

Sector
Mining
Stratex International plc 10.5p
**Highly
Speculative Buy**
Report Date

 7th June 2007

Stratex International has recently raised £7m before expenses to advance its exciting gold exploration prospects in Turkey. In addition to recently reported resource estimates, there is much more to go for at their Inlice project, particularly in the surrounding licence area. This year they will drill their other advanced projects Muratdere and Altintepe. Turkey is becoming a major new gold exploration province. Stratex has a significant position in some of the most prospective ground, has already delineated JORC compliant resources by drilling and has a number of interesting prospects that may produce drill results during the rest of this year.

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Year end month	Revenue £000	Administration £000	Interest Income	Net Loss £000	EPS (p)
2006A	-	(571)	50	(487)	(0.3)
2007E	-	(650)	150	(500)	(0.3)
2008E	-	(700)	100	(600)	(0.3)

Source: Company Announcements and Hoodless Brennan forecasts

Key Data

 AIM Ticker STI
 Broker... Hanson Westhouse
 Website
 www.stratexploration.com

 Year High/Low
 11.875p-6.537p
 No. of Shares233.4m
 Mkt. Cap.£24.5m
 NMS10,000
 Screen Size50,000
 Bid/Offer10.25p/10.75p
 (4.9%)
 No of Market Makers.....4

At Inlice, they have already outlined a JORC Indicated Resource of 1.5 million tonnes (Mt) grading 3.02 grammes per tonne (g/t) gold and an Inferred Resource of 3.2 Mt at 1.82g/t. Including Inlice, Stratex has a major position in the 404 square kilometre (sq km) Konya Volcanic belt. This is the same size as the Maricunga Belt in Chile where discoveries in similar geological terrain so far amount to over 40 Million ounces (Moz) of Gold.

Their second project Muratdere consists of a 4km long gold bearing Porphyry system. A 1.2km coincident gold-copper-molybdenum anomaly generated by geochemical and geophysical testing will be drilled this summer.

Altintepe already has a NI43-101 compliant resource following drilling, but offers the potential to be very much larger following re-interpretation of the geological model. This will also be drilled this year

In Turkey Stratex has a strategic alliance with Teck Cominco, a major diversified Canadian mining group. Teck who also own over 10% of Stratex's shares has provided a number of projects to the company and has given access to its data base. Furthermore Teck has the option to provide additional new projects in Turkey, retains an option to earn back in to all Stratex projects, and has the expertise and sources of funding to bring any successful project through to production.

Strengths

- Has JORC compliant gold resources at Inlice where drilling continues.
- Drilling at Muratdere and Altintepe this summer.
- Strategic Alliance with Teck Cominco.
- Experienced Management Team.

Weaknesses

- Election year in Turkey may heighten political risk.
- Inlice needs to be tested at depth.
- The other projects are at an early stage.
- Management task to prioritise projects.



Location of Stratex projects in Turkey

Source: Company. Altintepe (not shown) is located between Samsun and Trabzon close to the *Black Sea* Coast.

Stratex International in Turkey

Stratex International plc, in strategic alliance with Teck Cominco, has generated a number of gold and copper-gold-molybdenum exploration projects in Turkey.

Turkey, which is striving for European Union membership, has a dynamic economy, has very interesting geological potential, a history of mining, a strong mining code, and good infrastructure. One of the world's major recent gold discoveries the Kisladag mine is located in Turkey. It is owned by **Eldorado Gold (ELD-TSX)** and commenced production of 220,000 oz pa gold from a 7 Moz resource in 2006. Other active companies include **Ariana Resources (AAU)** which is exploring a gold bearing porphyry at Sindirgi; **European Nickel (ENK)** who are looking to produce 20,000 tpa of nickel from their Caldag property and **KEFI Minerals (KEFI)** who is exploring a portfolio of gold properties in eastern and north-eastern Turkey.

Following the excitement of the negotiations towards possible European Union membership in 2006, 2007 is election year in Turkey. There has already been sabre rattling from the Army concerning their desire to keep religion out of politics. This is exacerbated by the popularity of Islamic leaning Prime Minister and Government who are inclined to follow the democratic path. It is difficult to predict any outcome, but undoubtedly election year will be volatile and may have a negative impact on the mining scene.

Inlice

Inlice is Stratex's most advance project. The Inlice ground and the much larger surrounding Konya licences were staked by Stratex's Turkish General Manager. Teck will be offered first right of refusal to develop any mine at Inlice.

The mineralisation at Inlice is of so called high-sulphidation epithermal affinity which is a form of mineralisation associated with high temperature volcanic activity. In essence mobile silica bodies have scavenged gold from the volcanic system and the surrounding rocks, and on cooling have become silica ledges. Stratex have searched for these silica ledges some of which at Inlice prominently outcrop. Rock Chip sampling, geochemical investigation and drilling have found significant gold values within these silica ledges.

Since August 2005 Stratex has drilled 3,800m of core holes on the property. A JORC Indicated Resource of 1.5 Million tonnes (Mt) grading 3.02 g/t) gold and an Inferred resource of 3.19 Mt grading 1.82 g/t has been outlined. Mineralisation at Inlice comprises a 600m strike length of a near vertical silica ledge. Mineralisation has so far been drilled to a depth of 150m. Economic mineralisation has tailed off along strike but is open to depth.

Following the placing Stratex intend to spend £1m over the next two years expanding the resource at Inlice. Current investigations are concentrating on the possible at depth extensions particularly in the hidden gap area which is covered by alluvium. Drill holes indicate an increase in grade in this area.

Inlice is a small area of the 404sq km Konya Volcanic Belt which exhibits similar geology. Stratex has staked significant areas of this belt particularly those areas that appear to show silica alteration. Stratex claim that the Konya belt is strongly analogous to the Maricunga gold belt in Chile, which is of the same geological age and is very similar in terms of geology and styles of mineralisation. Since 1980 resources of more than 40 Moz have been outlined in the Maricunga belt.

Following the recent placing Stratex intend to spend £1.5m exploring their greater Konya licences, with initial investigations focussing on their Doganbey project which is a potential copper-gold-molybdenum porphyry. Simplistically a porphyry is a mineralised volcano or volcanic boss, and is the typical geologic setting of the world's major copper mines, particularly those in Chile, Utah and Arizona. All are associated with young volcanic areas.

Altintepe

Following the placing Stratex intend to spend £0.9m over the next two years on their Altintepe project. This was acquired under option from Teck Cominco in April 2007. Under the terms of this option, Stratex can acquire 100% by undertaking 2,000m of drilling by July 2008, 5,000m by July 2009. Subsequent to earning 100% Teck can earn back 51% by drilling 10,000m within 42 months.

Altintepe has been investigated previously by a number of Canadian companies and has NI 43-101 Inferred resources of 2.2 Mt at 1.2 g/t on the Extension Ridge and an Inferred Resource of 3.16 Mt grading 1.52 g/t Gold at 2G-Camiktepe. Canadian NI 43-101 Resources are determined to similar standards to Australian JORC or South African SAMREC Resources and in essence are interchangeable and equivalent to each other.

Altintepe is a so called epithermal gold system which is lower temperature than high sulphidation systems. Disseminated gold within quartz veins is the major target. Following re-interpretation of the geological model Stratex expect to drill targets later this year.

Muratdere

Stratex intend to spend £0.7m on exploration at Muratdere over the next two years following the current placing. Muratdere is a porphyry copper-gold-molybdenum deposit exposed at surface and has been investigated by the Turkish Government between 1999 and 2001. Recent mapping has indicated that this porphyry system extends for at least 4km and has a width of between 200m and 500m. Mineralisation consists of narrow sulphide bearing quartz veinlets and fine disseminations which is typical of porphyry mineralisation. Drilling is planned to start this summer.

Karaagac

During 2006 near surface gold mineralisation was discovered following drilling at Stratex's sediment hosted gold project at Karaagac. However this was relatively low grade and so in order to focus its immediate attention on Inlice and the greater Konya belt, Stratex is in the process of evaluating its options to farm-out or joint venture the Karaagac project to a third party.

Other Projects

Following the current placing Stratex intends to spend £0.5m on the rest of its project portfolio in Turkey. These include Dikmen-porphyry copper-gold-molybdenum; Belen; Ergama; Hasancelebi; Karapinar and Altunisar projects.

Management

Stratex has an experienced mineral exploration team. The Chairman David Hall has 24 years experience as an exploration geologist primarily with Anglo American, six of them in Turkey. Dr Bob Foster the Chief Executive has 33 years experience in exploration and production. Bahri Yildiz General Manager, Turkey has 26 years experience of mineral exploration and mining geology in Turkey, working initially for the Government and most recently for INCO. The group can also draw upon the experience of Consultants Dr Stewart Redwood and Dr Richard Sillitoe both recognised experts in epithermal gold deposits.

Valuation

At the current gold price of £335/oz the run of mine value at Inlice runs at a relatively modest £33 per tonne or resource. As the deposit is close to surface it is potentially economic to mine as an open pit. Hence Indicated Resources has an adjusted in-situ value of £32.6m while Inferred Resources have an adjusted in-situ value of £36.75m. Altintepe resources have an in-situ value of £21/t; Indicated Resources have an adjusted in-situ value of £10m, while the two Inferred Resources have adjusted in-situ values of £29.7m and £30.4m. These Indicated and Inferred Resources have a total adjusted in-situ value of £139.5m. This is attractive in comparison to the company's current market capitalisation of approximately £24.5m post issue.

Another way to view valuation is to consider that so far Stratex has spent about £1.7m on exploration in Turkey, approximately £1m at Inlice. This has led to the discovery of a resource of 370,000 oz at Inlice at a cost per ounce of £2.7/oz or £4.5/oz if we assume the rest of the expenditure was wasted. Both numbers compare very favourably with typical industry finding costs of £25/oz. This is of course before any further upgrades to Inlice resources or exploration success elsewhere.

Conclusion: Stratex has in twelve months progressed Inlice from an early stage prospect to Indicated and Inferred gold Resources of approaching 400,000 ounces. Further resource upgrades seem likely at Inlice, while during the summer a number of their other projects may be advanced by drilling. The share price has performed well, reflecting the good progress they have made.

Recommendation: Highly Speculative Buy

Previous Recommendation: Highly Speculative Buy- 26th August 2006

Profit and Loss

Year to 31 December £000	2006A	2007E	2008E
Revenue	-	-	-
Administration	(571)	(650)	(700)
Interest Income	66	150	100
Tax Credit	16	0	0
Attributable Loss	(487)	(500)	(600)

Key Events

Date	Event
4th June 2007	77.778m shares placed at 9p
17 TH April 2007	Altintepe prospect acquired
21 st August 2006	15.666m shares placed at 7.5p
25 th April 2006	Inlice discovery hole
4 th January 2006	IPO 37.4m shares at 5p

Financial Calendar

Date	Event
31 st December	Year End
1 st March	Finals
31 st July	Interims

Balance Sheet

Year to 31 December £000	2006A	2007E	2008E
Property, Plant etc	28	70	100
Exploration Properties	732	3,732	6,032
Other Long term assets	57	57	57
Receivables	141	150	150
Cash	1,563	2,913	363
Current Liabilities	(67)	(50)	(50)
Non Current Liabilities	(2)	(2)	(2)
Net Assets	2,452	6,870	6,650

Major Shareholders

Shareholder	%
Directors	17%
RAB Capital	16%
Teck Cominco	13%
Mr N Graham	13%
Orion Trust	6%

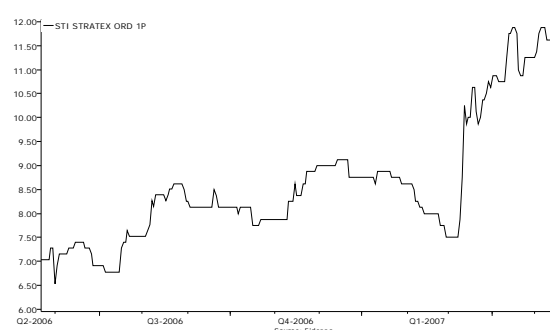
Note: Before recent placing

Board of Directors

Name	Position held
David Hall	Executive Chairman
Dr Bob Foster	Chief Executive Officer
Perry Ashwood	Chief Financial Officer
Paul Foorde	Non-Executive Director
Andrew Malim	Non-Executive Director

Cash Flow

Year to 31 December £000	2006A	2007E	2008E
Net cash Used in Operations	(662)	(750)	(800)
Purchases of plant	(31)	(50)	(50)
Exploration Expenditure	(645)	(3,000)	(2,300)
Interest Received	66	150	100
Share Placings	2,656	5,000	500
Opening Cash	178	1,563	2,913
Closing Cash	1,563	2,913	363

Share Price Chart


Source data: Company Announcements and Hoodless Brennan forecasts

Activities: Stratex International plc is involved in gold exploration projects in Turkey.

Key to Material Interests

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Company Name:	Stratex International plc	Relevant disclosures: None Applicable
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5.	Hoodless Brennan plc is a market maker or liquidity provider in the securities issued by the company	

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