



## STRATEX INTERNATIONAL

BUY\*

### Altintepe production Q115 and Thani Stratex Resources

2p<sup>#</sup>

Year-end Dec	2013A	2014E	2015E	2016E
Revenue (£m)	-	-	-	-
EBITDA (£m)	(3.8)	(2.4)	(2.6)	(2.7)
Adj. Pre-tax Profit (£m)	(3.6)	(2.6)	0.1	0.3
Adj. EPS (p)	(0.8)	(0.5)	0.0	0.1
DPS (p)	-	-	-	-
Net Cash/(Debt) (£m)	(1.1)	4.2	2.9	2.2
P/E (x)	(2.5)	(3.8)	178.4	32.6
Dividend yield (%)	-	-	-	-
EV/EBITDA (x)	(2.9)	(2.4)	(2.7)	(2.8)

#### Key data

Rating (12 month)	BUY
Price Target	7.7p (from 9.3p)
Risk	High
Sentiment	Positive
Ticker	STI.L
Shares in issue	467.3m
Market cap	£9.7m
12-mth price range	2p-4.5p
Net cash (H114)	£6.2m
Next event	Production Q115

SOURCE: Northland Capital Partners Limited estimates

<sup>#</sup>Priced at market close, 27/10/2014

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

Stratex is now on the verge of making the transition from developer to producer with maiden gold production at the Altintepe Project (45% owned by Stratex), located in Turkey. Construction is expected to be completed before the end of 2014 with first gold production in Q115. Stage 1 production will focus on the 135koz Çamlık East oxide resource and is expected to last for 34 months, producing c. 110,000oz Au in total. We expect the mine to generate net profits due to Stratex of £2.7m in FY15, £3.1m in FY16 and £4.3m in FY17, during stage 1. While the accelerated capex repayment is being made to its JV partner and the mine is ramping up, the funds generated from the production lead us to forecast that Stratex will make a profit of £0.1m in FY15, rising to £0.3m in FY16. Once the accelerated capex repayment is complete this will increase to and £1.6m in FY17.

- **Stage 2:** The JV partnership has commenced an infill drill programme on the second target, the c. 154,000oz Au Extension Ridge zone to improve the confidence level of the mineral resource estimate, alongside further metallurgical test work. Once completed we expect this to be incorporated into the mine plan, potentially along with other zones of mineralisation, extending the mine's life.
- **Thani Stratex Resources:** Stratex and Thani Emirates Resources Holdings have agreed to combine their East African assets into new company, Thani Stratex Resources of which Stratex owns 40% and Thani 60%. Stratex will vend in its assets in Ethiopia and Djibouti, including its Pandora and Blackrock licences. Thani will vend in its Egyptian assets, including the Wadi Kareem and Hodine concessions that has a non-JORC resource estimate of 520,000oz Au at a grade of 2g/t.
- **Valuation:** We have updated our forecasts and valuation based on increased level of guidance for the Altintepe project and lower corporate overheads. We have also updated our valuation of the Company's other projects and interests including the 40% stake in Thani Stratex Resources and as a result our price target has reduced to 7.7p (from 9.3p). This still represents 270% upside to the current share price and we retain our BUY rating.

#### 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 discovered more than 2.2moz of gold and is actively exploring all three territories through several JV partnerships with major operators.

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## INVESTMENT APPRAISAL

On the surface our £36m valuation for Stratex International, a 270% premium to the current market price, looks demanding. We fully recognise that the market has little interest in exploration stocks and that investors are wary of weak commodity prices, geopolitical risk and the substantial dilution that is often associated with exploration plays. However, Stratex is an explorer with interests in assets that are moving into production and will generate significant cash flow. Stratex can use this cash to advance its other earlier stage projects with a substantially reduced risk of equity dilution.

**We value Stratex at £36m**

We have revisited our valuation, based on the updated information from Altintepe and market sentiment to the sector and find it difficult to arrive at a lower valuation than £36m. Here we break down our valuation to individual components so the reader can draw their own conclusions.

We currently value Stratex's interest in the Altintepe project at £15.4m. We expect Stratex to receive a total of c. £40m in cash from the mine, assuming conservative gold prices and a limited mine life of eight years that is likely to be extended. As a result we feel that a £15.4m valuation is conservative. If we stress test our model and assume the mine's life is 50% of the eight years we have factored into our valuation we would still value the project at over £9m. If we increase operational costs by 50% we would also still value the project at over £9m. As a result, this project alone justifies the Company's current market cap ignoring its significant cash position.

**We value Stratex's interest in Altintepe at £15.4m**

We value Stratex's stake in Muratdere its other development project, at £6.1m. In our model for the project, we assume that only 81,470t of the contained 186,000t is extracted and place a 55% discount to reflect the project's development stage and geopolitical risk to our valuation, which is similarly conservative.

**We value Stratex's interest in Muratdere at £6.1m**

Stratex also retains a 1% royalty at Centerra's Öksüt gold project capped at \$20m. In our valuation we value this royalty at \$5m (£3.1m).

**We value Stratex's Öksüt royalty at £3.1m**

Also factored into our valuation is our estimate of the Company's net cash position at the end of this financial year, £4.2m. Stratex had a net cash position of £6.2m at its interim results and has since reduced its administrative expenses, so we feel comfortable that this will be achieved.

**Just on development projects and cash we value Stratex at £29m**

Based solely on Stratex's interests in its development projects and net cash position the fair value of the Company is c. £29m. If we were take a highly negative view on valuation and use the £9m valuation of for Altintepe and also remove the Öksüt royalty our valuation would be £19.3m, completely ignoring its other interests.

Stratex's latest deal with Thani Emirates Resources Holdings will give it a 40% interest in the new private company, Thani Stratex Resources. Thani Stratex Resources will have \$2m of cash and a portfolio that includes the Pandora and Blackrock licences, where widespread epithermal gold mineralisation has been defined, and the Wadi Kareem and Hodine concessions that has a non-JORC resource estimate of 520,000oz Au at a grade of 2g/t. In this context our valuation of in this at £3.8m for Stratex's interest is undemanding.

**We value Stratex's Thani Stratex Resources interest at £3.8m**

Stratex made an exciting discovery this year in Senegal at its Dalafin project, where results to date include 12m at 7.09g/t Au from 18m (FADD-025), 10m at 4.31g/t Au (FADD-16), 23.5m at 1.41g/t Au (FADD-23) and 19.5m at 1.08g/t Au (FADD-21). We only value this project and Stratex's other West African interests at £2.4m.

**We value Stratex's Dalafin project at £2.4m**

Stratex's holding in Tembo Gold Corporation, likely stake in Goldstone Resources, and joint venture with mining major Antofagasta we value at £0.2m, £0.5m and £0.2m, respectively.

**We value Stratex's other projects at £0.9m**



Taking all this into account it is difficult to see why Stratex shouldn't be valued at £36m. We believe the complexity and variety for Stratex's portfolio makes it difficult for investors to fully understand the value that is contained within its various interests and projects, but we feel confident that our price target of 7.7p per share, a 270% upside on the current share price is both fair and right.

**270% upside to current market price**

## ALTINTEPE

Initial gold production at the Altintepe Project is a major development for Stratex International that will allow them to move from developer to producer, generating cash of c. £2.7m in FY15, £3.1m in FY16 and £4.3m in FY17, from stage 1. We expect production to continue beyond stage 1 as further drilling brings the existing resources from other zones into the mine plan.

**Altintepe to generate cash of £2.7m for Stratex in FY15**

Maiden production is likely to be a significant share price catalyst for the Company as not only will it provide it with sustained cash flow, but it will continue to demonstrate Stratex's ability to monetise its discoveries, differentiating it from numerous other juniors in the space.

During stage 1 (34 months) we are forecasting the Altintepe mine to produce an average of c. 35,000oz of gold and 72,000oz of silver per annum (Bahar have committed to a minimum 30,000 oz of gold but we expect this to be higher). In stage 1 the mine will focus on the oxide portion of the resource at the 135koz Au Çamlık East zone and as a result has a very low AISC of around \$540/oz Au (includes sustaining capital and exploration cost estimates). This generates an average net profit to Stratex of \$6m per annum.

**Low AISC \$540/oz Au**

The volumes of production, recoveries, grades and timeframe of stage 2 are yet to be defined, so in our model we conservatively assume around 32,000oz of gold and 62,000oz of silver are produced per annum at a grade and recovery in line with stage 1 over five years. Based on this we expect the mine to generate profits due to Stratex of c. \$9m per annum.

**Stage 2 yet to be defined**

Stratex initially receives 20% of the profits until partner Bahar has been repaid the agreed initial capital expense of \$39m. In our model we also assume that the indirect capex of \$8.5m, for items such as vehicles, office equipment and others, is also preferentially repaid to the provider of the finance. Following this, Stratex will receive 45% of the profits (c. mid-2016).

It is important to highlight that to move the Altintepe project to production Stratex didn't have to commit to any of the development costs and only spent \$1.5m on exploration on the project before Bahar farmed in. Based on this, Stratex's IRR for just the stage 1 production at the project is c. 300%, an impressive return for investors.

**Stratex's return on investment c. 300%**

Stratex has consistently made discoveries and monetised or advanced them. Altintepe will be the Company's first regular cash generating asset but both the 1% NSR at the Öksüt project, located in Turkey, and the 39% interest in the Muratdere project, also located in Turkey, are likely to be other sources of cash flow in the near to medium term.

**Other projects will generate additional cash near to medium-term**

Stratex's strategy of getting partners to farm in to its discoveries and advance them, not only means that it has reduced its capital commitments or, as at Altintepe, is free carried to production, but it also allows the team to focus on doing what it does best, making discoveries. This is demonstrated by its significant discovery this year at the Dalafin project, located in Senegal.

**Discovery at Dalafin**

The regular cash flow from Altintepe will allow Stratex to advance its projects further up the value chain before monetising its interests through sales or even move them to production. As a result we continue to expect to see the Company to grow and deliver value to its shareholders.

## PROCESSING FLOW SHEET

The ore from the Çamlık East zone will be processed through a 500t per hour three-stage crushing and screening unit and then to a mobile staking and agglomeration unit, where cyanide will be used to enhance the leaching process and reduce recovery times.

A 340m<sup>3</sup> per hour ADR plant will treat the pregnant (gold-bearing) solution and has a total refining capacity of 150,000oz per annum. The JV partnership is expected to produce between 30,000oz and 40,000oz per annum during stage 1.

**Capacity of 50,000oz Au**

## TAX INCENTIVES

The JV partnership has also negotiated a number of favourable tax incentives including;

- 100% exemption from customs duty on domestic and foreign machinery and equipment.
- 80% reduction in corporation tax up to a tax limit of 40% of the capital investment.
- The social insurance contributions for all mine employees will be paid by the Turkish Government for seven years.
- The project will receive interest repayment support on any Turkish Lira or foreign currency loan secured by the Company.
- 100% VAT exemption domestic and foreign machinery and equipment.

## THANI STRATEX RESOURCES

Stratex International and Thani Emirates Resources Holdings have reached an agreement to combine their East African assets into new company, Thani Stratex Resources of which Stratex owns 40% and Thani 60%.

**40% Stratex**

Stratex and Thani will each contribute US\$1m initial working capital to assess and add value to priority projects and third-party investment will be sought in the future to further advance the company's portfolio, prior to a planned listing on an appropriate stock exchange.

**\$2m in cash**

Stratex will vend in its assets in Ethiopia and Djibouti, including its Pandora and Blackrock licences and Thani will vend in its Egyptian assets, including the Wadi Kareem and Hodine concessions that has a non-JORC resource estimate of 520,000oz Au at a grade of 2g/t. Thani Stratex will also look at acquiring other assets in the region.

**520,000oz Au at 2g/t Au**

David Hall, Executive Director for East Africa, has been appointed CEO of the new company and has now stepped down from the Stratex board. David will concentrate on growing an enlarged portfolio in Thani Stratex, funding it and, subject to market conditions, taking it public. Stratex Chairman Christopher Hall will represent Stratex on Thani Stratex board.

**David Hall CEO**



The Thani Stratex new co is a good deal for Stratex shareholder because not only does it give them 40% ownership of 520,000oz Au but also gives them a partner with significant connections in the region and superior financial strength to move all the projects forward.

## VALUATION SUMMARY

We have lowered our valuation for the Altintepe project on the back of improved guidance from the Company (Table 1). The agreed initial capital expense that JV partner Bahar can recover from the project for the project is \$39m, in our model we also assume that the indirect capex of \$8.5m is funded on the same terms. The total capex spend for the project is expected to be \$47.5m higher than the \$35m we previously forecast.

**Capex of \$47.5m**

We generally assume \$1m of sustaining capex per annum during the mine's life but in FY16 there is jump to \$5.4m associated with the expansion of the leach pad as new zones come into production.

The all-in sustaining cash cost (AISC) for the stage 1 of production is estimated to be c. \$540/oz Au lower than the \$650/oz Au we previously forecast. The stage 1 AISC includes \$2m per annum of exploration expense that we assume will be needed to bring the remaining portions of the resource model into the mine plan.

**Stage 1 AISC \$540/oz Au**

In stage 2, we assume that there are no additional exploration costs and as a result we forecast a lower AISC of c. \$480/oz. These costs currently exclude the refining costs associated with upgrading the doré bars to bullion that is expected to be relatively minor.

The stage 1 mine life of 34 months is slightly shorter than the 40 months we previously expected. We have also shortened our stage 2 production expectations by two years given the uncertainty around the potential life of stage 2.

For stage 1, we assume production volumes of an average of c. 35,000oz Au and 72,000oz Ag per annum and an average of c. 32,000oz Au and 62,000oz Ag for stage 2. 30,000oz Au per annum is the minimum that Bahar is contracted to produce but the plant has the capacity to process up to 150,000oz per annum, leaving plenty of upside to our forecasts and valuation should Bahar increase production.

**Potential production upside**

Silver grades and recoveries for each stage have not yet been defined and as a result we conservatively assume grades of 5g/t recoveries of 40% leaving room for upside. Numerous other adjustments have been made, based on the increased level of detail given by the Company.

**Silver upside**

We have also made minor adjustments to our models for Öksüt and Muratdere projects with movements to the share price of both Tembo and Goldstone also reflected. Stratex has also given guidance that it has substantially reduced its corporate overheads by over 30% in Turkey, with further reductions across its other business units. As a result we have reduced our forecast administrative expenses to £2.5m in FY14 and £2.7m in FY15 (from £3.2m and £3.4m respectively). As a result of all the changes made we lower our price target to 7.7p per share (from 9.3p).

**Price target of 7.7p per share**



**TABLE 1: VALUATION SUMMARY**

Project/Investment	Updated valuation		Previous valuation	
	Valuation (£m)	Valuation per share (p)	Valuation (£m)	Valuation per share (p)
Altintepe	15.4	3.3	23.3	5.0
Muratdere	6.1	1.3	6.2	1.3
Öksüt NSR	3.1	0.7	4.6	1.0
Turkey - other	0.2	0.0	0.2	0.0
Turkey total	24.9	5.3	34.3	7.3
East Africa inc. Afar	3.8	0.8	2.3	0.5
Tembo (Stratex interest)	0.2	0.0	0.5	0.1
Goldstone (Stratex interest)	0.5	0.1	0.6	0.1
West Africa	2.4	0.5	2.4	0.5
Net Cash (debt)	4.2	0.9	3.5	0.7
<b>Total</b>	<b>35.8</b>	<b>7.7</b>	<b>43.6</b>	<b>9.3</b>

**SOURCE: Northland Capital Partners Limited estimates**



**DCF'S**

Altintepe Year to 31st December	Development	Stage 1			Total	Stage 2		Total
	2014E 0	2015E 1	2016E 2	2017E 3		2018E 4	2022E 8	
Gold price (\$/oz)	1,240	1,100	1,250	1,250	-	1,250	1,250	-
Silver price (\$/oz)	17	15	17	17	-	17	17	-
Ore mined (t)	278,731	1,247,730	1,363,955	590,834	3,481,250	1,000,000	1,000,000	5,000,000
Gold grade (g/t)	1.6	1.2	1.1	1.3	1.3	1.3	1.3	1.3
Contained gold (oz)	14,249	49,743	49,114	23,935	137,041	41,796	41,796	208,980
Silver grade (g/t)	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
Contained silver (oz)	44,807	200,577	219,261	94,979	559,624	160,754	160,754	803,769
Ore remaining on heap leach (t)	278,731	247,730	363,955	90,834	-	250,000	250,000	-
Heap gold grade (g/t)	1.6	1.2	1.1	1.3	1.3	1.3	1.3	1.3
Heap silver grade (g/t)	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
Ore milled (t)	-	1,278,731	1,247,730	863,955	3,390,416	840,834	1,000,000	4,840,834
Milled gold grade (g/t)	-	1.3	1.1	1.2	1.2	1.3	1.3	1.3
Milled silver grade (g/t)	-	5.0	5.0	5.0	5.0	5.0	5.0	5.0
Gold recovery (%)	-	80	80	80	80	80	80	80
Gold produced (oz)	-	43,292	36,708	26,688	106,689	28,021	33,437	161,768
Silver recovery (%)	-	40	40	40	40	40	40	40
Silver produced (oz)	-	82,224	80,231	55,554	218,009	54,067	64,301	311,273
Gold inventory (oz)	-	3,608	3,059	2,224	-	2,335	2,786	-
Gold sold (oz)	-	39,685	37,257	27,523	104,465	27,910	33,437	161,206
Silver inventory (oz)	-	6,852	6,686	4,629	-	4,506	5,358	-
Silver sold (oz)	-	75,372	80,397	57,610	213,379	54,191	64,301	310,544
Revenue (\$m)	-	44.8	47.9	35.4	128.1	35.8	42.9	206.8
Government royalty - 3.2% (\$m)	-	(1.4)	(1.5)	(1.1)	(4.1)	(1.1)	(1.4)	(6.6)
Teck royalty - 1.5% (\$m)	-	(0.7)	(0.7)	(0.5)	(1.9)	(0.5)	(0.6)	(3.1)
Opex per ounce (\$/oz)	-	(386)	(398)	(399)	(394)	(450)	(450)	(450)
Opex (\$m) FY14 opex rolled into FY15	(2.4)	(19.1)	(14.6)	(10.7)	(46.8)	(12.6)	(15.0)	(72.8)
Capex (\$m)	(47.5)	-	-	-	(47.5)	-	-	-
Sustaining capex (\$m)	(1.0)	(1.0)	(5.4)	(1.0)	(8.4)	(1.0)	(1.0)	(5.0)
Exploration and associated expense (\$m)	-	(2.0)	(2.0)	(2.0)	(6.0)	-	-	-
AISC (\$/oz)	-	(510)	(600)	(512)	(541)	(486)	(480)	(481)
Operating profit/(loss) (\$m)	(50.9)	22.7	25.9	21.7	25.4	22.2	26.8	129.0
Tax loss (\$m)	-	(3.4)	(3.4)	-	-	-	-	-
Taxable profits (\$m)	-	19.3	22.5	21.7	63.5	22.2	26.8	129.0
Tax - 4% Stage 1, 20% stage 2 (\$m)	-	(0.8)	(0.9)	(0.9)	(2.5)	(4.4)	(5.4)	(25.8)
Net profits/(loss) (\$m)	-	21.9	25.0	20.9	67.8	17.8	21.5	103.2
Profit/(loss) attributable to Bahar -80% then 55% (\$m)	-	17.5	20.0	14.0	51.5	9.8	11.8	56.8
Profit/(loss) attributable to Stratex -20% then 45% (\$m)	-	4.4	5.0	6.9	16.3	8.0	9.7	46.4
Discount factor timing (x)	-	0.3	1.3	2.3	-	3.3	7.3	-
Discount factor (x)	0.25	0.98	0.89	0.81	-	0.73	0.50	-
NPV10% (\$m)	-	4.3	4.4	5.6	-	5.9	4.8	42.5
RISK (%)	0.2	0.2	0.2	0.2	-	0.6	0.6	-
Valuation (\$m)	-	3.6	3.8	4.7	-	2.6	2.2	24.8

SOURCE: Northland Capital Partners Limited estimates, years 2019 to 2022 not shown

Öksüt NSR	2016	2017	2018	2019	2020	2027	
Year to 31st December	2	3	4	5	6	13	Total
Volume extracted (oz)	40,000	60,000	80,000	125,000	125,000	18,000	893,000
Revenues (\$m)	50.0	75.0	100.0	156.3	156.3	22.5	1,116.3
1% NSR undiscounted (\$m)	0.5	0.8	1.0	1.6	1.6	0.2	11.2
Discount factor timing (x)	1.3	2.3	3.3	4.3	5.3	12.3	-
Discount factor (x)	0.89	0.81	0.73	0.67	0.61	0.31	-
NPV10% (\$m)	44.4	60.5	73.4	104.2	94.7	7.0	642.4
RISK (%)	0.6	0.6	0.6	0.6	0.6	0.6	-
Valuation (\$m)	22.5	33.8	45.0	70.3	70.3	10.1	502.3
1% NSR valuation(\$m)	0.2	0.3	0.5	0.7	0.7	0.1	5.0

SOURCE: Northland Capital Partners Limited estimates, years 2022 to 2026 not shown

Muratdere	2015	2016	2017	2018	2019	2020	2021	
Year to 31st December	1	2	3	4	5	6	7	Total
Copper extracted (t)	-	-	16,294	16,294	16,294	16,294	16,294	81,470
Gold extracted (t)	-	-	3,017	3,017	3,017	3,017	3,017	15,087
Revenues (\$/m)	-	-	109.7	109.7	109.7	109.7	109.7	548.4
Royalties (\$/m)	-	-	(3.5)	(3.5)	(3.5)	(3.5)	(3.5)	(17.5)
Opex (\$/m)	-	-	(84.7)	(84.7)	(84.7)	(84.7)	(84.7)	(423.6)
Operating profits (\$/m)	-	-	21.4	21.4	21.4	21.4	21.4	107.2
Less tax loss (\$/m)	-	-	(2.5)	(2.5)	(2.5)	(2.5)	(2.5)	(12.3)
Taxable profits (\$/m)	-	-	19.0	19.0	19.0	19.0	19.0	95.0
Tax - 20% (\$/m)	-	-	(3.8)	(3.8)	(3.8)	(3.8)	(3.8)	(19.0)
Net Profits (\$/m)	-	-	15.2	15.2	15.2	15.2	15.2	76.0
Net profits to Stratex (\$/m)	-	-	5.9	5.9	5.9	5.9	5.9	29.6
Discount factor timing (x)	0.3	1.3	1.3	2.3	3.3	4.3	5.3	-
Discount factor (x)	0.98	0.89	0.89	0.81	0.73	0.67	0.61	-
NPV10% (\$m)	-	-	5.3	4.8	4.3	4.0	3.6	21.9
RISK (%)	0.6	0.6	0.6	0.6	0.6	0.6	0.6	-
Valuation (\$m)	-	-	2.4	2.2	2.0	1.8	1.6	9.9

SOURCE: Northland Capital Partners Limited estimates



## FORECASTS

Income statement						
Year to 31st December (£m)	2012A	2013A	2014E	2015E	2016E	2017E
Revenue	-	-	-	-	-	-
Cost of Sales	-	-	-	-	-	-
Administration expenses	(2.9)	(3.2)	(2.5)	(2.7)	(2.8)	(3.0)
Other profit/(loss)	(0.0)	(0.8)	-	-	-	-
Issue of shares other than for cash	-	-	-	-	-	-
EBIT	(2.9)	(3.9)	(2.5)	(2.7)	(2.8)	(3.0)
Financial income	0.1	0.1	0.0	0.0	0.0	0.0
Financial expense	-	-	-	-	-	-
Post tax associate income from Altintepe	-	-	-	2.7	3.1	4.3
Öksüt royalty	-	-	-	-	-	0.3
Share of profit/(loss) of associate	(0.2)	0.6	(0.1)	-	-	-
Gain/(loss) on acquisition/sale	12.9	2.1	-	-	-	-
Impairment charges	(0.1)	(2.7)	-	-	-	-
Profit/(loss) before tax	9.7	(3.8)	(2.6)	0.1	0.3	1.6
Taxation credit/(expense)	(0.1)	0.2	-	-	-	-
Profit/(loss) for the year	9.6	(3.6)	(2.6)	0.1	0.3	1.6
Exchange differences on translating foreign operations	0.2	(0.2)	-	-	-	-
Profit/(loss) for the year	9.8	(3.9)	(2.6)	0.1	0.3	1.6
Profit/(loss) for the year attributable to:						
Equity holders of the parent company	9.8	(3.9)	(2.6)	0.1	0.3	1.6
Non-controlling interest (minorities)	(0.0)	-	-	-	-	-
Basic EPS/(LPS) (p)	2.2	(0.8)	(0.5)	0.0	0.1	0.4
Diluted EPS/(LPS) (p)	2.2	(0.8)	(0.5)	0.0	0.1	0.3
Taxation Rate %	(1.4)	(5.3)	-	-	-	-
Group Pre-tax Margin (%)	(331.3)	97.6	102.3	(2.0)	(10.4)	(55.3)
Operating Profit (EBIT) Margin (%)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Dividends per share (p)	-	-	-	-	-	-
Dividend Cover (x)	-	-	-	-	-	-
Number of shares (m) (Ave weighted)	437.3	467.3	467.3	467.3	467.3	467.3
Number of shares (m) (Ave weighted fully dil.)	445.4	486.1	479.6	479.6	479.6	479.6
EBITDA (£m)	(2.8)	(3.8)	(2.4)	(2.6)	(2.7)	(2.9)
Enterprise Value (£m)	6.8	11.2	5.8	7.1	7.9	7.7
EBITDA Interest Cover (x)	(46.9)	(27.5)	(57.7)	(92.8)	(130.3)	(128.0)
Depreciation & Amortisation	0.1	0.1	0.1	0.1	0.1	0.1
Cash Earnings Per Share (p)	(0.6)	(0.8)	(0.5)	(0.5)	(0.6)	(0.6)
Price (p)	2.1	2.1	2.1	2.1	2.1	2.1
Price Earnings Ratio	0.9	(2.5)	(3.8)	183.2	32.8	5.9
Net yield %	-	-	-	-	-	-
NAV per share (c)	4.2	2.9	1.9	1.6	1.4	1.5
EV/EBITDA	(2.4)	(2.9)	(2.4)	(2.7)	(2.9)	(2.7)

SOURCE: Northland Capital Partners Limited estimates



<b>Cash flow</b>						
<b>Year to 31st December (£m)</b>	<b>2012A</b>	<b>2013A</b>	<b>2014E</b>	<b>2015E</b>	<b>2016E</b>	<b>2017E</b>
Operating profit (EBIT)	(2.9)	(3.9)	(2.5)	(2.7)	(2.8)	(3.0)
Net interest (cash paid)	0.1	0.1	0.0	0.0	0.0	0.0
Depreciation and Amortisation	0.1	0.1	0.1	0.1	0.1	0.1
Post tax associate income from Altintepe	-	-	-	2.7	3.1	4.3
Öksüt royalty	-	-	-	-	-	0.3
Other	0.0	0.8	-	-	-	-
Cash in	(2.7)	(2.9)	(2.4)	0.2	0.4	1.7
Debtors less creditors	(0.2)	(0.7)	-	-	-	-
Tax paid	-	-	-	-	-	-
Cash out	(0.2)	(0.7)	-	-	-	-
Gross trading cash flow	(2.9)	(3.6)	(2.4)	0.2	0.4	1.7
Capital expenditure	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)
Intangibles	(5.2)	(5.5)	(1.8)	(1.5)	(1.0)	(1.5)
Net trading cash flow	(8.3)	(9.2)	(4.3)	(1.4)	(0.7)	0.1
Acquisitions & investments	(0.2)	(1.2)	(1.9)	(0.1)	-	-
Sale of fixed assets & investments (net)	1.3	15.5	-	-	-	-
Issue of share options	0.1	0.0	-	-	-	-
Issue of shares (net)	7.6	-	-	-	-	-
Funds from JV partner	1.2	0.8	0.1	-	-	-
Gain/(loss) from non-controlling interest in subsidiary	(0.2)	-	-	-	-	-
Exchange Rate Movements	0.2	0.0	-	-	-	-
Change in net cash and cash equivalents	1.7	5.9	(6.1)	(1.5)	(0.7)	0.1
Gross cash and cash equivalents	4.7	10.6	4.5	2.9	2.2	2.4

SOURCE: Northland Capital Partners Limited estimates

**Balance sheet**

<b>Year to 31st December (£m)</b>	<b>2012A</b>	<b>2013A</b>	<b>2014E</b>	<b>2015E</b>	<b>2016E</b>	<b>2017E</b>
Share capital	4.7	4.7	4.7	4.7	4.7	4.7
Share premium account	20.4	20.4	20.4	20.4	20.4	20.4
Retained earnings/losses	1.6	(2.1)	(4.6)	(4.6)	(4.3)	(2.6)
Other Reserves (incl. Foreign currency reserve)	(0.4)	(0.6)	(1.0)	(1.0)	(1.0)	(1.0)
Non-controlling interest (minorities)	-	-	-	-	-	-
Deferred tax, provisions & retirement benefit obligations	-	0.1	0.1	0.1	0.1	0.1
Long term liabilities	0.5	-	-	-	-	-
Short term liabilities	1.8	1.1	0.3	-	-	-
<b>Capital employed</b>	<b>28.5</b>	<b>23.7</b>	<b>19.9</b>	<b>19.6</b>	<b>19.9</b>	<b>21.6</b>
Intangibles and goodwill	8.0	8.9	10.6	12.1	13.1	14.6
Fixed assets	0.2	0.2	0.5	0.5	0.5	0.5
Investments/assets held for sale	0.5	0.4	0.4	-	-	-
Investments in subsidiaries	1.1	-	-	-	-	-
Equity investments	-	2.5	2.5	2.5	2.5	2.5
Stocks	-	-	-	-	-	-
Debtors less creditors (incl. Loans receivable)	13.8	0.8	1.1	1.3	1.3	1.3
Deferred tax	0.2	0.2	0.2	0.2	0.2	0.2
Cash & Equivalent (unrestricted)	4.7	-	4.5	2.9	2.2	2.4
Cash (restricted)	-	-	-	-	-	-
<b>Capital employed</b>	<b>28.5</b>	<b>13.1</b>	<b>19.9</b>	<b>19.6</b>	<b>19.9</b>	<b>21.6</b>
Net assets per share net of goodwill & intangibles (p)	4.2	2.9	1.9	1.6	1.4	1.5
Net assets per share inc. goodwill & intangibles (p)	6.0	4.8	4.2	4.2	4.2	4.6
Net cash (debt) (£m)	2.4	(1.1)	4.2	2.9	2.2	2.4
Free cash flow per share (p)	(0.7)	(0.7)	(0.5)	0.0	0.1	0.4
Gearing (%)	9.3	(5.1)	21.5	15.1	11.3	11.1
Shares in issue (m)	437.3	467.3	467.3	467.3	467.3	467.3
Post tax RoCE (%)	(0.1)	(0.3)	(0.1)	(0.1)	(0.1)	(0.1)
RoE (%)	0.4	(0.2)	(0.1)	0.0	0.0	0.1
Shareholders' funds (£m)	26.2	22.4	19.5	19.5	19.8	21.5
Shareholders' funds net of intangibles (£m)	18.3	13.5	8.8	7.4	6.7	6.8

**SOURCE: Northland Capital Partners Limited estimates**

## DISCLOSURES

<b>Company</b>	<b>Ticker</b>	<b>Applicable disclosures</b>
<b>Stratex International</b>	STI.L	1, 5, 7 & 8

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