



## MINING RESEARCH

### Stratex International

2.5p

#### Filling in the gaps

13 August 2009

Since signing a Memorandum of Understanding (MOU) to form a joint venture company (JVC) with NTF İnsaat Ticaret in Turkey, Stratex has received US\$157,000 and is awaiting the signature of the definitive agreement later in Q3 2009. NTF's payment allows Stratex to begin development work at its core projects and is further evidence of NTF's commitment to work towards a final binding agreement. Stratex aims to use the JVC to fast track development of its Inlice and Altintepe projects in Turkey. To ensure this happens, Golder Associates (UK) has been engaged to conduct a 'Scoping Gap Study' to identify potential delays to the projects, whilst Stratex is currently reviewing the existing drilling data and aims to carry out infill drilling at Inlice.

Stratex's current share price of 2.5p is at a marked discount to our 6.9p per share valuation of Stratex which includes the estimated return from the JVC plus its current cash position. Our valuation does not include any value for Stratex's other projects including the highly prospective Öksüt project. In view of the upside potential available to investors, we retain our BUY recommendation.

In June, Stratex signed a memorandum of understanding (MOU) with NTF İnsaat Ticaret Ltd (NTF), a major Turkish construction and mining company, to form a joint venture company to develop gold projects in Turkey. The two projects that will be fast-tracked into production within 18 months are Stratex's Inlice and Altintepe projects. NTF has an initial 90 days, with an option to extend for a further 90 days, to sign the definitive agreement to form the JVC. During this period, NTF must pay at least US\$50,000 per month for exclusivity.

NTF has now transferred US\$157,000 to Stratex to fulfil its obligation and the funds have been used to jumpstart the initial development programme for both Inlice and Altintepe.

#### Development

The funds that NTF has transferred will be used in the development programme which commenced in July and will continue until September. This is likely to coincide with the signing of the definitive agreement to form the JVC and is expected in Q3 2009. Both companies are confident the agreement will be completed as new project offices have already been established at each of the project sites in Turkey with new staff and equipment put in place.

The new JVC will be focused on getting both projects into production as quickly as possible. As a first step, Stratex has engaged Golder Associates (UK) Ltd to undertake a 'Scoping Gap Study'. This is to ensure that any potential issues in the development plan, including drilling, are identified before they cause delays to the projects.

#### Inlice and Altintepe

Stratex is currently reviewing the drill core data to delineate the transition zone (mixed oxide and sulphide material) for the Inlice project. This is for mining planning, as currently production will be open pit with a modest heap leach operation targeting only the oxides. However, Stratex may look at the transition ore and sulphides at Inlice and Altintepe depending on whether economic recoveries can be achieved.

### BUY

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#### SALES & TRADING CONTACTS

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#### COMPANY DESCRIPTION

An exploration and development company focusing on gold and high value base metals in Turkey

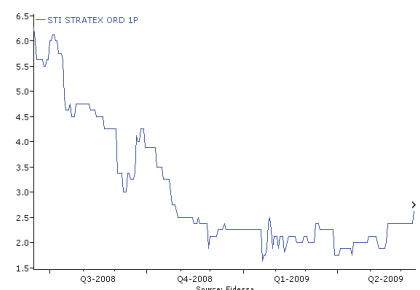
#### INVESTMENT DATA

Ticker	STI
Listing	AIM
No. of shares	234.2m
Market cap	£5.86m
Enterprise value	£3.16m

#### SHAREHOLDERS Holding (%)

Kairos Inv M'ment Ltd	14.47
Orion Trust Ltd	10.98
Nick Graham	9.82
Teck Limited	8.75
David Hall	5.35
Centos CI Nominees	4.08
<i>(As of 1 May 2009)</i>	

#### 12M SHARE PRICE PERFORMANCE



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The drill core review will be followed up by additional drilling in Q3 2009 at Inlice. This will comprise infill drilling and will allow the reserves to be defined during a full feasibility study. In addition, further sampling of the Talus aims to define the resource better. Currently 28,000oz of the total 98,300oz of oxide gold occurs in the Talus at Inlice. The total resource, including the sulphides at Inlice, is 262,300oz Au and Stratex aims to conduct a full feasibility study and get Inlice into production within 18 months. The anticipated production will be 20,000oz – 25,000oz Au per annum for an initial mine life of 2-3 years and subject to positive feasibility studies, the mine will enter production in 2011.

Altintepe has an oxide resource of 472,318 oz Au contained within 13.1 Mt of ore grading at 1.12 g/t Au. Within this there is 8.3 Mt of ore grading at 1.48 g/t Au. Production is provisionally targeted to commence in 36 months. Production from the open pit will target 30,000oz - 50,000oz per annum with recovery from a CIL/CIP (“carbon in leach/ pulp”) giving a mine life of 8-9 years.

## Conclusion

Stratex is progressing well on delivering on its new strategy and the new JVC will provide the perfect vehicle for Stratex to develop Inlice and Altintepe as well as other projects it chooses to put into the JVC.

We believe that the US\$157,000 provided by NTF demonstrates its seriousness and Stratex has wasted no time in implementing the strategy, focusing on fast tracking Inlice and ensuring there are no delays by commissioning the ‘Scoping Gap Study’.

Stratex currently has close to £2.7m in cash which we anticipate will last it until the end of 2010 at the current rate of expenditure and with the NTF investment. As such, we believe that Stratex has no need to raise any additional capital in the short term. As our current valuation remains unchanged at 6.9p per share, without including its portfolio of exciting exploration targets, we continue with our **BUY** recommendation for Stratex.

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