

Stratex International (STI LN)

BUY

Flash Note

Price target: £0.125

Mining

22 June 2011

Making rapid progress in Turkey

Event

Stratex has released several very positive news items recently, the most significant being the release of an updated resource statement at the Ortoçam and Ortoçam North zones of the Öksüt Gold Project and a maiden resource at the Muratdere Project.

Comment

This latest oxide resource estimate at Ortoçam and Ortoçam North totals 7.80 Mt of Indicated and Inferred at 0.96 g/t Au for 241 440 ounces. This represents an increase in the total resource for the Öksüt Project from the previous in-house 147 914 ounces of 63%. We have added the additional oxide ounces from Öksüt into our model and assigned a value to them using the method used previously i.e. 'fair value' of 3% of the in-situ resources at recent average gold spot price (US\$1500 oz). On this basis, Stratex's 278 koz of attributable gold from Öksüt and Karaaac would suggest a value of US\$12.497 M or approximately 2.6p per share.

We have given a value of the maiden resource at Muratdere using comparable recent takeover prices on similar copper equivalent resources. On this basis we believe that Muratdere gives an extra 1.8p of value to the share price.

We have also modified our NPV model to include the results of the Inlice Scoping Study. The new parameters are similar to what we had assumed in our previous modelling exercise and therefore have not materially changed our valuation for Inlice and Altintepe, which remains at 8.1p per share. This gives a total value for the company of 12.5p per share.

We continue to believe that Stratex is rapidly moving forward on getting its Turkish assets into production and has an ever improving suite of prospective exploration assets in Turkey and East Africa.

Recommendation

We retain our Buy recommendation with a new target price of 12.5p per share. This represents a 25% uplift on our previous recommendation of 10p per share and a 64% increase on the current share price (7.63p).

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Stock Data

Current Price:	£0.08
52 - wk Range:	£0.03-0.10
12 month target:	£0.12
Market Cap (M):	£22.8
EV (M):	£21.8

52 Week range

3.0	7.63	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 M oz Au, 3 Moz Ag and 235 kt Cu equivalent from their Altintepe, Inlice, Öksüt and Muratdere Projects, of which Altintepe and Inlice are at scoping and feasibility stages respectively.

Analysts

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Valuation Table

FYE Dec	2009	2010	2011E	2012E	2013E
Revenue (£M):	0.0	0.0	0.0	6.8	21.4
EBITDA (£M):	-0.4	-1.5	-1.2	3.5	13.9
NPAT (inc significant items):	-0.3	-1.4	-1.3	2.2	11.1
EPS (GBP):	-0.1	-0.5	-0.4	0.7	3.7
Cash Flow/Share (GBP):	-0.2	-0.5	-0.4	1.2	4.3
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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Juan Alvarez

Juan has a Bachelor's degree in geology from Macquarie University in Sydney and currently has over fifteen years' experience in exploration, mining geology, resource estimation and grade control. Juan has joined from Golder Associates where he spent seven years as a consultant working on resource estimation, due diligence studies and feasibility studies. Prior to Golder, Juan worked for four years with AngloGold, three years with Rio Tinto in the iron ore mines of the Pilbara and two years as an exploration geologist.

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Research disclosure as of 22 June 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	17.05.11	£5.92	£4.03
Alexander Nubia	AAN CN Equity	BUY	18.04.11	C\$0.75	C\$0.125
Angel Mining	ANGM LN Equity	BUY	03.03.10	£0.16	£0.02
Antofagasta	ANTO LN Equity	SELL	09.06.11	£9.69	£12.70
Atlantic Coal	ATC LN Equity	BUY	08.06.11	£0.011	£0.005
Centamin Egypt	CEY LN Equity	BUY	17.05.11	£1.86	£1.21
Copper Development Corporation	CDC LN Equity	BUY	09.06.11	£0.82	£0.29
Discovery Metals	DME LN Equity	BUY	10.11.10	£1.00	£0.76
EMED Mining	EMED LN Equity	BUY	07.06.11	£0.59	£0.10
Exco Resources	EXS AU Equity	BUY	17.05.11	A\$0.90	A\$0.65
Hambledon Mining	HMB LN Equity	BUY	12.05.11	£0.084	£0.04
Highland Gold	HGM LN Equity	BUY	17.05.11	£1.98	£1.50
Hochschild Mining	HOC LN Equity	BUY	12.05.11	£6.33	£4.42
KEFI Minerals	KEFI LN Equity	HOLD	21.06.11	NA	£0.06
Kryso Resources	KYS LN Equity	BUY	21.04.10	£0.22	£0.18
Lydian International	LYD CN Equity	UNDER REVIEW	05.07.10	-	C\$2.45
Minera IRL	MIRL LN Equity	BUY	14.06.11	£1.23	£0.69
Paragon Diamonds	PRG LN Equity	BUY	06.06.11	£0.43	£0.28
Randgold Resources	RRS LN Equity	BUY	11.05.11	£55.65	£47.65
Stratex International	STI LN Equity	BUY	22.06.11	£0.125	£0.08

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