



27 June 2011

Price

8.7p

WESTHOUSE**BUY**

Target price

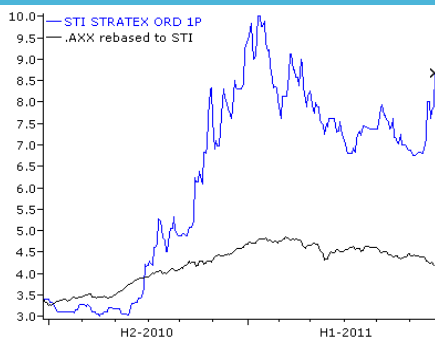
13.0p

Stratex International plc*Mining***AngloGold Ashanti takes an 11.5% stake in Stratex International****Key data**

Ticker	STI
Listing	AIM
No. of shares (m)	298.4
Market cap (£m)	25.9

Relative performance

Over:	1mn	3mn	12mn
Perf (%)	+29.9	+29.0	+105.7

Price/AIM All-Share rebased to STI

Unless otherwise stated, all pricing in this report is from Fidessa, as of 27 June 2011.

Marketing communication

Westhouse Securities acts as nomad and broker to Stratex International

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Stratex International given strong endorsement by AngloGold Ashanti

AngloGold Ashanti (AngloGold) is acquiring an 11.5% stake in Stratex International plc (Stratex) for £3m via a private placement. Stratex's Board also announced that spinning off the East African assets is one option it may pursue to help realise their value. Should this happen, Stratex will endeavour to enable AngloGold to subscribe for at least 10% of the spin-off, provided the latter's stake is at least 10% at that time. AngloGold's involvement demonstrates the highly prospective nature of the Afar region.

Key points

- AngloGold is acquiring an 11.5% stake in Stratex for £3m; Stratex will look to enable AngloGold to acquire 10% of any East African asset spin-off.
- AngloGold already has an interest in some of the East African assets, through the JV held by Thani Ashanti on the Afar Project.
- This added interest, by one of the majors, demonstrates how high the potential is in East Africa, especially in the Afar region of the Rift Valley, something we feel has not been properly understood by the market.
- In our current model, the East African assets account for roughly 1p of Stratex's valuation; however, these assets clearly hold significant upside potential.
- This announcement comes on the back of news last month of support from another major, Antofagasta Minerals (a subsidiary of Antofagasta plc), which has entered a strategic alliance with Stratex to explore for copper and copper/gold deposits in Turkey.
- Stratex is due to enter gold production in H1 2012. Its stock price could also benefit from a re-rating as it moves from explorer/developer to producer.

This news supports our belief that Stratex is in the process of uncovering a new mineral district in East Africa. AngloGold's interest clearly shows the potential it believes the region has, despite exploration being early stage. By making this deal, AngloGold has put itself in pole position for any future developments. Whichever way it pans out, Stratex's investors are likely to end up benefiting. We continue to rate Stratex as a BUY.

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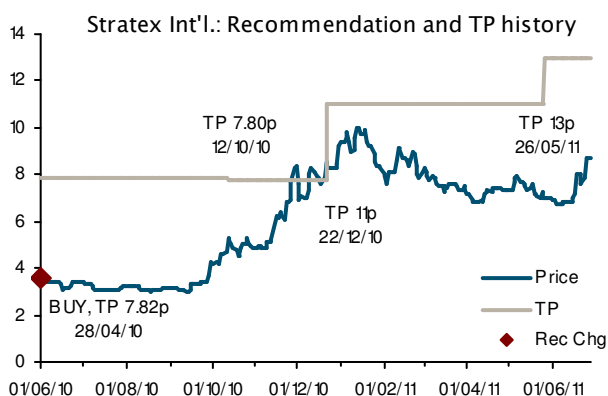
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Recommendation and target price history



Stratex International

Valuation basis

Our TP for Stratex is derived on a sum-of-the-parts basis, using DCF valuations for Inlice and Altintepe; the dollar values committed by JV partners for the other projects; and cash and investments.

Risks to our valuation

Exploration is speculative and the announcement of a resource does not indicate that the resource is economic. Other risks include currency risk and fluctuations in the gold price.

This recommendation was first published on 7 May 2009.

SOURCE: Bloomberg, Westhouse Securities estimates.



WESTHOUSE

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ACCUMULATE: Forecast absolute total return of between +5% and +15%.
HOLD: Forecast absolute total return of between -5% to +5%.
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Total return is defined as the movement in the share price over a 12-month period, and includes any dividends paid.

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Equities recommendation breakdown: 31 March 2011	BUY	ACC.	HOLD	RED.	SELL
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Companies to which Westhouse has supplied investment banking services	94.7%	0.0%	5.3%	0.0%	0.0%