



MINING

12th December 2012

STRATEX INTERNATIONAL

BUY*

SALE OF ÖKSÜT FOR \$20m & 1% NSR

5.3p[#]

Year-end Dec	2010A	2011E	2012E	2013E
Revenue (£m)	-	-	-	-
EBITDA (£m)	(1.1)	(2.0)	(2.1)	(2.2)
Adj. Pre-tax Profit (£m)	(0.4)	(2.1)	15.3	0.4
Adj. EPS (p)	(0.1)	(0.5)	3.3	0.1
DPS (p)	-	-	-	-
Net Cash/(Debt) (£m)	0.6	3.0	15.3	14.0
P/E (x)	(35.6)	(10.0)	1.5	57.1
Dividend yield (%)	-	-	-	-
EV/EBITDA (x)	(13.8)	(8.9)	(3.3)	(3.7)

SOURCE: Northland Capital Partners Limited estimates

[#]Priced at market close, 11/12/12

*Northland Capital Partners Limited is Broker to Stratex International and therefore this information should be viewed as Marketing Material.

The sale of Öksüt to JV partner Centerra for an initial \$20m and up to \$40m gives Stratex considerable cash and represents a substantial return on investment. The increased funds will be used to continue work at its potentially higher impact exploration projects and expend on potential acquisitions. We estimate the total consideration of the deal to be £16.7m based on the current resource (initial cash plus 1% NSR), though a significant resource upgrade is expected in Q113 on the basis of this season's drilling that has included multiple intersections of over 200m at >2g/t Au. This resource upgrade would boost the inflows from the NSR and increase our price target. We anticipate completion in Q113. We had valued Stratex's 30% interest in the Öksüt project at £33.6m and 45% interest in the Inlice project at £3.5m (now valued at £2.5m) and hence reduce our price target to 12.8p from 17.1p, but maintain our BUY rating.

- **Dollar per ounce value of sale:** Based on the current resource estimate the deal values Stratex's 315,000oz Au at the Öksüt project at \$64/oz for the cash payment of \$20m and at \$86/oz Au based on our estimate of the total consideration.
- **Other relevant market deals done this year:** include the Argonaut Gold Inc. (AR.TSX) all paper acquisition of Prodigy Gold Inc. (PDG.TSXV) that was valued at c. \$50/oz Au (07/12/12) and the Yamana Gold Inc. (YRI.TSX) cash and paper acquisition of Extorre Gold Mines (XG.TSX) that was valued at c. \$170/oz Au eq. (22/08/12).
- **Impressive return on capex:** Stratex only spent \$1m on the Öksüt project and has returned at least a twentyfold increase on its investment with the potential for it to be higher with the NSR. The deal will allow the Stratex to expand its objectives and accelerate the growth of the company.

Key Data	
Rating (12 month)	BUY
Price Target	12.8p (from 17.1p)
Risk	High
Sentiment	Positive
Ticker	STI.L
Shares in issue	466.76m
Market cap	£25m
12-mth price range	10.6p-4.3p
Net cash	£4.4m
Next event	March 13 FY12 Results

COMPANY DESCRIPTION

Stratex International is a gold and base metals exploration and development company with key assets in Turkey, East Africa and West Africa. The company has a gross resource of 2.3moz Au before JV interests/options (net 1.1moz Au) and is actively exploring through several JV partnerships with major operators.

CONTACTS

ANALYST

Dr Ryan D. Long +44 (0)20 7796 8847
rlong@northlandcp.co.uk

GENERAL

T: +44 (0)20 7796 8800
F: +44 (0)20 7796 8802
STX: 72222
E: info@northlandcp.co.uk
Website: www.northlandcp.co.uk



INVESTMENT APPRAISAL

Stratex International has agreed to divest its 30% stake in the Öksüt project, Turkey to JV partner Centerra for \$20m and 1% Net Smelter Return (NSR) up to the value of \$20m. The sale makes sense as to maintain its stake in the project the company would have had divert significant funds away from its potentially higher impact exploration projects where it has majority control.

\$20m & 1% NSR

We have calculated that the total consideration of this sale to be £16.7m, taking into account the 1% NSR on the current resource, though this is likely to be revised upwards as we are anticipating a resource upgrade at the project in Q113.

We estimate total consideration to be £16.7m

Our NPV10 valuation of Stratex's interest in the Öksüt project was £33.6m and 45% interest in the Inlice project was £3.5m (now valued at £2.5m), leading us to downgrade our Stratex price target to 12.8p from 17.1p. This however, doesn't demonstrate the impressive return that Stratex has generated from the project. Stratex has spent a total of \$1m on the project and will receive a minimum of \$20m plus a 1% NSR. A summary of our valuation of Stratex can be seen in the table below.

Our NPV10 valuation was £33.6m

Importantly the Öksüt sale combined with the sale of 51% of the Muratdere project (£1m) and Stratex's 45% interest in the Inlice project (£2.5m) means Stratex will end FY13 with an impressive cash balance of around £15m. This separates the company from the majority of other explorers who are struggling to raise funds in difficult market conditions and puts the company in a position of strength when looking for potential acquisitions.

FY13 cash balance of c. £16m

Stratex will now look to extend its exploration programmes in the Ethiopian Rift Valley and Arabian Nubian Shield, and expand its exploration effort in Senegal and elsewhere in West Africa. In Turkey, production is still expected in FY13 from Altintepe and the company plans to use its Turkish team and knowledgebase of the country and adjacent territories to continue building its extensive portfolio.

VALUATION SUMMARY

Project	Valuation (\$m)	Valuation (£m)	Valuation per share (p)
Inlice	4.03	2.50	0.5
Altintepe	28.81	17.88	3.8
Öksüt NSR	6.87	4.26	0.9
Muratdere - copper	14.09	8.75	1.9
Muratdere - gold	9.74	6.04	1.3
Other projects	4.25	2.64	0.6
Cash expected from sale of 51% interest in Muratdere	1.70	1.05	0.2
Cash expected from sale of 30% interest in Öksüt	20.00	12.41	2.7
Cash	7.09	4.40	0.9
Total	96.6	59.9	12.8

SOURCE: Northland Capital Partners Limited estimates

VALUATION OF 1% NSR FOR ÖKSÜT

Öksüt NSR	2013	2014	2015	2016	2017	2018	2019	2020	2020	2020	
Years	1	2	3	4	5	6	7	8	9	10	Total
Volume extracted (oz)	oz	120,000.0	120,000.0	120,000.0	120,000.0	120,000.0	120,000.0	120,000.0	120,000.0	120,000.0	1,080,000.0
Revenues	\$	182,196,000.0	182,196,000.0	182,196,000.0	182,196,000.0	182,196,000.0	182,196,000.0	182,196,000.0	182,196,000.0	182,196,000.0	1,639,764,000.0
Opex	\$	-51,000,000.0	-51,000,000.0	-51,000,000.0	-51,000,000.0	-51,000,000.0	-51,000,000.0	-51,000,000.0	-51,000,000.0	-51,000,000.0	-459,000,000.0
Operating profits	\$	131,196,000.0	131,196,000.0	131,196,000.0	131,196,000.0	131,196,000.0	131,196,000.0	131,196,000.0	131,196,000.0	131,196,000.0	1,180,764,000.0
Discount factor timing			2.0	3.0	4.0	5.0	6.0	7.0	8.0	9.0	10.0
Discount factor			0.8	0.8	0.7	0.6	0.6	0.5	0.5	0.4	0.4
NPV10%	\$	108,426,446.3	98,569,496.6	89,608,633.3	81,462,393.9	74,056,721.7	67,324,292.5	61,203,902.3	55,639,911.1	50,581,737.4	686,873,535.1
RISK	%		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Valuation	\$	108,426,446.3	98,569,496.6	89,608,633.3	81,462,393.9	74,056,721.7	67,324,292.5	61,203,902.3	55,639,911.1	50,581,737.4	686,873,535.1
1% NSR valuation	\$	1,084,264.5	985,695.0	896,086.3	814,623.9	740,567.2	673,242.9	612,039.0	556,399.1	505,817.4	6,868,735.4

SOURCE: Northland Capital Partners Limited estimates



FORECASTS

Income statement						
Year to 31st December (£m)	2009A	2010A	2011A	2012E	2013E	2014E
Revenue	-	-	-	-	-	-
Other income/(loss)	(0.0)	0.1	0.9	-	-	-
Total income	(0.0)	0.1	0.9	-	-	-
Issue of shares other than for cash	(0.4)	-	-	-	-	-
Corporate expenditure	(1.3)	(1.7)	(2.0)	(2.0)	(2.1)	(2.2)
Impairment charges	(0.5)	(0.1)	(0.1)	-	-	-
Total costs	(2.2)	(1.8)	(2.1)	(2.0)	(2.1)	(2.2)
EBIT	(2.2)	(1.7)	(1.2)	(2.0)	(2.1)	(2.2)
Financial income	0.0	0.0	0.0	0.0	0.0	-
Financial expense	-	-	-	-	-	-
Net financing income	0.0	0.0	0.0	0.0	0.0	-
Post tax associate income from Altintepe	-	-	-	-	1.5	2.7
Gain/(loss) of associate	-	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)
Gain/(loss) on acquisition/sale	-	(1.1)	0.8	-	16.0	-
Profit/(loss) before tax	(2.1)	(2.9)	(0.5)	(2.1)	15.3	0.4
Taxation credit/(expense)	(0.0)	(0.0)	0.1	-	-	-
Profit/(loss) for the year	(2.1)	(2.9)	(0.4)	(2.1)	15.3	0.4
Exchange differences on translating foreign operations	(0.4)	(0.3)	(0.7)	-	-	-
Profit/(loss) for the year	(2.6)	(3.1)	(1.2)	(2.1)	15.3	0.4
Profit/(loss) for the year attributable to:						
Equity holders of the parent company	(2.1)	(2.9)	(0.4)	(2.1)	15.3	0.4
Non-controlling interest (minorities)	-	-	-	-	-	-
EPS analysis:						
From continuing operations						
Basic profit/(loss) (p)	(0.9)	(1.0)	(0.1)	(0.5)	3.3	0.1
Diluted profit/(loss) (p)	(0.8)	(0.9)	(0.1)	(0.5)	3.2	0.1

SOURCE: Northland Capital Partners Limited estimates



Cash flow						
Year to 31st December (£m)	2009A	2010A	2011A	2012E	2013E	2014E
Operating profit (EBIT)	(2.2)	(1.7)	(1.2)	(2.0)	(2.1)	(2.2)
Net interest (cash paid)	0.1	0.0	0.0	0.0	0.0	0.0
Depreciation and Amortisation	0.1	0.1	0.1	0.0	0.0	0.0
Impairments	0.5	0.1	0.1	0.0	-	-
Post tax associate income from Altintepe	-	-	-	-	1.5	2.7
Other	(0.0)	(0.0)	(0.1)	-	-	-
Cash in	(1.6)	(1.5)	(1.1)	(2.0)	(0.6)	0.5
Debtors less creditors	0.0	(0.4)	0.6	-	-	-
Tax paid	-	-	-	-	-	-
Cash out	0.0	(0.4)	0.6	-	-	-
Gross trading cash flow*	(1.6)	(1.9)	(0.5)	(2.0)	(0.6)	0.5
Capital expenditure	(0.0)	(0.2)	(0.1)	(0.1)	(0.1)	(0.1)
Exploration costs	(1.0)	(1.7)	(4.5)	(6.4)	(6.4)	(3.1)
Net trading cash flow	(2.6)	(3.8)	(5.0)	(8.5)	(7.1)	(2.7)
Acquisitions & investments	(0.0)	(0.0)	(1.0)	(0.1)	(0.1)	(0.1)
Sale of fixed assets & investments	-	0.7	0.8	-	16.0	-
Issue of share options	0.2	0.0	0.1	-	-	-
Issue of shares (net)	0.4	1.3	4.5	7.6	-	-
Funds from JV partner	0.5	1.4	2.8	2.4	2.0	1.5
Gain/(loss) from non-controlling interest in subsidiary	-	-	0.3	-	-	-
Exchange Rate Movements	(0.0)	(0.2)	(0.5)	-	-	-
Change in net cash and cash equivalents	(1.6)	(0.7)	2.0	1.5	10.8	(1.3)
Net cash and cash equivalents	1.7	1.0	3.0	4.5	15.3	14.0

SOURCE: Northland Capital Partners Limited estimates



Balance sheet						
Year to 31st December (£m)	2009A	2010A	2011A	2012E	2013E	2014E
Share capital	2.5	2.9	3.5	4.7	4.7	4.7
Share premium account	8.4	9.3	13.2	20.4	20.4	20.4
Retained earnings/losses	(3.0)	(7.7)	(8.1)	(10.1)	6.6	7.0
Other Reserves (incl. Foreign currency reserve)	0.6	0.0	(0.6)	(0.4)	(0.6)	(0.8)
Non-controlling interest (minorities)	-	-	0.1	0.1	0.1	0.1
Differed tax, provisions & retirement benefit obligations	-	-	-	-	-	-
Long term debt	0.5	1.4	0.5	0.5	-	-
Short term debt	0.1	0.1	2.0	1.0	-	-
Capital employed	9.2	6.0	10.7	16.2	31.2	31.4
Intangibles and goodwill	0.1	2.5	5.2	9.2	13.6	15.2
Fixed assets	0.0	0.3	0.2	0.2	0.3	0.4
Investments/assets held for sale	0.0	0.6	0.3	-	-	-
Investments in subsidiaries	4.9	0.1	0.3	1.4	1.1	1.0
Stocks	-	-	-	-	-	-
Debtors less creditors (incl. Loans receivable)	2.4	1.4	1.4	0.7	0.7	0.6
Differed tax	-	0.2	0.2	0.2	0.2	0.2
Cash & Equivalent (unrestricted)	1.7	1.0	3.0	4.5	15.3	14.0
Cash (restricted)	-	-	-	-	-	-
Capital employed	9.2	6.0	10.7	16.2	31.2	31.4

SOURCE: Northland Capital Partners Limited estimates



DISCLOSURES

ISSUER		APPLICABLE DISCLOSURES
Stratex International	STI.L	1, 5, 7, 8, & 9

1. Northland Capital Partners Limited ("Northland") acts as Nominated Advisor and/or broker to the company.
2. Northland and/or its affiliates companies do beneficially own 1% or more of any class of the issuer's equity securities, as of the end of the month immediately preceding the date of issuance of the research report or the end of the second most recent month if the issue date is less than 10 calendar days after the end of the most recent month.
3. The authoring analyst or any associate of the authoring analyst does maintain a long or short position in any of the issuer's securities directly or through derivatives, including options or futures positions.
4. Northland, its affiliated companies, partners, officers, directors or any authoring analyst of Northland has provided services to the issuer for remuneration during the preceding 12 months other than investment advisory or trading services.
5. Northland or any of its affiliated companies has performed investment banking services for the issuer during the 12 months preceding the date of issuance of the report.
6. A partner, director, officer, employee or agent of Northland or any of its affiliated companies is an officer, director, employee or advisor of the issuer. Disclosures are applicable for all companies
7. The authoring analyst, or any associate of the authoring analyst, has viewed the material operations of the issuer.
8. The authoring analyst, or any associate of the authoring analyst, received reimbursement for travel expenses.
9. Northland makes a market in the securities of this company.

DISCLAIMER

This document is provided solely to enable clients to make their own investment decisions. It may therefore not be suitable for all recipients and does not constitute a personal recommendation to invest. It does not constitute an offer or solicitation to buy or sell securities or instruments of any kind. If you have any doubts about the suitability of this service, you should seek advice from your investment adviser. This document is produced in accordance with UK laws and regulations. It is not intended for any person whose nationality or residential circumstances may render its receipt unlawful.

The past is not necessarily a guide to future performance. The value of shares and the income arising from them can fall as well as rise and investors may get back less than they originally invested. The information contained in this document has been obtained from sources which Northland Capital Partners Limited believes to be reliable. The Company does not warrant that such information is accurate or complete. All estimates and prospective figures quoted in this report are forecasts and not guaranteed. Opinions included in this report reflect the Company's judgement at the date of publication and are subject to change without notice. If the investment(s) mentioned in this report are denominated in a currency different from the currency of the country in which the recipient is a resident, the recipient should be aware that fluctuations in exchange rates may have an adverse effect on the value of the investment(s). The listing requirements for securities listed on AIM or PLUS markets are less demanding, also trading in them may be less liquid than main markets.

Northland Capital Partners Limited and/or its officers, associated entities or clients may have a position, or other material interest, in any securities mentioned in this report. Northland Capital Partners Limited does not provide recommendations on securities of firms with which it has a corporate relationship. More information about our management of Conflicts of Interest, Investment Research Methodology & Definition of Recommendations can be found at www.northlandcp.co.uk

Northland Capital Partners Limited is authorised and regulated by the FSA and a Member of the London Stock Exchange.

Published by/copyright: Northland Capital Partners Limited, 2012. All rights reserved



CONTACTS

RESEARCH

Building Materials	Simon Brown	+44 (0)20 7796 8844	sbrown@northlandcp.co.uk
Hardware, Software & IT Services	David Johnson	+44 (0)20 7796 8840	djohnson@northlandcp.co.uk
Housebuilders	Simon Brown	+44 (0)20 7796 8844	sbrown@northlandcp.co.uk
Infrastructure	Andy Hanson	+44 (0)20 7796 8842	ahanson@northlandcp.co.uk
Media	David Johnson	+44 (0)20 7796 8840	djohnson@northlandcp.co.uk
Mining	Andrew McGeary	+44 (0)20 7796 8843	amcgeary@northlandcp.co.uk
Mining	Ryan Long	+44 (0)20 7796 8847	rlong@northlandcp.co.uk
Mining	Simon Brown	+44 (0)20 7796 8844	sbrown@northlandcp.co.uk
Oil & Gas	Andrew McGeary	+44 (0)20 7796 8843	amcgeary@northlandcp.co.uk
Support Services	Andy Hanson	+44 (0)20 7796 8842	ahanson@northlandcp.co.uk
Telecoms	David Johnson	+44 (0)20 7796 8840	djohnson@northlandcp.co.uk

SALES & BROKING

John Howes	+44 (0)20 7796 8870	jhowes@northlandcp.co.uk
Alice Lane	+44 (0)20 7796 8852	alane@northlandcp.co.uk
John-Henry Wicks	+44 (0)20 7796 8854	jwicks@northlandcp.co.uk

TRADING & MARKET MAKING

Zeg Choudhry	+44 (0)20 7796 8863	zchoudhry@northlandcp.co.uk
Ian Jones	+44 (0)20 7796 8868	ijones@northlandcp.co.uk

CORPORATE FINANCE

Tim Metcalfe	+44 (0)20 7796 8824	tmetcalfe@northlandcp.co.uk
Luke Cairns	+44 (0)20 7796 8820	lcairns@northlandcp.co.uk
Louis Castro	+44 (0)20 7796 8821	lcastro@northlandcp.co.uk
Gavin Burnell	+44 (0)20 7796 8826	gburnell@northlandcp.co.uk
Edward Hutton	+44 (0)20 7796 8828	ehutton@northlandcp.co.uk
Matthew Johnson	+44 (0)20 7796 8829	mjohnson@northlandcp.co.uk
Lauren Kettle	+44 (0)20 7796 8830	lkettle@northlandcp.co.uk
William Vandyk	+44 (0)20 7796 8822	wvandyk@northlandcp.co.uk

Northland Capital Partners Ltd research is available on Bloomberg, Capital IQ, FactSet, & ThomsonReuters on-line platforms.
Please contact a Northland Capital Partners Ltd sales representative for entitlement through these channels