

Stratex International

www.stratexinternational.com

STRATEGIC EXPLORATION STARTS TO PAY OFF IN TURKEY

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Plenty of newsflow continues to arrive from Stratex International's exploration activities in Turkey, but the news that has caught the most attention is the emergence of a new institutional shareholder.

Stratex International, for the uninitiated, is best summed up as an opportunistic gold exploration junior company with its sights set on gold prospects in Turkey. Since listing on AIM in 2005, the company has been able to lay claim to the title of the first truly new major gold discovery in Turkey for many years - at the Inlice Gold Project - a pretty impressive accolade for a recently formed company.

Perhaps it was the discovery of Inlice, or Stratex's strategic alliance with Canadian heavyweight mining company Teck Cominco (which holds an 8.8% interest in Stratex) that caught the attention of Kairos Investment Management Limited. The alliance sees Teck

and Stratex pool their expertise, skills and databases to identify potential projects. For Stratex, this offers an ongoing relationship with a ready buyer for significant new resources, and reduces technical and financial risks; for Teck Cominco it offers a pool of committed exploration expertise and the possibility of adding to its project pipeline.

Fear not, if you have no idea who Kairos are - we doubt if many people had heard of them before they appeared on the shareholder register of Stratex. Kairos Investment Management operates two funds, the Kairos Eurasian Fund and the Kairos Fund. Both are "absolute return funds", or in layman's terminology, they are hedge funds. People often hear the words "hedge fund" and instantly feel concerned. In reality a hedge fund is only different from a traditional fund in that it gauges its success on the actual return it makes for its investors, rather than the return it makes over a period of time in relation to wider stock market movements. "Absolute returns" means

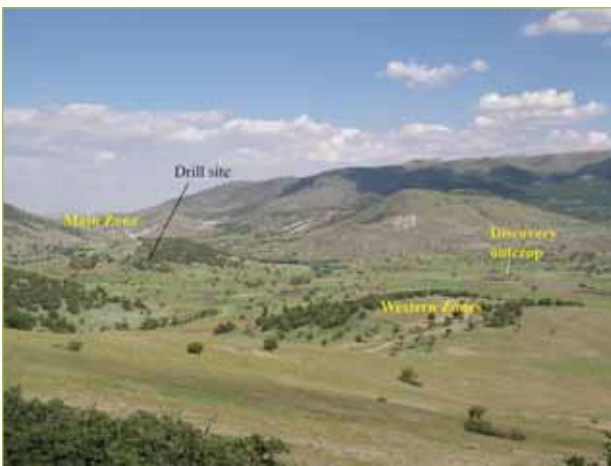
it is out to make gains all the time, not just when the market is going up! Absolute return funds that work in the natural resources sector clearly have to operate with a slightly different formula, as they cannot easily waltz in and out of investments in small companies. Instead they tend to take relatively sizeable positions in several companies, looking for considerable upside from some of those investments. So Kairos Investment Management, through the two funds

mentioned above, has accumulated a 15.23% stake in Stratex in recent months. Some of this stock they picked up appeared to come from Rab Capital, another absolute returns fund that is well known for its regular movements in and out of even the smaller natural resource companies.

However, support doesn't only come from Teck Cominco and Kairos Investment Management. In June 2007, the company raised £7 million at 9 pence per share to fund drill programmes on a number of projects - with institutional investors oversubscribed to this fund raising.

Further drilling has been carried out at the Inlice prospect, where a total JORC compliant resource of 0.372 million ounces of gold is already defined. The most recent results, released in November 2007, continued to confirm Inlice's prospectivity. Results included 22.95 metres grading 4.87 grams per tonne and 9.6 metres grading 7.49 grams per tonne, with a 54.63 metre section grading 2.47 grams per tonne. Stratex believes that a substantial blanket of gold-bearing weathered material overlies the bedrock resource. Drilling is ongoing to further increase confidence in the resource.

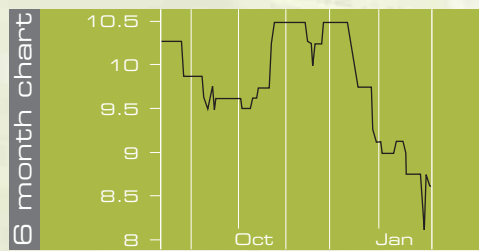
At Altintepe, Stratex has continued drilling throughout the winter, updating investors on numerous occasions of further gold mineralisation beyond previous exploration work carried out on the project. Altintepe now has a resource of 0.311 million ounces of gold, but additional drilling by Stratex will significantly increase that number. The original resource statement was based on drilling at the Camlik East Zone, but Stratex has shown that mineralisation extends over a wider area than previously thought. The Kayatepe Zone returning high grade gold from chip and



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MARKET **LSE**

TICKER **STI**



SHARE PRICE
9.13p

SHARES ISSUED
234.07m

MARKET CAP.
£21.36m

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channel samples, plus the Sinan Zone being found to extend further than first thought, have prompted Stratex to focus more of their time and energy at Altintepe. Initial metallurgical test work has returned high gold recoveries, averaging 96% even on low-grade material. This adds to the encouraging signals that Altintepe has the potential to become a medium sized gold production project, with relatively low capital expenditure and cash costs due to the oxidised, near surface mineralisation.

Meanwhile, at Stratex's first gold discovery, Inlice, exploration work has continued in order to gain a better understanding of the geology of the project. Stratex had taken their foot off the pedal at Inlice, due to the emergence of Altintepe as a viable contender for development, but Teck Cominco and Stratex also agreed a joint venture over the Konya project, which is essentially the region surrounding the Inlice discovery. Here the target is a larger tonnage play that may be the ultimate source of the Inlice high-sulphide gold ore. Teck Cominco has committed to spending US\$1 million over one year, and a further US\$2 million over the subsequent two years, to earn a 51% interest here. The Konya project covers the Konya Volcanic Belt; a highly prospective belt that has recently been compared to the Maricunga district in Chile where over 40 million ounces of gold have been discovered. Teck Cominco has completed over 9,000 line kilometres of airborne geophysical surveys over the Konya Volcanic Belt in order to identify targets which will lead to the decision to drill the Doganbey prospect with a 1000 metre reconnaissance drill programme - results from the labs are pending..

So you get quite a bit of bang for your buck with Stratex International. The company oozes with exploration geologists, but crucially has the financial underpinning of a world-class diversified mining group in Teck Cominco, who bring a lot to the table including a high dose of street cred. The emergence of the Kairos Funds has also helped mop up any potential overhang from Rab Capital's stake, and all the while Stratex continues to eagerly explore Inlice, Antintepe and Konya, and other projects that we haven't mentioned in this outing, such as Muratdere, where Stratex confirmed that it intersected copper mineralisation, including 284.7 metres grading 0.3% copper and 0.13 grams per tonne gold. Muratdere is a copper-gold-molybdenum porphyry exploration play, so tonnage is important as these beasts tend to be low grade, large tonnage developments.

So with good results from Altintepe and Inlice, and the Konya developing as a possible multi-prospect play, and about £6.0 million in the bank, it looks like Stratex is going to have a very busy year. It will be interesting to see if this time next year Stratex still defines itself as purely an exploration based company; perhaps one of its prospects - perhaps one with plenty of near surface oxidised gold mineralisation - will tempt the company down the road to becoming a producer with the luxury of self generated cash flow. On the other hand, the objective of association with Teck Cominco was to identify the prospects with potential for two million ounces of gold that could enhance the value of Stratex and offer resource ounces for Teck Cominco to develop. I cant imagine that Statex's Chairman, David Hall, or Chief Executive, Bob Foster, are losing any sleep over this possible dilemma.

