



ASX Announcement

30 October 2014

Value of CSE's Investment in SYR

Copper Strike Limited (ASX: CSE, "Copper Strike" or "the Company") is pleased to advise that it has received taxation advice from Grant Thornton in relation to a number of aspects of its holding of the shares it owns in Syrah Resources Limited (ASX: SYR or "Syrah").

The Company believes that all investors should be given the opportunity to understand the possible taxation consequences of a potential future disposal of the Syrah shares by the Company in order to appropriately value the Company's shares.

It should be noted that there are no plans to sell or otherwise dispose of the Syrah shares at this time.

The advice from Grant Thornton looked at the potential taxation consequences of a sale, as well as an in-specie distribution to the Company's shareholders of the Syrah shares.

In broad terms the disposal of the Syrah shares by way of sale or by way of an in-specie distribution will constitute a Capital Gains Tax event in the hands of Copper Strike. The tax consequences of any distribution to shareholders, by way of either an in-specie distribution or cash distribution of the sale proceeds, will vary depending on each shareholder's respective tax profile.

The advice specifically sets out details in relation to:

- (i) whether Copper Strike will be entitled to utilise carried forward income tax losses to partially offset the assessable capital gain that Copper Strike is likely to derive if it makes an in-specie distribution or disposes of the Syrah shares; and
- (ii) whether an in-specie distribution or distribution of proceeds of sale would be regarded as a return of capital or a dividend distribution (or a combination of both); and
- (iii) whether the Company will be able to fully frank the dividend component of an in-specie distribution or subsequent distribution of the cash proceeds arising from a sale of Syrah shares.

The advice confirms that all of Copper Strike's carried forward income tax losses as at 30 June 2014 should be available for offset against future taxable profits on the basis that the Company satisfies the Continuity of Ownership Test "COT" for each loss bundle for the relevant test periods.

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An in-specie distribution, and the distribution of cash proceeds from a sale, would be split between a capital component and a dividend component. The capital component may constitute an assessable capital gain in the hands of shareholders where the capital component exceeds the relevant shareholder's tax cost base.

Any dividend component of the in-specie distribution or distribution of cash proceeds from the sale of the Syrah shares would be treated as an assessable dividend in the hands of the shareholders. In relation to being able to allocate franking credits to the dividend component of that distribution, Copper Strike will need to voluntarily enter the PAYG instalment system, and ensure it pays its relevant PAYG instalments prior to the end of the income year in which the in-specie distribution or sale occurs.

The advice confirms that, subject to Copper Strike generating sufficient franking credits as discussed above, Copper Strike should be able to frank the dividend component of an in-specie distribution or cash distribution of sale proceeds because:

- it is an Australian resident and satisfies the definition of a 'franking entity'; and
- the dividend component of the in-specie distribution or sale should be considered a 'frankable distribution' on the basis it is not an 'unfrankable distribution'; and
- it has been assumed that Copper Strike will allocate franking credits to the dividend.

By way of example if the Company were to undertake an in-specie distribution of its Syrah shares at an assumed disposal price of \$5.00 per Syrah share the following calculations apply:

Key assumptions made:

- (i) Disposal price of the Syrah shares is assumed to be \$5.00;
- (ii) For illustrative purposes, the carry forward tax losses as at 30 June 2014 have been used to offset against the capital gain arising from the disposal of the SYR shares. However, it will be the carried forward tax losses at the end of the income year in which the proposed transaction occurs that will be the loss figure used in offsetting the capital gain arising on disposal of the SYR shares;
- (iii) The capital/fully franked dividend split on any in-specie or cash proceeds distribution is subject to receipt of accounting advice and the outcome of an ATO Class Ruling. The outcome of this accounting advice and/or ATO Class Ruling could potentially impact the results illustrated below; and
- (iv) The split between the SYR shares to be sold and shares to be distributed are assumed to be the full amount of SYR shares the Company holds as an investment in SYR. The actual amounts sold and distributed may differ from the figures shown in the illustration below.

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Example calculations

SYR shares held	11,000,005
Proceeds of distribution*	\$55,000,025
Cost base of SYR shares	\$300,000
Carry forward losses as of 30/6/14	\$5,689,550
Taxable income	\$49,010,475
Tax payable at 30%	\$14,703,143
SYR shares to be sold**	2,940,629
SYR shares to be distributed***	8,059,376

Impact of distribution to Copper Strike shareholders

	Individual	Company	Complying Super Fund
<i>Assumed tax rate</i>	49%	30%	15%
Return of Capital****	\$11,211,853	\$11,211,853	\$11,211,853
Receipt of fully franked dividend	\$29,085,027	\$29,085,027	\$29,085,027
Franking credit	\$12,465,012	\$12,465,012	\$12,465,012
Assessable Income	\$41,550,039	\$41,550,039	\$41,550,039
Tax payable	\$20,359,519	\$12,465,012	\$6,232,506
Less: franking credit offset	(\$12,465,012)	(\$12,465,012)	(\$12,465,012)
Ultimate tax payable/(refundable)	\$7,894,507	\$nil	(\$6,232,506)

* An in-specie distribution is regarded as a disposal for CGT purposes

**Shares are sold in order to meet the tax liability of the distribution. Assumed sale price is \$5.00.

***Shares to be distributed as part of the in-specie distribution.

****This will be treated as a cost-base reduction of the shares, unless it exceeds the cost base of the relevant shares, in which case an assessable capital gain will arise.

The Company is currently applying for an ATO Class Ruling in regards to the matters outlined in this announcement in order to provide certainty to shareholders should an in-specie distribution of Syrah shares or cash distribution of sale proceeds arising from the sale of the Syrah shares occur.

Shareholders should seek their own independent tax advice from their accountant, solicitor or other professional advisor, as outcomes may differ depending on individual circumstances. In particular, the above discussion does not contemplate the tax position of non-Australian resident shareholders.

The Company will provide further updates in due course.

Yours faithfully

COPPER STRIKE LIMITED

Tom Eadie
Chairman

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