB 107 described earlier in this section, and the amendments to AASB 117 discussed in section 2.3 below, the amendments have led to a number of changes in the detail of the Group's accounting policies – some of which are changes in terminology only, and some of which are substantive but have had no material effect on amounts reported. Except as noted in 2.3 below, the changes in AASB 2009-5 have been adopted in advance of their effective dates of 1 January 2010.

**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**

### 2.3 Standards and Interpretations in issue not yet adopted

At the date of authorisation of the financial statements, the Standards and Interpretations listed below were in issue but not yet effective.

| Standard/Interpretation | Effective for annual reporting periods beginning on or after | Expected to be initially applied in the financial year ending |
|---|---|---|
| AASB 2009-5 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project* | 1 January 2010 | 30 June 2011 |
| *AASB 2009-8 Amendments to Australian Accounting Standards – Group Cash-Settled Share-based Payment Transactions* | 1 January 2010 | 30 June 2011 |
| *AASB 2009-10 Amendments to Australian Accounting Standards – Classification of Rights Issues* | 1 February 2010 | 30 June 2011 |
| *AASB 124 Related Party Disclosures (revised December 2009), AASB 2009-12 Amendments to Australian Accounting Standards* | 1 January 2011 | 30 June 2012 |
| *AASB 9 Financial Instruments, AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9* | 1 January 2013 | 30 June 2014 |
| *AASB 2009-14 Amendments to Australian Interpretation – Prepayments of a Minimum Funding Requirement* | 1 January 2011 | 30 June 2012 |
| *Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments* | 1 July 2010 | 30 June 2011 |

**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**

## 3. Significant accounting policies

### 3.1 Statement of compliance

These financial statements are general purpose financial statements which have been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations, and comply with other requirements of the law.

The financial statements comprise the consolidated financial statements of the Group.

Accounting Standards include Australian equivalents to International Financial Reporting Standards ('A-IFRS'). Compliance with A-IFRS ensures that the financial statements and notes of the company and the Group comply with International Financial Reporting Standards ('IFRS').

The financial statements were authorised for issue by the directors on 13 September 2010.

### 3.2 Basis of preparation

The financial report has been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The following significant accounting policies have been adopted in the preparation and presentation of the financial report:

### 3.3 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are identified separately from the Group's equity therein. The interests of non-controlling shareholders may be initially measured either at fair value or at the noncontrolling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement basis is made on an acquisition-by-acquisition basis. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the noncontrolling interests having a deficit balance.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to retained earnings) in the same manner as would be required if the relevant assets or liabilities were disposed of. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under AASB

**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**

139 *Financial Instruments: Recognition and Measurement* or, when applicable, the cost on initial recognition of an investment in an associate or jointly controlled entity.

### 3.4 Going Concern

The Group has prepared this financial report on the going concern basis which assumes that the realization of the assets and the extinguishment of liabilities in the normal course of business at the amount stated in the financial statements.

For the reasons described below there is significant uncertainty whether the consolidated entity will continue as a going concern:

- The consolidated entity recorded a net loss of $1,206,614 for the 2010 financial year and the $2,648,277 for the 2009 year;
- The consolidated entity had negative operating cash flows for the year;
- The consolidated entity had cash reserves of $2,585,259 at 30 June 2010; and
- The consolidated entity had committed expenditure in the 12 months to 30 June 2011 of $2,233,752
- The consolidated entity had committed expenditure in the 12 months to 30 June 2012 of $2,185,000.

The continuing viability of the Group and its ability to continue as a going concern and meet its debts and commitments as they fall due are subject to the Group being successful in accessing additional capital.

At the date of this report and having considered the above position, the directors are confident that Group will be able to continue as a going concern given the following:

- Copper Strike Ltd has the proven ability to raise funds when necessary
- Copper Strike Ltd owns other liquid assets including 9 million shares in ASX listed Syrah Resources Ltd worth $720,000 at today's price.
- The Company has the ability to postpone or cancel committed expenditure by agreement with the Queensland government or by relinquishing exploration permits.
- There is plenty of indentified interest from well-funded external parties willing to invest in the Einasleigh Project and these sources of funding can be tapped if necessary.

### 3.5 Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments (see below). All other subsequent changes in the fair value of contingent consideration classified as an asset or liability are accounted for in accordance with relevant Standards. Changes in the fair value of contingent consideration classified as equity are not recognised.

Where a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under AASB 3(2008) are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with AASB 112 *Income Taxes* and AASB 119 *Employee Benefits* respectively*;*

- liabilities or equity instruments related to the replacement by the Group of an acquiree's share based payment awards are measured in accordance with AASB 2 *Share-based Payment*; and

**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**

- assets (or disposal groups) that are classified as held for sale in accordance with AASB 5 *Noncurrent Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date – and is subject to a maximum of one year.

### 3.6 Revenue recognition
Revenue is measured at the fair value of the consideration received or receivable

Interest revenue is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

### 3.7 Foreign currency
The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each group entity are expressed in

Australian dollars ('$'), which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal or partial disposal of the net investment.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are expressed in Australian dollars using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, loss of joint control over a jointly controlled entity that includes a foreign operation, or loss of significant influence over an associate that includes a foreign operation), all of the accumulated exchange differences in respect of that operation attributable to the Group are reclassified to profit or loss. Any exchange differences that have previously been attributed to non-controlling interests are derecognised, but they are not reclassified to profit or loss.

In the case of a partial disposal (i.e. no loss of control) of a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to noncontrolling interests and are not recognised in profit or loss. For all other partial disposals (i.e. of associates or jointly controlled entities not involving a change of accounting basis), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

### 3.8 Employee Benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave, long service leave, and sick leave when it is probable that settlement will be required and they are capable of being measured reliably.

Liabilities recognised in respect of short-term employee benefits, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Liabilities recognised in respect of long term employee benefits are measured as the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to reporting date.

Contributions to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

### 3.9 Share based payments

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 28.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest. At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve.

The policy described above is applied to all equity-settled share-based payments that were granted after 7 November 2002 and vested after 1 January 2005. No amounts have been recognised in the financial statements in respect of other equity-settled shared-based payments.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

For cash-settled share-based payments, a liability is recognised for the goods or services acquired, measured initially at the fair value of the liability. At the end of each reporting period until the liability is settled, and at the date of settlement, the fair value of the liability is remeasured, with any changes in fair value recognised in profit or loss for the year.

### 3.10 Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

3.10.1 Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated [statement of comprehensive income/income statement] because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

3.10.2 Deferred tax
Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences.

Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax

liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

3.10.3 Current and deferred tax for the period
Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items that are recognised outside profit or loss (whether in other comprehensive income or directly in equity), in which case the tax is also recognised outside profit or loss, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is included in the accounting for the business combination.

Additional information on accounting policies shall be included where the entity has other material tax balances not covered by the above analysis, such as in relation to tax deductible share-based payments.

**3.11 Property, plant and equipment**
Land and buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the statement of financial position at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the end of the reporting period.

Any revaluation increase arising on the revaluation of such land and buildings is recognised in other comprehensive income, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously expensed. A decrease in the carrying amount arising on the revaluation of such land and buildings is recognised in profit or loss to the extent that it exceeds the balance, if any, held in the properties revaluation reserve relating to a previous revaluation of that asset.

**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**

Depreciation on revalued buildings is recognised in profit or loss. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the properties revaluation reserve is transferred directly to retained earnings. No transfer is made from the revaluation reserve to retained earnings except when an asset is derecognised.

Properties in the course of construction for production, supply or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Freehold land is not depreciated.

Fixtures and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets (other than freehold land and properties under construction) less their residual values over their useful lives, using the straightline method. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

Depreciation rates and methods shall be reviewed at least annually and, where changed, shall be accounted for as a change in accounting estimate as illustrated in note 4.1.1. Where depreciation rates or methods are changed, the net written down value of the asset is depreciated from the date of the change in accordance with the new depreciation rate or method. Depreciation recognised in prior financial years shall not be changed, that is, the change in depreciation rate or method shall be accounted for on a 'prospective' basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

### 3.12 Intangible assets

3.12.1 <u>Intangible assets acquired separately</u>
Intangible assets acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

### 3.13 Impairment of tangible and Intangible assets excluding goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cashgenerating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase (see 3.10 above).

### 3.14 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

### 3.15 Financial Assets

All financial assets are recognised and derecognised on trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

3.15.1 Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

3.15.2 Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's

documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

- it forms part of a contract containing one or more embedded derivatives, and AASB 139 *Financial Instruments: Recognition and Measurement* permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the 'other gains and losses' line item in the [statement of comprehensive income/income statement]. Fair value is determined in the manner described in note 25.4.

3.15.3 Held-to-maturity investments
Bills of exchange and debentures with fixed or determinable payments and fixed maturity dates that the Group has the positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment, with revenue recognised on an effective yield basis.

3.15.4 Loans and receivables
Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

3.15.5 Impairment of financial assets
Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

**3.16 Financial liabilities and equity instruments issued by the Group**
3.16.1 Classification as debt or equity
Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

3.16.2 Equity instruments
An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### 3.17 Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

i. where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
ii. for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are included in the cash flow statement on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified within operating cash flows.

### 3.18 Provision for restoration and rehabilitation

A provision for restoration and rehabilitation is recognised when there is a present obligation as a result of exploration activities undertaken, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the provision can be measured reliably. The estimated future obligations include the costs of removing facilities, abandoning sites/wells and restoring the affected areas.

The provision for future restoration costs is the best estimate of the present value of the expenditure required to settle the restoration obligation at the reporting date, based on current legal and other requirements and technology. Future restoration costs are reviewed annually and any changes in the estimate are reflected in the present value of the restoration provision at each reporting date.

The initial estimate of the restoration and rehabilitation provision relating to exploration, development and milling/production facilities is capitalised into the cost of the related asset and depreciated/amortised on the same basis as the related asset, unless the present obligation arises from the production of inventory in the period, in which case the amount is included in the cost of production for the period. Changes in the estimate of the provision for restoration and rehabilitation are treated in the same manner, except that the unwinding of the effect of discounting on the provision is recognised as a finance cost rather than being capitalised into the cost of the related asset.

### 3.19 Exploration and evaluation

Exploration and evaluation expenditures in relation to each separate area of interest are recognised as an exploration and evaluation asset in the year in which they are incurred where the following conditions are satisfied:

(i) the rights to tenure of the area of interest are current; and
(ii) at least one of the following conditions is also met:
   (a) the exploration and evaluation expenditures are expected to be recouped through successful development and exploration of the area of interest, or alternatively, by its sale; or
   (b) exploration and evaluation activities in the area of interest have not, at the reporting date, reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation assets are initially measured at cost and include acquisition of rights to explore, studies, exploratory drilling, trenching and sampling and associated activities and an allocation of depreciation and amortisation of assets used in exploration and evaluation activities. General and administrative costs are only included in the measurement of exploration and evaluation costs where they are related directly to operational activities in a particular area of interest.

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. The recoverable amount of the exploration and evaluation asset (or the cash-generating unit(s) to which it has been allocated, being no larger than the relevant area of interest) is estimated to determine the extent of the impairment loss (if any). Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in previous years.

**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**

Where a decision is made to proceed with development in respect of a particular area of interest, the relevant exploration and evaluation asset is tested for impairment and the balance is then reclassified to development

### 3.20 Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the statement of financial position.

## 4. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in note 3, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

### 4.1 Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see 4.1.2 below), that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

4.1.1 Useful Life of Assets

The estimation of the useful lives of plant and equipment has been based on historical experience as well as manufacturers' warranties (for plant and equipment) and software developers' support and maintenance programs (operating computer software and intangible computer software). Adjustments to useful lives are made when considered necessary and reviewed at each balance date as stated in Note 3.11. Depreciation and amortisation charges as well as estimated lives are included in Notes and 13 and 14.

4.1.2 Impairments

Impairment losses have been recognised in relation to a number of tenements because the carrying amount of the asset was unlikely to be recovered from successful development

4.1.3 Tax Losses

The Company has not recognised a deferred tax asset with regard to unused tax losses and other temporary differences, as it has not been determined whether the Company will generate sufficient taxable income against which the unused tax losses and other temporary differences can be utilised.

**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**

| | Consolidated 2010 $ | Consolidated 2009 $ |
|---|---|---|
| **5. REVENUE** | | |
| Revenue from continuing operations consisted of the following items | | |
| Interest revenue - bank deposits * | 102,654 | 200,672 |

* this represents total interest income for financial assets that not designated as at fair value through the profit and loss

**6. PROFIT/(LOSS) FROM OPERATIONS**

Loss before income tax has been arrived at after crediting/(charging) the following gains and losses from continuing operations

| | 2010 $ | 2009 $ |
|---|---|---|
| **6.1 Exploration costs written off** | (14,301) | (1,161,124) |
| **6.2 Depreciation and amortisation of non-current assets** | | |
| - Plant and equipment | (27,305) | (25,954) |
| - Software | (5,994) | (12,220) |
| | (33,299) | (38,174) |
| **6.3 Post employment benefit plan** | | |
| - Defined contribution plans | (105,035) | (120,088) |
| **6.4 Charges to provisions** | | |
| - Employee entitlements | (14,108) | (18,511) |
| **6.5 Share of associates profits / (losses) accounted for using the equity method** | (322,529) | (487,471) |

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### 7. INCOME TAXES

| | Consolidated 2010 $ | Consolidated 2009 $ |
|---|---|---|
| **7.1 Income tax recognised in profit or loss** | | |
| **Tax expense / (income) comprises:** | | |
| Current tax expense / (income) | - | - |
| Deferred tax expense / (income) relating to the origination and reversal of temporary differences | - | - |
| Total tax expense / (income) | - | - |
| **The prima facie income tax expense on pre-tax accounting profit from operations reconciles to the income tax expense in the financial statements as follows:** | | |
| Profit / (loss) from Operations | **(1,206,614)** | **(2,648,277)** |
| Income tax expense (benefit) calculated at 30% (2009 30%) | (361,984) | (794,483) |
| Income tax of other members of the tax consolidated group (net of intercompany transactions) | - | - |
| **Add:** | | |
| **Tax effect of:** | | |
| Non-deductible expenses | 141,560 | 526,155 |
| Share based payments | - | - |
| Sale of tenements | - | - |
| Other assessable income | 516 | 7,783 |
| Net prior year adjustment | - | 38,716 |
| Unused tax losses not recognised as deferred tax assets | 678,916 | 1,162,249 |
| **Less:** | | |
| **Tax effect of:** | | |
| Non-assessable income | (2,521) | (516) |
| Other deductible expenses | (23,918) | (28,883) |
| Capital raising costs | (50,163) | (80,133) |
| Exploration Expenditure | (382,406) | (830,888) |
| **Income Tax Expense** | **-** | **-** |

**Tax Consolidation**

**Relevance of tax consolidation to the economic entity**
Copper Strike Ltd and its wholly owned subsidiaries have formed a tax consolidated group with effect from 1 July 2006 and are therefore taxed as a signle entity from that date. The head entity within the tax consolidated group is Copper Strike Ltd.

**Nature of tax funding arrangements and tax sharing agreements**
Entities within the tax consolidated group have not entered into a tax funding arrangement nor a tax sharing agreement with the head entity.

**Deffered tax assets not brought to account, the benefits of which will only be realised if the conditions for deductibility set out in note 3.9 occur**

| | 2010 $ | 2009 $ |
|---|---|---|
| - Temporary Differences | 142,535 | 175,511 |
| - Tax losses (revenue or operating losses after deduction of DTL) | 1,870,475 | 419,233 |
| - Tax losses (capital) | 37,673 | 37,673 |
| | **2,050,683** | **632,417** |

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 8. KEY MANAGEMENT PERSONNEL

### 8.1 Key Management Personnel Compensation

The aggregate compensation of Key Management Personnel during the year is as follows:

| | Consolidated | | Parent | |
|---|---|---|---|---|
| | 2010 $ | 2009 $ | 2010 $ | 2009 $ |
| | | | | |
| Short-term employment benefits | 539,818 | 767,738 | 539,818 | 767,738 |
| Post-employment benefits | 105,035 | 120,088 | 105,035 | 120,088 |
| Other long-term benefits | - | - | - | - |
| Termination benefits | - | - | - | - |
| Share based payments | - | - | - | - |
| | **644,853** | **887,826** | **644,853** | **887,826** |

Details of Key Management Personnel Remuneration and Policies are detailed in the Remuneration Report contained within the Directors' Report.

### 8.2 Option holding by Key Management Personnel

| | Balance 1.7.2009 | Granted as Compensation | Exercise of Options | Net Change Other | Balance 30.6.2010 | Vested at reporting date | Vested but not exercisable | Vested and exercisable |
|---|---|---|---|---|---|---|---|---|
| Mr T Eadie | 1,750,000 | - | - | (1,000,000) (1) | 750,000 | 750,000 | - | 750,000 |
| Mr R Potts (1) | - | - | - | - | - | - | - | - |
| Mr T Lees | 675,000 | - | - | (500,000) (1) | 175,000 | 175,000 | - | 175,000 |
| Mr P Buckle (3) | - | - | - | - | - | - | - | - |
| | **2,425,000** | **-** | **-** | **(1,500,000)** | **925,000** | **925,000** | **-** | **925,000** |

(1) These options lapsed unexercised during the year

| | Balance 1.7.2008 | Granted as Compensation | Exercise of Options | Net Change Other | Balance 30.6.2009 | Vested at reporting date | Vested but not exercisable | Vested and exercisable |
|---|---|---|---|---|---|---|---|---|
| Mr T Eadie | 1,750,000 | - | - | - | 1,750,000 | 1,750,000 | - | 1,750,000 |
| Mr R Potts (1) | 300,000 | - | - | (300,000) | - | - | - | - |
| Mr T Lees | 675,000 | - | - | - | 675,000 | 675,000 | - | 675,000 |
| Mr P Buckle (2) | 300,000 | - | - | (300,000) | - | - | - | - |
| | **3,025,000** | **-** | **-** | **(600,000)** | **2,425,000** | **2,425,000** | **-** | **2,425,000** |

(2) Mr R Potts passed away during the 2009 financial year
(3) Mr P Buckle ceased employment during the 2009 financial year

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 8. KEY MANAGEMENT PERSONNEL (CONT'D)

### 8.3 Share holdings by Key Management Personnel

| | Balance 1.7.2009 No. | Received as Compensation No. | Options Exercised No. | Net Change Other No. | Balance 30.6.2010 No. | Balance held nominally at 30.6.2010 No. |
|---|---|---|---|---|---|---|
| Mr T Eadie (1) | 1,885,714 | - | - | 200,000 | 2,085,714 | 1,185,714 |
| Mr R Potts | - | - | - | - | - | - |
| Mr P Topham | 500,000 | - | - | (500,000) | - | - |
| Mr B Laws | - | - | - | - | - | - |
| Mr J Ray | - | - | - | - | - | - |
| Mr D Ogg | 1,085,000 | - | - | (113,000) | 972,000 | - |
| Mr T Lees | 241,886 | - | - | - | 241,886 | - |
| Mr P Buckle | - | - | - | - | - | 1,085,000 |
| | **3,712,600** | **-** | **-** | **(413,000)** | **3,299,600** | **2,270,714** |

(1) During the year Mr T Eadie purchased 200,000 shares

| | Balance 1.7.2008 No. | Received as Compensation No. | Options Exercised No. | Net Change Other No. | Balance 30.6.2009 No. | Balance held nominally at 30.6.2009 No. |
|---|---|---|---|---|---|---|
| Mr T Eadie | 1,885,714 | - | - | - | 1,885,714 | 985,714 |
| Mr R Potts (2) | - | - | - | - | - | - |
| Mr P Topham | 500,000 | - | - | - | 500,000 | 500,000 |
| Mr B Laws | - | - | - | - | - | - |
| Mr J Ray (3) | - | - | - | - | - | - |
| Mr D Ogg | 1,085,000 | - | - | - | 1,085,000 | 1,085,000 |
| Mr T Lees | 241,886 | - | - | - | 241,886 | 241,886 |
| Mr P Buckle (4) | - | - | - | - | - | - |
| | 3,712,600 | - | - | - | 3,712,600 | 2,812,600 |

(2) Mr R Potts passed away during the year
(3) M J Ray ceased employment on 1 July 2009
(4) Mr P Buckle ceased employment during the year

## 9. AUDITORS REMUNERATION

| | Consolidated 2010 $ | Consolidated 2009 $ |
|---|---|---|
| **Auditor** | | |
| **Leydin Freyer Audit - Melanie Leydin** | | |
| Auditing or reviewing the financial report | 21,500 | 19,500 |
| | **21,500** | **19,500** |

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

| | Consolidated 2010 $ | Consolidated 2009 $ |
|---|---|---|
| **10. CASH AND CASH EQUIVALENTS** | | |
| Cash on hand | 550 | 549 |
| Cash at bank | 2,584,709 | 1,987,887 |
| | **2,585,259** | **1,988,436** |
| **11. TRADE AND OTHER RECEIVABLES** | | |
| GST receivable | 103,366 | 66,214 |
| Other receivables | 22,192 | 15,509 |
| | **125,558** | **81,723** |

### 12. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

| | 2010 $ | 2009 $ |
|---|---|---|
| Investments in associates | **-** | **322,529** |

*Reconciliation of investments accounted for using the equity method*

| | 2010 $ | 2009 $ |
|---|---|---|
| Carrying amount at beginning of the year | 322,529 | 810,000 |
| Share of associate's losses | (375,597) | (487,471) |
| Share not recognised as investment cannot have a negative value | 53,068 | - |
| Carrying amount at end of the year | **-** | **322,529** |

Summarised financial information in respect of the Groups' associates is set out below

| Name of Company | Country of Incorporation | Ownership Interest 2010 % | Ownership Interest 2009 % |
|---|---|---|---|
| Syrah Resources Limited | Australia | 26.5 | 30 |

| | 2010 | 2009 |
|---|---|---|
| Total Assets | 2,724,601 | 3,026,644 |
| Total Liabilities | 289,899 | 38,157 |
| Net Assets | 2,434,702 | 2,988,487 |
| Group's share of associate's net assets | 645,196 | 896,546 |
| **Financial performance** | | |
| Total Revenue | 60,052 | 117,293 |
| Total Loss for the Year | (1,417,347) | (1,624,904) |
| Group's Share of associate's loss | (375,597) | (487,471) |

**Capital Commitments**

The Group's share of the capital commitments of its associate is disclosed in Note 21.

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### 13. PLANT AND EQUIPMENT

| | Consolidated 2010 $ | Consolidated 2009 $ |
|---|---|---|
| Plant and equipment - at cost | 124,535 | 124,217 |
| Less: Accumulated Depreciation | (76,440) | (49,135) |
| | **48,095** | **75,082** |
| *Reconciliation of plant and equipment* | | |
| Carrying amount at beginning of the year | 75,082 | 49,507 |
| Additions | 318 | 51,529 |
| Depreciation expense | (27,305) | (25,954) |
| Carrying amount at end of the year | **48,095** | **75,082** |

The following useful lives have been used in the calculation of depreciation:-

Plant and equipment 3-5 years

### 14. INTANGIBLE ASSETS

| | Consolidated 2010 $ | Consolidated 2009 $ |
|---|---|---|
| Software | 41,197 | 41,197 |
| Less: Accumulated Amortisation | (39,432) | (33,438) |
| | **1,765** | **7,759** |
| *Reconciliation of Intangible assets* | | |
| Carrying amount at beginning of the year | 7,759 | 16,190 |
| Additions | - | 3,789 |
| Amortisation expense | (5,994) | (12,220) |
| Carrying amount at end of the year | **1,765** | **7,759** |

The following useful lives have been used in the calculation of depreciation:-

Software 3 years

**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**

| | Consolidated 2010 $ | Consolidated 2009 $ |
|---|---|---|
| **15. EXPLORATION AND EVALUATION ASSETS** | | |
| Costs carried forward in respect of areas of interest in exploration and evaluation phase | **16,656,023** | **15,391,455** |
| *Reconciliation of exploration and evaluation assets* | | |
| Balance at beginning of year | 15,391,455 | 13,783,351 |
| Current year expenditure | 1,274,688 | 2,769,228 |
| Write-off during the year | (10,120) | (1,161,124) |
| Balance at end of year | **16,656,023** | **15,391,455** |

Recoverability of the carrying amount of exploration assets is dependent upon the successful exploration and sale of resources.

Capitalised cost of $1,178,389 (2009: $3,632,382) have been included in cash flows from investing activities in the cash flow statement.

| | 2010 $ | 2009 $ |
|---|---|---|
| **16. OTHER NON-CURRENT ASSETS** | | |
| Deposits paid | 7,680 | 2,680 |
| | **7,680** | **2,680** |
| **17. TRADE AND OTHER PAYABLES** | | |
| **Current** | | |
| *Unsecured liabilities* | | |
| Trade creditors and accruals | 159,673 | 58,766 |
| | **159,673** | **58,766** |

The group has financial risk management policies in place to ensure that all payables are paid within credit terms

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

| | Consolidated 2010 $ | 2009 $ |
|---|---|---|
| **18. PROVISIONS** | | |
| **Current** | | |
| Employee entitlements (a) | **63,388** | **50,981** |
| **Non-Current** | | |
| Employee entitlements (a) | 18,445 | 16,744 |
| Provision for restoration (b) | 80,000 | 80,000 |
| | **98,445** | **96,744** |

(a) A provision has been recognised for employee entitlements relating to annual and long service leave. In calculating the present value of the future cash flows in respect of the long service leave, the probability of long service leave taken is based on historical data. The measurement and recognition criteria relating to employee benefits have been included in Note 3 of this report.
(b) The provision for restoration represents the present value of Director's best estimate of the costs to be incurred for the restoration of the site used for exploration.

### 19. ISSUED CAPITAL

| | 2010 | 2009 |
|---|---|---|
| 116,455,571 (2009: 91,420,571) fully paid ordinary shares | **25,202,526** | **22,556,211** |

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

| **19.1 Movements in issued capital of the Company were as follows:** | **Number** | **$** |
|---|---|---|
| **Fully paid ordinary shares** | | |
| Balance at 1 July 2009 | 91,420,571 | 22,556,211 |
| Issue of fully paid ordinary shares | 25,035,000 | 2,753,890 |
| Less costs of capital raising | - | (107,575) |
| **Balance at 30 June 2010** | **116,455,571** | **25,202,526** |

### 19.2 Terms and Conditions of Issued Capital

Ordinary shares participate in dividends and the proceeds on winding up of the Company in proportion to the number of shares held.

At the shareholders meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### 19.3 Options

Copper Strike Limited has the following unlisted options on issue at 30 June 2010:

1,300,000 options at an exercise price of $0.25 exercisable on or before 31/10/2010
600,000 options at an exercise price of $0.30 exercisable on or before 31/10/2010
300,000 options at an exercise price of $0.40 exercisable on or before 31/10/2010

### 19.4 Options

| | 2010<br>No. | 2009<br>No. |
|---|---|---|
| Balance at beginning of the financial period | 4,200,000 | 4,200,000 |
| Lapsed during the financial period | (2,000,000) | - |
| Balance at end of the financial period | **2,200,000** | **4,200,000** |

### Directors options

Options granted to Directors or their nominees are disclosed in the Remuneration Report.

### 20. RESERVES

| | Consolidated | |
|---|---|---|
| | **2010**<br>**$** | **2009**<br>**$** |
| Equity settled employee benefits reserve | **243,783** | **380,013** |
| | | |
| Balance at beginning of the year | 380,013 | 380,013 |
| Share based payments | - | - |
| Lapsed and transferred to retained earnings | (136,230) | - |
| **Balance at end of the year** | **243,783** | **380,013** |

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### 21. COMMITMENTS FOR EXPENDITURE

**Exploration Tenements - Commitments for Expenditure**

In order to maintain current rights of tenure to exploration tenements, the Company and economic entity is required to outlay rentals and to meet the minimum expenditure requirements of the State Mines Departments. Minimum expenditure commitments may be subject to renegotiation and with approval may otherwise be avoided by sale, farm out or relinquishment. These obligations are not provided in the accounts and are payable:

| | 2010<br>$ | 2009<br>$ |
|---|---|---|
| *Group's Commitments* | | |
| Not later than one year | 2,088,333 | 2,138,386 |
| Later than one year but not later than five | 3,925,000 | 5,118,425 |
| Later than five years | - | - |
| | **6,013,333** | **7,256,811** |
| *Group's share of associates capital commitments* | | |
| Not later than one year | 50,019 | 255,996 |
| Later than one year but not later than five | - | 400,430 |
| Later than five years | - | - |
| | **50,019** | **656,426** |

**Operating Rental Leases - Commitments for Expenditure**

| | 2010<br>$ | 2009<br>$ |
|---|---|---|
| Not later than one year | 95,400 | 64,181 |
| Later than one year but not later than five | 166,950 | - |
| Later than five years | - | - |
| | **262,350** | **64,181** |

### 22. SEGMENT REPORTING

The company operated predominately as an explorer for base and precious metals, with the emphasis on copper and copper-gold mineralisation within Australia.

The group has adopted AASB 8 Operating Segments with effect from 1 January 2009. AASB requires operating segments to be identified on the basis of internal reports about the components of the Group that are regularly reviewed by the chief decision maker in order to allocate resources to the segment and to assess its performance. The board reviews the company as a whole in the business segment of mineral exploration within Australia. This segment reporting was previously reported under AASB 114 as Primary Reporting – Business Segments and its segment analysis has been continued for the current year.

Upon the adoption of AASB 8, there has been no change to the reportable segments. The Group has therefore not changed any reporting for the previous corresponding period. Copper Strike Limited operates in the mineral exploration industry within Australia.

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### 23. RELATED PARTY DISCLOSURES

**Key Management Personnel Compensation**

Details of Key Management compensation are disclosed in the Remuneration Report.

**Transactions with Key Management Personnel**

Transactions between related parties are on normal commercial terms and conditions no more favorable than those available to other parties unless otherwise stated.

**Transactions with controlled entities**

During the year Copper Strike Limited, in the normal course of business, entered into transactions with its controlled entity Sherwood Ventures Pty Ltd and Einasleigh Mining Pty Ltd.

Aggregate amounts receivable from these entities is included in Note 11.

**Transactions with Director Related Entities**

- Royalco Resources Limited, a Company associated with Mr Peter Topham, Mr David Ogg and Mr Tom Eadie, paid rent of $25,879 (2009: $25,358) under a sub-lease agreement which commenced in August 2005;

- Inkprintz Pty Ltd, a Company associated with the wife of Mr Tom Eadie, received fees of $11,355 (2009: $53,633) for geological mapping and interpretation.

- Dick Potts & Associates Pty Ltd, a Company associated with the late Richard Potts received fees of $11,775 in 2009

- B & M Laws Superannuation Fund, a superannuation fund associated with Barrie Laws received superannuation contributions of $38,150 (2009 : $26,583) for director services.

- Syrah Resources Limited, a Company associated with Mr Tom Eadie paid rent of $11,233 (2009 : $9,360) under a sub-lease agreement.

**Equity interests in subsidiaries**

Details of the percentage of ordinary shares held in subsidiaries are disclosed in Note 12 of the financial statements.

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### 24. NOTES TO THE STATEMENT OF CASH FLOWS

#### 24.1 Reconciliation of Net Profit/(Loss) from ordinary activities after related income tax to net cash flows from operating activities

| | Consolidated 2010 $ | Consolidated 2009 $ |
|---|---|---|
| Operating Profit/(Loss) after income tax | (1,206,614) | (2,648,277) |
| Non-cash Activities: | | |
| Depreciation and amortisation | 33,299 | 38,174 |
| Exploration cost written off | 14,301 | 1,161,124 |
| Employee entitlements | 14,108 | (18,551) |
| Share of associate's loss accounted for using the equity method | 322,529 | 487,471 |
| Changes in net assets: | | |
| (Increase)/Decrease in receivables | (43,835) | 214,214 |
| (Increase)/Decrease in deposits paid | (5,000) | 9,674 |
| Increase in payables | 427 | 3,757 |
| Net Cash used in operating activities | **(870,785)** | **(752,414)** |

#### 24.2 Financing Facilities

The Company currently has a financial guarantee facility in place:

| | 2010 $ | 2009 $ |
|---|---|---|
| Total Facility | 327,500 | 327,500 |
| Amount Utilised | (40,448) | (51,448) |
| | **287,052** | **276,052** |

The Company currently has a financial guarantee facility in place:

| | 2010 $ | 2009 $ |
|---|---|---|
| Total Facility | 80,000 | 80,000 |
| Amount Utilised | - | - |
| | **80,000** | **80,000** |

#### 24 .3 Non-cash transactions

There were no non-cash investing and financing activities during the financial year.

**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**

## 25. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The consolidated entity's principal financial instruments comprise cash and cash equivalents and investments in listed corporations.

The main purpose of these financial instruments is to finance the consolidated entity's operations. The consolidated entity has various other financial assets and liabilities such as receivables and trade payables, which arise directly from its operations. It is, and has been throughout the entire period, the consolidated entity's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the consolidated entity's financial instruments are market risk. Other minor risks are summarised below. The Board reviews and agrees policies for managing each of these risks.

### Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the entity's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimising the return.

The entity does not have any material exposure to market risk other than interest rate risk.

### 25.1 Cash flow interest rate risk

The consolidated entity's exposure to the risks of changes in market interest rates relates primarily to the consolidated entity's short-term deposits with a floating interest rate. These financial assets with variable rates expose the consolidated entity to cash flow interest rate risk. All other financial assets and liabilities in the form of receivables and payables are non-interest bearing. The consolidated entity does not engage in any hedging or derivative transactions to manage interest rate risk.

The following tables set out the carrying amount by maturity of the parent entity and consolidated entity's exposure to interest rate risk and the effective weighted average interest rate for each class of these financial instruments.

In regard to its interest rate risk, the consolidated entity continuously analyses its exposure. Within this analysis consideration is given to potential renewals of existing positions, alternative investments and the mix of fixed and variable interest rates.

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 25. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

**Consolidated Entity**

| | Note | Float Interest Rate | | Non-Interest Bearing | | Total Carrying Amount | |
|---|---|---|---|---|---|---|---|
| | | 2010 $ | 2009 $ | 2010 $ | 2009 $ | 2010 $ | 2009 $ |
| **Financial Assets** | | | | | | | |
| Cash and bank balances | 10 | 2,584,709 | 1,987,887 | 550 | 447 | 2,585,259 | 1,988,334 |
| Loans and receivables | 11 | - | - | 125,558 | 81,723 | 125,558 | 81,723 |
| Deposits Paid | 16 | - | - | - | 2,680 | - | 2,680 |
| **Total** | | **2,584,709** | **1,987,887** | **126,108** | **84,850** | **2,710,817** | **2,072,737** |
| Weighted average interest rate | | 4.49% | 4.24% | | | | |
| **Financial Liabilities** | | | | | | | |
| Trade and other payables | 17 | - | - | 159,673 | 58,766 | 159,673 | 58,766 |
| **Total** | | **-** | **-** | **159,673** | **58,766** | **159,673** | **58,766** |
| **Net Financial assets (liabilities)** | | **2,584,709** | **1,987,887** | **(33,565)** | **26,084** | **2,551,144** | **2,013,971** |

## 25. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

### 25.2 Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash to ensure the ability to meet debt requirements. The Company manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. The Company aims at maintaining flexibility in funding by having in place operational plans to source further capital as required.

Liquidity risk is measured using liquidity ratios such as working capital as follows:

| | Consolidated 30 June 2010 | Consolidated 30 June 2009 |
|---|---|---|
| Current Assets | 2,710,817 | 2,070,159 |
| Current Liabilities | 223,061 | 109,747 |
| **Surplus/(Deficit)** | **2,487,756** | **1,960,412** |

**Financial Liabilities**

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities.

| | Consolidated 2010 $ | Consolidated 2009 $ |
|---|---|---|
| Contracted maturities of payables year ended 30 June 2010 | | |
| Payable: | | |
| - Less than 6 months | 159,673 | 58,766 |
| - 6 to 12 months | - | - |
| - 1 to 5 years | - | - |
| - later than 5 years | - | - |
| **Total** | **159,673** | **58,766** |

### 25.3 Commodity Price Risk

The Company is exposed to commodity price risk. This risk arises from its activities directed at exploration and development mineral commodities. If commodity prices fall, the market for companies exploring for these commodities is affected. The Company does not hedge its exposures.

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### 25. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

#### 25.4 Net Fair Values

For financial assets and liabilities, the net fair value approximates their carrying value. No financial assets and financial liabilities are readily traded on organised markets in standardised form. The Company has no financial assets where carrying amount exceeds net fair values at balance date.

The Company's receivables at balance date are detailed in Note 11 and comprise primarily interest receivable and from GST input tax credits refundable by the ATO.

The credit risk on financial assets of the Company which have been recognised on the Balance Sheet is generally the carrying amount.

#### 25.5 Capital Risk Management

When managing capital, management's objectives is to ensure the Company continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. Management also maintain a capital structure that ensures the lowest cost of capital available to the Company.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholder, issue new shares, enter into joint ventures or sell shares.

The Company does not have a defined share buy-back plan.

No dividends were paid in 2009 and no dividends are expected to be paid in 2010

On-going exploration expenditure is expected to be funded via equity or joint ventures with other companies. Though there is a possibility of incurring debt in the future.

The Consolidated Entity is not subject to any externally imposed capital requirements.

Management reviews management accounts on a monthly basis and reviews actual expenditure against budget on a quarterly basis.

### 26. EARNINGS / (LOSS) PER SHARE

| | 2010 Cents Per Share | 2009 Cents Per Share |
|---|---|---|
| The earnings and weighted average number of ordinary shares used in the calculation of basic and diluted earnings per share are as follows: | (1.14) | (2.90) |
| Loss after income tax used in the calculation of basic EPS and dilutive EPS | (1.11) | (2.77) |
| Weighted average number of ordinary shares for basic earnings / (loss) per share | 106,235,804 | 91,420,571 |
| Weighted average number of ordinary shares for diluted earnings / (loss) per share | 109,109,776 | 95,620,571 |

### 27. SUBSIDIARIES

| Name of Company | Country of Incorporation | Ownership Interest | |
|---|---|---|---|
| | | 2010 % | 2009 % |
| | | | |
| **Subsidiaries** | | | |
| Einasleigh Mining Pty Ltd | Australia | 100 | 100 |
| Sherwood Ventures Pty Ltd | Australia | 100 | 100 |

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### 28. SHARE BASED PAYMENTS

There were no shared based payments made in either the 2010 or 2009 financial years.

### 29. AFTER BALANCE DATE EVENTS

There has been no matter or circumstance that has arisen since the end of the financial year, that has significantly affected, or may significantly affect, the operations of the Company, the results of those operations or the state of affairs of the Company in future financial years.

## ADDITIONAL ASX INFORMATION

## SHAREHOLDER INFORMATION

The shareholder information set out below was applicable as at 10 August 2010.

### 1. Distribution of Shareholders

(a) Analysis of number of shareholders by size of holding.

| Category of holding | Holders | Number of Shares | % of Capital |
|---|---|---|---|
| 1 - 1,000 | 126 | 46,907 | 0.04% |
| 1,001 - 5,000 | 381 | 1,216,748 | 1.04% |
| 5,001 - 10,000 | 322 | 2,651,010 | 2.28% |
| 10,001 - 100,000 | 679 | 24,879,056 | 21.36% |
| 100,001 and over | 193 | 87,661,850 | 75.27% |
| **Total** | **1,701** | **116,455,571** | **100.00%** |

(b) There are 569 shareholders with less than a marketable parcel of ordinary shares.

### 2. Twenty Largest Shareholders

The names of the twenty largest holders of ordinary shares are listed below:

| SHAREHOLDER | HOLDING | % |
|---|---|---|
| Citicorp Nom Pty Ltd | 9,198,130 | 7.90% |
| Teck Cominco Aust Pty Ltd | 8,625,000 | 7.41% |
| National Nom Ltd | 6,064,518 | 5.21% |
| J P Morgan Nom Aust Ltd | 3,238,719 | 2.78% |
| Maminda Pty Ltd | 3,148,965 | 2.70% |
| Merrill Lynch Aust Nom Pty Ltd | 2,492,483 | 2.14% |
| Arinya Inv Pty Ltd | 1,939,731 | 1.67% |
| Mediflex Industries Pty Ltd | 1,687,926 | 1.45% |
| Arinya Inv Pty Ltd | 1,353,585 | 1.16% |
| Eadie Ernest T + E M | 1,321,714 | 1.13% |
| Chen Wen Gan | 1,274,824 | 1.09% |
| Lord G F + N K + Peck R C | 1,192,726 | 1.02% |
| Pitt David George + R A | 1,081,065 | 0.93% |
| Andreatta A J + H M | 1,000,000 | 0.86% |
| Sam Goulopoulos Pty Ltd | 800,000 | 0.69% |
| Allua Holdings Pty Ltd | 744,436 | 0.64% |
| Brodea Pty Ltd | 700,000 | 0.60% |
| Prince Raymond John | 700,000 | 0.60% |
| Miciulis Eugene Jeffrey | 700,000 | 0.60% |
| Edwards Trevor + Pamela | 655,682 | 0.56% |
| **TOTAL** | **47,919,504** | **41.15%** |

## ADDITIONAL ASX INFORMATION

## SHAREHOLDER INFORMATION (CONT'D)

### 3. Restricted Securities

As at 10th August 2010 the Company had no securities subject to escrow.

### 4. Substantial Shareholders

As at 10th August 2010 the substantial shareholders were as follows:

| Name of Shareholder | No of Shares | % of Issued Capital |
|---|---|---|
| Citicorp Nom Pty Ltd | 9,198,130 | 7.90% |
| Teck Cominco Aust Pty Ltd | 8,625,000 | 7.41% |
| National Nom Ltd | 6,064,518 | 5.21% |

### 5. Voting Rights

At a general meeting of shareholders:

(a) On a show of hands, each person who is a member or sole proxy has one vote.

(b) On a poll, each shareholder is entitled to one vote for each fully paid share.

## SCHEDULE OF MINING AND EXPLORATION TENEMENTS AS AT 30 June 2010

| Locality | Tenement | Equity |
|---|---|---|
| Einasleigh Area | Exploration Permit for Minerals 12934 | 100% |
| | Exploration Permit for Minerals 13072 | 100% |
| North West Queensland | Exploration Permit for Minerals 14220 | 100% |
| | Exploration Permit for Minerals 14854 | 100% |
| | Exploration Permit for Minerals 14309 | 100% |

## CORPORATE GOVERNANCE STATEMENT

The Board of Directors ("the Board") of Copper Strike Limited ("the Company") supports the establishment and ongoing development of good corporate governance policies, that are compatible with the Company's size and which ensure an appropriate level of accountability to shareholders and other stakeholders.

A description of the Company's main corporate governance practices is set out below. It is also accessible at the Company's website – www.copperstrike.com.au under the "Corporate" tag which has a sub heading for corporate governance. In August 2007, the ASX issued a revised set of corporate governance principles and recommendations intended to take effect from 1 January 2008.

The recommendations are not prescriptions and are intended as guidelines only. The Board has sought to apply the revised recommendations to the extent relevant to the Company's size and scale of operations.

**Recommendation 1.1: Establish the functions reserved to the Board and those delegated to Senior Executives and disclose those functions.**

One full time Exploration Manager is employed to manage exploration activities. The functions specifically reserved for the full Board are as follows:

a) Setting and monitoring of objectives, goals and strategic direction with a view to maximising shareholder value, consistent with ethical behaviour and acceptable risk parameters;
b) Approving budgets and monitoring financial performance;
c) Identifying significant business risks and ensuring that these are appropriately managed;
d) Approval of any significant asset acquisitions or disposals;
e) Selection and appointment of new Directors; and
f) Appointment and removal of the Chairman.

**Recommendation 1.2: Disclose the process for evaluating the performance of Senior Executives.**

The performance of all Directors, and Senior Executives is reviewed at least annually. The Board evaluates the performance of the Chairman and any other Senior Executives having regard to such things as:

a) The responsibilities of the Executive;
b) Performance against budget;
c) Any communicated key performance indicators; and
d) Qualitative as well as quantitative measures.

No Director or Senior Executive is involved with his or her own evaluation, and the remainder of the Board evaluates such parties without such parties being present.

A review of the performance of the Board, its Directors and Senior Executives was carried out in September 2009, and was undertaken in accordance with the above policy.

**Recommendation 2.1: A majority of the Board should be Independent Directors.**

The Company does not currently have a majority of Non-Executive Independent Directors.

Due to the Company's size and its specialised operations, the Board considers that a majority of Independent Directors is not currently warranted. As the Company's activities expand, this policy will be reviewed, with a view to aligning the Company's policies to conformity with this recommendation. The Board recognises that Directors remain in office for the benefit of and are accountable to shareholders and that shareholders have the voting power to elect members to the Board regardless of their standing, independent or otherwise.

The effectiveness of the Board is achieved through the Directors' knowledge and experience specific to the business and the industry in which the Company operates. Any Director may seek their own independent legal advice at the Company's expense to assist them in the performance of their duties to the Company and the shareholders.

**Recommendation 2.2: The Chairperson should be an Independent Director.**

Mr Tom Eadie, the Executive Chairman, is not an Independent Director. Whilst the Board recognises that it is desirable for the Chairman to be an Independent Director, the Company's current early stage of development and size dictate that this is the most efficient mode of operation at the current time. The Board will review the appointment of an Independent Chairperson should the Company's size and growth warrant this.

**Recommendation 2.3: The roles of Chair and Chief Executive Officer should not be exercised by the same individual.**

As noted, Mr Tom Eadie is the Executive Chairman of the Company. For similar reasons expressed in relation to recommendation 2.2, the existing arrangement is the most efficient mode of operation at the current time for the Company's early stage of development and size. The Board will review the appointment of a separate Chairperson should the Company's size and growth warrant this.

**Recommendation 2.4: The Board should establish a nomination committee.**

The Board considers that the Company is not currently of a size to justify the formation of a nomination committee. The Board as a whole undertakes the process of reviewing the skill base and experience of existing Directors and the identification of attributes required in new Directors. The Board as a whole also reviews Board succession plans, appointment and re-election of Directors and the process for evaluation of the performance of the Board, its Members and Senior Executives (as outlined under recommendation 1.2). Where appropriate, independent consultants will be engaged to identify possible new candidates for the Board.

Should the Company's activities increase in size, scope and nature, the appointment of a nomination committee will be reviewed by the Board and implemented if appropriate.

**Recommendation 2.5: Disclose the process for evaluating the performance of the Board, its Committees and Individual Directors.**

See the comments under recommendation 1.2 above.

**Recommendation 3.1: Establish a code of conduct and disclose the code or a summary of the code as to:**

- **the practises necessary to maintain confidence in the Company's integrity;**
- **the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders;**
- **the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.**

The Company has adopted a Corporate Code of Conduct, and a Code of Conduct for Executives, which can be accessed at the Company's website at www.copperstrike.com.au under the "Corporate" tag which has the appropriate sub headings.

**Recommendation 3.2: Establish a policy concerning trading in Company securities by Directors, Senior Executives and Employees, and disclose the policy or a summary of that policy.**

The Company has adopted a Trading Policy which can be assessed at www.copperstrike.com.au under the "Corporate" tag which has the appropriate sub heading.

**Recommendation 4.1: The Board should establish an Audit Committee.**

The Board considers that the Company is not currently of a size to justify the formation of an Audit Committee and instead these functions are performed by the whole Board. All items that would normally be dealt with by an Audit Committee are dealt with at Board meetings. Such matters include:

a) Establishment and review of internal control frameworks within the Company;

b) Review of the financial statements, annual report and any other financial information distributed to shareholders or other external stakeholders;
c) Review of audit reports and any correspondence from auditors, including comments on the Company's internal controls;
d) Nomination of the external auditor and reviewing the adequacy of the scope and quality of the annual audit and half year review; and
e) Monitoring compliance with the Corporations Act, ASX listing Rules and any other regulatory requirements.

**Recommendation 4.2: The Audit Committee should be structured so that:**

- **it consists only of Non-Executive Directors;**
- **consists of a majority of Independent Directors;**
- **is chaired by an Independent Chairperson, who is not Chairperson of the board;**
- **has at least three members**

See comments under recommendation 4.1 above.

**Recommendation 4.3: The Audit Committee should have a formal charter.**

See comments under recommendation 4.1 above

**Recommendation 5.1: Establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a Senior Executive level for that compliance and disclose those policies or a summary of those policies.**

The Company has adopted a continuous disclosure policy that requires all Directors, Officers and Executives to inform the Executive Chairman, or in his absence the Company Secretary, of any potentially material information as soon as practicable after they become aware of that information. The Company does not currently have a formal written policy in place, but instead relies on the extensive experience of the Board and Senior Management to ensure ongoing compliance.

**Recommendation 6.1: Design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose that policy or a summary of that policy.**

The Company has a disclosed policy for effective communication with shareholders which is available at the corporate governance statement on the Company's website at www.copperstrike.com.au under the "Corporate" tag which has the appropriate sub heading.

**Recommendation 7.1: Establish policies for the oversight and management of material business risk and disclose a summary of those policies.**

The Company has established policies for the oversight and management of material business risks which is available at the corporate governance statement on the Company's website at www.copperstrike.com.au. under the "Corporate" tag which has the appropriate sub heading.

**Recommendation 7.2: The Board should require management to design and implement the risk management and internal control system to manage the Company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the Company's management of its material business risks.**

Management has not formally reported to the Board as to the effectiveness of the Company's management of its material business risks. All business risks are the responsibility of the Board, and the Board believes the risk management and internal control systems designed and implemented by the Directors and the Chief Financial Officer are adequate given the size and nature of the Company's activities. The Board requests management to report informally on risk management and internal control, and to highlight any additional risks that may have been identified, as well as reporting on matters that may have arisen from the Company's internal control procedures. The Company intends to develop the risk reporting framework into a detailed policy as its operations continue to grow.

**Recommendation 7.3: The Board should disclose whether it has received assurance from the Chief Executive Officer (or equivalent) and the Chief Financial Officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.**

The Board receives such assurances prior to the release of the Company's full year and half year accounts.

**Recommendation 8.1: The Board should establish a remuneration committee.**

The Board considers that, based on the Company's stage of development, no benefits or efficiencies are to be gained by delegating this function to a separate committee. The process for evaluating both Executives and Directors remuneration is explained under recommendation 1.2 above. There are no schemes for retirement benefits, other than superannuation for Directors.

**Recommendation 8.2: Companies should clearly distinguish the structure of Non-Executive Directors' remuneration from that of Executive Directors.**

The structure of Executive and Non-Executive Directors' remuneration is detailed in the remuneration report, which forms part of the Directors Report in the annual report.