

# Stratex International (STI LN)

**BUY**

Flash Note

Price target: £0.10

Mining

15 March 2011

## Preliminary annual results and positive drill results at Muratdere

### Event

Stratex released its preliminary results for the year ended 31 December 2010 and recently announced the latest drill results for its Muratdere porphyry copper gold project in western Turkey. Stratex's Joint Venture partner on the project, Aydeniz Group, has confirmed its intention to fund the next stage of drilling at Muratdere to enable it to vest 75% of the project.

### Comment

Overall 2010 was a very active year for Stratex. It has been proactive in progressing the Inlice and Altintepe Projects towards production through an ongoing Feasibility and Scoping Study respectively, has established two new Joint Ventures, released a maiden JORC resource at the Öksüt Project and has significantly expanded its prospective exploration assets into East Africa. We continue to see good potential in the company in 2011 through the commitment of further expenditure by JV partners, Centerra and Teck, and the start of drilling at the Megenta Project. Stratex has announced a loss for the year of £2.9M but retain a healthy cash balance of £1.0M resulting from a £1.3M public listing as well as payments from JV partners. This cash balance will be beneficial for the company in progressing their exploration assets and getting Inlice to production in early 2012.

The latest assay results are part of the ongoing drilling programme at Muratdere which commenced in December 2010. The results are significantly better for Cu than previous drilling on the project, showing grades up to 1.46% and 1.2% Cu. Gold grades continue to be consistently encouraging.

Aydeniz has now met its requirement to earn 55% of the project by drilling an initial 2500 m and has committed to funding a further 3000 m of drilling to allow it to earn up to 75%. This reflects how encouraged they are by the results. Aydeniz will also be paying Stratex US\$250 000 within 30 days of execution of the joint venture agreement and a further US\$250 000 to conclude the earn in, which will further strengthen Stratex's cash balance for 2011.

Although we are excited by the continuing good results, the true proof of the pudding will lie in the metallurgical test work that Stratex plans to commission shortly, which will assess the recoveries of the oxide copper and gold and help to define the value (or detriment) of the molybdenum and rhenium.

### Recommendation

We retain our Buy recommendation with an unchanged target price of £0.10.

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### Stock Data

52 - wk Range:	£0.03-0.10
12 month target:	£0.10
Market Cap (M):	£22.1
EV (M):	£21.1

### 52 Week range

3.0	7.47	10.25
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### Price Chart



### Company Summary

Stratex is an exploration and development company focussed on gold and base metal targets in Turkey, Ethiopia and Djibouti. This includes a combined total resource of 1.17 Moz Au and 3 Moz Ag from their Turkish Projects, Altintepe, Inlice, Öksüt and Karaagac, of which Altintepe and Inlice are at scoping and feasibility stages respectively.

### Analysts

#### Peter Rose

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## Valuation Table

FYE Dec	2009	2010E	2011E	2012E	2013E
Revenue (£M):	0.0	0.0	0.0	8.3	20.9
EBITDA (£M):	-0.4	-1.5	-1.2	5.2	14.2
NPAT (inc significant items):	-0.3	-1.4	-1.3	3.7	11.4
EPS (GBP):	-0.1	-0.5	-0.5	1.3	3.8
Cash Flow/Share (GBP):	-0.2	-0.5	-0.4	1.8	4.4
Gold Price (US\$/oz):	973.7	1225.2	1464.8	1526.3	1300.0

## Research Disclosures

### Peter Rose

Peter Rose has 20 years' experience in equities as a resources analyst, most recently having spent 11 years with Deutsche Bank in Australia. Prior to this he spent 3 years with Prudential Bache and 5 years with James Capel. Peter's industry experience includes 16 years as a metallurgist, 3 years with De Beers in South Africa and 8 years in the uranium industry, 5 of which were spent at the Ranger Uranium mine. Peter holds a BSc degree in Applied Mineral Science from Leeds University UK and a Bachelor of Commerce from the University of South Africa. Peter is also a member of the Institute of Mining & Metallurgy and a chartered engineer.

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Research disclosure as of 15 March 2011

Company Name	Disclosure
Stratex International (STI)	7

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Company	Ticker	Recommendation	Date	Target Price	Last Price
Mining					
African Barrick Gold	ABG LN Equity	BUY	17.02.11	£5.88	£5.71
Angel Mining	ANGM LN Equity	BUY	03.03.10	£0.16	£0.06
Antofagasta	ANTO LN Equity	SELL	09.03.11	£10.17	£14.40
Atlantic Coal	ATC LN Equity	HOLD	17.02.11	£0.011	£0.007
Centamin Egypt	CEY LN Equity	BUY	02.02.11	£1.73	£1.30
Copper Development Corporation	CDC LN Equity	BUY	07.03.11	£0.82	£0.46
Discovery Metals	DME LN Equity	BUY	10.11.10	£1.00	£0.76
EMED Mining	EMED LN Equity	BUY	11.01.11	£0.50	£0.16
Exco Resources	EXS AU Equity	BUY	01.02.11	A\$0.88	A\$0.57
Hambledon Mining	HMB LN Equity	BUY	23.02.11	£0.095	£0.06
Highland Gold	HGM LN Equity	BUY	27.01.11	£1.84	£1.81
Hochschild Mining	HOC LN Equity	HOLD	03.02.11	£6.20	£6.68
KEFI Minerals	KEFI LN Equity	HOLD	23.02.11	NA	£0.06
Kryso Resources	KYS LN Equity	BUY	21.04.10	£0.22	£0.16
Lydian International	LYD CN Equity	BUY	05.07.10	C\$1.5	C\$2.34
Minera IRL	MIRL LN Equity	BUY	04.03.11	£1.23	£1.01
Randgold Resources	RRS LN Equity	BUY	16.02.11	£60.75	£49.23
Stratex International	STI LN Equity	BUY	15.03.11	£0.10	£0.07

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