

Aiming for the stratosphere

Stratex International is breaking new ground with its exploration in Turkey: The company attributes its early success to its people. **By Allan Trench**

Venture capitalists are renowned as shrewd investors with an eye for wealth-creating opportunities – and minerals sector investors may be well advised to follow recipes from the venture capital investment cookbook. Why? Let us elaborate.

The first rule of venture capital is to put the quality of people first, second and third on the list of investment priorities. Taking a look at AIM-listed Stratex Exploration, you get the impression that it is the sort of company that would pass the harshest of “people tests”. Indeed, the company itself highlights the importance of people to its chosen strategy – and to exploration success in general.

Executive chairman David Hall weighs in with around 25 years industry experience, including four and a half years on the ground in Turkey, Stratex’s present focus area. Hall was previously chief geologist for Minorco, responsible for Central and Eastern Europe, Central Asia and the Middle East, before moving to South America where he became exploration manager for AngloGold in 1999. Alongside his Stratex duties, Hall is currently president and chief executive of GoldQuest, a Toronto-listed explorer with new gold and copper discoveries in the Dominican Republic in association with Gold Fields.

Bob Foster is about as blue chip as it comes at the speculative end of the resources world. After a decade based in the exploration and mining sector in Zimbabwe, Foster ran economic geology research teams as a professor at England’s Southampton University from the mid-80s before eventually trading in his academic gown for life in the corporate sector, initially as a consultant and now as CEO with Stratex.

Sharing board seats with Hall and Foster are Chief Financial Officer Perry Ashwood and non-executive directors Paul Foord and Gavin Burnell. To

complement the executive’s technical expertise, Ashwood and Foord bring their senior management financial backgrounds to the company, while Burnell weighs in with an impressive financial track record for a relatively young man.

Another success factor in international exploration is to have strong on the ground representation in-country. Stratex achieves this requirement through Turkey general manager Bahri Yildiz. Yildiz adds another 25 years exploration experience to Stratex, the vast majority of this in his home country.

Flipping the pages of the venture capital cookbook reveals opportunity, context and risk/reward proposition as the next criteria by which to judge an emerging company.

Looking at Stratex, opportunity seems to be the name of the game. The company has timed its run well, with the markets for gold and copper buoyant. After listing on the AIM in January through an issuance of 37.4 million shares at 5p



Stratex managing director Bob Foster ran economic geology research teams as a Professor at England’s Southampton University before pursuing life in the corporate sector.



Stratex International executive chairman David Hall: “Stratex has shown how with the right people, quality projects are out there to be found.”

each (raising £1.87 million or \$A4.59 million), Stratex began drilling in late March.

Exploration success did not take long. The first drillhole assays returned in late April included 13.2m at 5.92 grams per tonne gold, within an overall mineralised envelope of 38.45m at 2.98gpt. Not surprisingly, those investors who bought 5p stock in January found their shares worth a fair bit more. Stratex traded at 9p as at late April – and with the stock having since settled back to around 7.5p, the upside still looks more than bright as further drilling uncovers the potential at Inlice, a high-sulphidation gold prospect within Stratex’s Konya project in Western Turkey.

But opportunity does not stop at gold for Stratex: copper, silver, zinc, molybdenum and nickel are on the corporate exploration radar too. Stratex sees the lack of funding directed towards exploration over the past decade as having added to the supply-demand imbalance for these commodities.

Keen to cement its position in Turkey, Stratex recently added further exploration ground to its portfolio, acquiring the HasanÁelebi and Ladik gold-silver prospects where past historical surface sampling of the former returned up to 0.9gpt over 4m. These projects join Stratex’s existing exploration portfolio in Turkey comprising Konya, where the Inlice prospect is the focus for initial drilling, plus additional high sulphidation gold +/- copper targets identified at Doganbey and Oglakci prospects. Stratex also has the Karagaac, Dikmen and Muratdere projects.

At Karaagaac, Stratex holds an option with Teck-Cominco that will be exercised if results prove favourable. Reconnaissance sampling returned gold up to 9.7gpt over 2m with follow-up drilling planned to include 12 steeply inclined diamond holes testing sediment-hosted gold targets.

At Dikmen, again under option from Teck-Cominco, Stratex has uncovered



Drilling at the Stratex's Inlice prospect, the initial focus of the company's drilling offensive.

gold, silver, molybdenum and copper anomalism hosted in porphyry requiring follow-up. Field mapping will precede diamond drill-testing.

Finally at Muratdere, a wholly-owned property, potential for another gold-molybdenum-copper porphyry system is being explored. Rocks samples grading up to 1gpt gold, 1% copper and 0.1% molybdenum require follow-up. The upside is to delineate a resource capable of extraction as an openpit.

Business context is also critical for Stratex. As an explorer listed on a market that is usually reserved for near-production and operating companies, Stratex stands out on the AIM as a company that is readily different from its peers.

Hall sees three major factors as setting Stratex aside from other AIM-listed players: management, people and a major company association. Teck-Cominco is a significant shareholder in Stratex, holding around 14.5% of the company's stock.

"Teck Cominco has been an equity stakeholder from the outset," said Hall.

"They recognised the knowledge base within the people and were eager to tap into it in order to define new greenfield projects which are so desperately needed in the exploration scene.

"Stratex has shown how with the right people, quality projects are out there to be found. The Konya project is an area of Miocene volcanics in Turkey where the geology and alteration had not been appreciated and now is turning out excellent results and has the potential to be a major new gold district."

Finally, venture capitalists look to the risk/reward proposition. This is where

Stratex activities to date in Turkey and its corporate strategy come to the fore. A strategic alliance with Teck Cominco helps to manage Stratex's risk exposure to projects, with project capital cost escalation as one area in which the company will not experience a problem in future. Stratex's business model is to focus wholly on the exploration phase of the mining cycle.

Hall explains how risk and reward play out in the mining game — with the point of discovery a key to value creation for investors.

"As an Exploration & Development (E&D) company, the critical value-adding moment is the discovery of economic mineralisation. Rapid and cost-effective identification of drill targets with quick drilling can show the potential for that blockbuster discovery of greater than \$US1 billion in situ value.

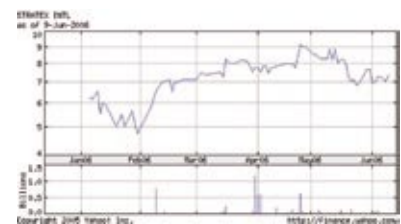
"It is at this point that the investor will see massive leverage on their investment. Stratex has the ready market through its association with Teck Cominco to then sit back while the major partner takes on the greater financial exposure to prove up the discovery.

"How does one increase the probability of success? We think it's all about having the best people; by that we mean economic geologists that have been exposed to many different types of mineralised systems in many different geological settings and who have the ability to thus make quick and correct calls on projects without excessively wasting shareholder funds."

So Stratex looks one to watch on the AIM for investors with sufficient risk appetite for exploration. From the

evidence so far, Stratex looks capable of finding the best areas, drilling them quickly, and then making the all-important calls on how much shareholder capital to commit to further exploration. Indeed, Stratex may pave the way for further exploration-focused companies to attract investor support on the AIM — although corporate successors will need to find a team to match Stratex's depth of experience! **RS**

stratex international ... at a glance



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DIRECTORS

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MARKET CAPITALISATION

£8 million (at press time)

MAJOR SHAREHOLDERS

Teck Cominco 14.5%
Fidelity International 4.99%