

# Stratex International (STI LN)

BUY

## Flash Note

Price target: £0.125

## Mining

24 June 2011

## Vote of confidence from mining heavyweight

## Event

Stratex announced that AngloGold Ashanti is taking an 11.5% stake in the Company. AngloGold will subscribe for 38 860 104 Stratex Ordinary Shares at 7.72 p, raising £3 million. The subscription price represents a 10% premium to the previous 20 day trading average. The funds will be used in part to fast-track exploration in the Afar Epithermal Gold Province in Ethiopia and Djibouti.

## Comment

This is an excellent development for Stratex and highlights the value that the strategic thinking of management has added to the company. Stratex now have a strong track record of forming alliances with powerful mining heavyweights, which started with the involvement of Teck Cominco and Centerra, and most recently involved the signing of an alliance with Antofagasta Minerals for exploration in Turkey.

This latest development has the effect of de-risking of the Afar exploration programme. Stratex were approaching the situation where they were running out of money to continue its aggressive exploration programme and were going to have to look to the market for more cash. Now they are well placed to fully complete the drilling programme in the region as well as continue the development of their assets in Turkey.

It also shows how much confidence AngloGold have both in the management of Stratex and in the prospectivity of the geology of the region, still vastly underexplored. AngloGold are currently in a JV agreement for the Afar Project and are now buying into Stratex's other assets in East Africa. As part of the subscription, Stratex have agreed to spend approximately one third of the new funds in East Africa.

Stratex are also considering spinning off its East Africa assets if the exploration results including drilling from the current programme on Megenta prove to be positive. Although we don't see this as having any immediate benefit to our share price target, it will have the effect of focussing the company geographically which will assist investors to make choices between the higher risk, less mature assets in East Africa and the lower political risk, close production assets in Turkey.

## Recommendation

We retain our Buy recommendation with a target price of 12.5 p per share.

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)	-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

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## Stock Data

Current Price:	£0.085
52 - wk Range:	£0.03-0.105
12 month target:	£0.125
Market Cap (M):	£25.4
EV (M):	£24.4

## 52 Week range

3.0	8.5	10.5
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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 Altıntepe, Inlice, Öksüt and Muratdere Projects, of which Altıntepe and Inlice are at scoping and feasibility stages respectively.

## Analysts

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## 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 24 June 2011

Company Name	Disclosure
Stratex International (STI)	7

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**24 June 2011**

Company	Ticker	Recommendation	Date	Target Price	Last Price
Mining					
African Barrick Gold	ABG LN Equity	BUY	17.05.11	£5.47	£4.06
Alexander Nubia	AAN CN Equity	BUY	18.04.11	C\$0.75	C\$0.13
Angel Mining	ANGM LN Equity	BUY	03.03.10	£0.16	£0.02
Antofagasta	ANTO LN Equity	SELL	09.06.11	£9.69	£12.95
Atlantic Coal	ATC LN Equity	BUY	08.06.11	£0.011	£0.004
Centamin Egypt	CEY LN Equity	BUY	17.05.11	£1.86	£1.24
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	£0.74
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\$0.635
Hambledon Mining	HMB LN Equity	BUY	12.05.11	£0.084	£0.04
Highland Gold	HGM LN Equity	BUY	22.06.11	£1.98	£1.56
Hochschild Mining	HOC LN Equity	BUY	12.05.11	£6.33	£4.43
KEFI Minerals	KEFI LN Equity	HOLD	21.06.11	NA	£0.05
Kryso Resources	KYS LN Equity	BUY	21.04.10	£0.22	£0.18
Lydian International	LYD CN Equity	BUY	23.06.11	C\$3.84	C\$2.45
Minera IRL	MIRL LN Equity	BUY	14.06.11	£1.23	£0.67
Paragon Diamonds	PRG LN Equity	BUY	06.06.11	£0.43	£0.26
Randgold Resources	RRS LN Equity	BUY	11.05.11	£55.65	£50.30
Stratex International	STI LN Equity	BUY	22.06.11	£0.13	£0.09

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