NORTHLAND CAPITAL PARTNERS LIMITED

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MINING

06 October 2011

STRATEX INTERNATIONAL PLC

BUY

INITIATION OF COVERAGE: Undervalued — near term production, major-partners, blue-sky potential

6.875p#

Year-end December	2009A	2010A	2011E	2012E
EBITDA (£K)	(2,172)	(1,584)	(1,314)	(1,819)
Pre-tax loss (£K)	(2,145)	(2,876)	(1,427)	(1,990)
Adj. Pre-tax loss (£K)	(1,651)	(2,942)	(1,954)	(1,990)
LPS (p)	(1.1)	(1.1)	(0.5)	(0.6)
Adj. LPS (p)	(0.9)	(1.1)	(0.7)	(0.6)
Net Assets (£K)	6,405	4,557	7,252	5,392
Net Cash and cash equivalents	1,728	996	2,138	270

SOURCE: Northland Capital Partners Limited estimates #Priced at market close, 5 Oct 2011
*Northland Capital Partners Limited is Broker to Stratex International and therefore this information should be viewed as Marketing Material.

Key Data	
Price Target	13.3p
Risk/ Sentiment	Moderate/Positive
Ticker	STI.L
Shrs/Mkt Cap	348M/£24M
12-mth price range	3p-10p
Net cash	£3M
Next event (Q4)	Exploration

Stratex International Plc's (Stratex) Turkish development assets underpin this initial valuation; the early-stage Ethiopian and Turkish exploration prospects offer the potential to be transformational. With its move into Ethiopia, Stratex may have uncovered a significant frontier gold province. We view the recent moves by AngloGold Ashanti (one of the world's largest gold producers), to take an 11.5% direct equity stake in Stratex, and the 2.97% placing to copper major Antofagasta as indicative of the potential of the group's portfolio.

- **FROM EXPLORATION TO BRINK OF PRODUCTION:** In Turkey, Stratex has made steady progress from greenfield exploration to discovery to the commencement of low-cost oxide production, expected mid-year 2012.
- **TURKISH ASSETS UNDERWRITE VALUATION:** The Inlice deposit is expected to come on stream mid-2012, scheduled to be followed by the Altintepe deposit in 2013 which could vindicate Stratex's efforts in Turkey. While modest in scale these deposits should generate healthy near-term cashflows that can be redeployed into exploration in both Turkey and Ethiopia.
- **MAJOR PARTNERS ATTEST TO MANAGEMENT QUALITY:** Thani-Ashanti, Teck Resources, Centerra and Antofagasta are funding projects. These high-quality partners mark Stratex out in comparison to the company's AIM peer group.
- **ETHIOPIA SITE VISIT:** We were impressed with early progress at the highly-prospective Ethiopian assets. Multiple epithermal gold systems have been identified with some surprisingly high grades at surface. First phase scout drilling at the Megenta prospect confirmed epithermal gold associated with the major graben bounding structures. Early-stage, indicators suggest that a significant gold discovery is possible with further drilling.
- **VALUATION: Our sum-of-the-parts valuation arrives at 13.3p per share, without reflecting the blue-sky potential for either territory.** Near-term catalysts should arise from; Blackrock drilling results (Q411/Q112), further Megenta prospect drilling (H112) and Inlice gold production (mid-2012).

COMPANY DESCRIPTION

Stratex is a gold and base metals exploration and development company with key assets in Turkey and East Africa. The company has a gross resource of around 1.53Moz Au (non-JORC) before JV interests/options (net 1Moz Au) and is actively exploring both territories through several JV partnerships with major operators.

CONTACTS

ANALYSTS

Andrew McGeary +44 (0)20 7796 8843
amcgeary@northlandcp.co.uk

Dr Ryan D. Long +44 (0)20 7796 8847
rlong@northlandcp.co.uk

GENERAL

T: +44 (0)20 7796 8800
F: +44 (0)20 7796 8802
STX: 72222
E: info@northlandcp.co.uk
Website: www.northlandcp.co.uk

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SUMMARY DATA

NCP

Stratex International plc — AIM: STI

PRICE TARGET (PT)	£0.13	PRICE:	£0.07	NET DEBT (£M)	0.0	06 October 2011
		MARKET CAP (£M)	23.5	SHARES (M)	348.2	

PRICE TARGET SCENARIOS

TARGET SCENARIO (£0.13, +97%)

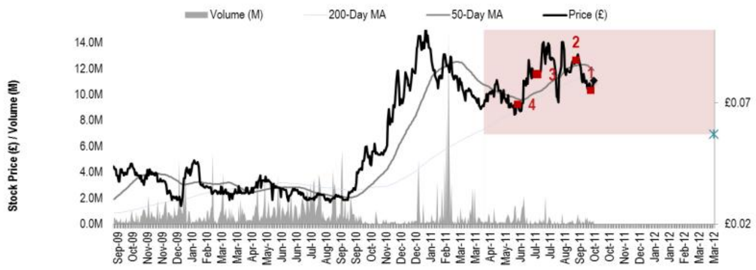
Our target scenario is a SoTP which comprises a hybrid approach combining high level NPV for in situ valuation/aggregate transaction value. This does not discount the significant exploration potential for the exploration portfolio which is conservative but does assume that the development assets go into production which is reliant on external financing.

UPSIDE DRIVERS (£0.18, +167%)

The potential upside case derives from heavily risked exploration potential, particularly in relation to the Ethiopian assets.

DOWNSIDE PERIL (£0.06, -16%)

Our downside scenario reflects the risk that the exploration assets fail to offer upside potential, the key risk. Thus the downside case is a reflection of the failure of the main Ethiopia concessions. Whilst it seems unlikely resource will not be added across the board we note the negative connotations disappointing results in Ethiopia would have given the early positive momentum established in relation to these. This case also considers discounts downside in relation to securing project financing.



KEY EVENTS

1. Acquires potash licenses
2. Megenta Results
3. AngloGold Ashanti placing
4. Blackrock chip sampling - bonanza grades

Stratex is a gold exploration and development company with key assets in Turkey and Ethiopia. The company has a net resource of around 0.6m oz Au and is actively exploring both territories through several JV partnerships with major operators.

Catalysts
> Ethiopia - Shehagne/Blackrock drilling Q411
> Turkey - Inlice permits Q411/Q112/Oxide production H112
> Further Exploration updates - Ongoing

VALUATION ANALYSIS

(£m's, except per share values)	2009A	2010A	2011E	2012E
Revenue	-	-	-	-
EBITDA	- 2.2	- 1.6	- 1.3	- 1.8
LPS (p)	- 1.1	- 1.1	- 0.5	- 0.6
Net cash/(Debt)	- 2.2	- 1.6	- 1.3	- 1.8
NAV	1.7	1.0	2.1	0.3

RISK PROFILE

Forecast Risk	High
Financial Risk	Moderate
Geopolitical Risk	High
Valuation Risk	Moderate

CONSENSUS REVIEW

Rating	Current	Target	Current		Revenue (£m) 2011E	Revenue (£m) 2012E	EPS (p) 2011E	EPS (p) 2012E	EBITDA (£m) 2011E	EBITDA (£m) 2012E
SO/Buy	2	**High**	£0.13	**Northland**	0.00	0.00	-0.50	-0.60	-1.31	-1.82
SP/Hold	0	**Low**	£0.13	**Cons.**	6.80	21.40	0.00	0.00	0.00	0.00
SU/Sell	0	**Median**	£0.13							

COMPARABLES

Company	Ticker	Price	Target	Mkt Cap (Local currency)	ROIC	P/E 2011E	P/E 2012E	EV/EBITDA 2011E	EV/EBITDA 2012E	EBITDA Growth 2011E	EBITDA Growth 2012E
Ariana Resources	AAU	£0.04	£0.10	8.9	225.3%	NA	14.2	NA	2.2	20.0%	-844.8%
AnglosAsian	AAZ	£0.34	£0.70	37.3	15.1%	2.9	0.9	1.9	2.6	4.0%	-28.0%
African Eagle	AFE	£0.06	£0.38	19.9	-4.5%	0.2	0.2	NA	NA	3.0%	0.0%
Angel Mining	ANGM	£0.02	£0.07	5.0	0.0%	NA	12.0	NA	NA	NA	NA
Bezant Resources	BZT	£0.32	£0.00	15.3	-14.8%	NA	NA	NA	NA	-12.5%	7.1%
Emed Mining	EMED	£0.06	£0.32	25.6	-15.4%	7.3	1.7	NA	0.3	-20.9%	-967.8%
Griffin Mining	GFM	£0.43	£1.22	78.3	0.0%	4.5	5.0	0.3	0.3	126.2%	6.3%
GGG Resources	GGG	£0.18	£0.49	19.5	0.0%	NA	NA	NA	NA	NA	NA
Griffin Mining	GMA	£0.00	£0.00	1.0	0.0%	NA	NA	NA	NA	NA	NA
Hambledon Mining	HMB	£0.03	£0.10	17.0	1.4%	14.3	3.3	3.0	0.6	3.3%	381.6%
Kryso Resources	KYS	£0.17	£0.24	29.6	-3.8%	NA	NA	NA	0.5	-1.8%	-2348.1%
Landore	LND	£0.11	£0.00	23.7	0.0%	NA	NA	NA	NA	NA	NA
Leyshon Resources	LRL	£0.12	£0.00	26.8	0.0%	NA	NA	NA	NA	NA	NA
Mariana Resources	MARL	£0.10	£0.00	14.9	0.0%	NA	NA	NA	NA	NA	NA
Mwana	MWA	£0.04	£0.28	20.1	0.0%	NA	2.4	NA	NA	NA	NA
Nyota Minerals	NYO	£0.07	£0.00	20.6	0.0%	NA	NA	NA	NA	NA	NA
Obtala Resources	OBT	£0.33	£0.00	72.2	0.0%	NA	NA	NA	NA	NA	NA
Ovoca Gold	OVG	£0.27	£0.00	24.0	0.0%	NA	NA	NA	NA	NA	NA
Oxus Gold	OXS	£0.01	£0.00	3.3	0.0%	NA	NA	NA	NA	NA	NA
Pensinsular Gold	PGL	£0.29	£1.03	19.2	7.6%	10.6	2.5	7.1	2.3	161.7%	207.0%
Palmaris Capital	PMS	£0.06	£0.00	9.4	0.0%	NA	NA	NA	NA	NA	NA
					Mean	5.9	5.0	1.7	1.1	0.2	(4.7)

Note: estimates are consensus estimates; Source: Capital IQ, Company reports

MINING

Andrew McGeary
amcgeary@northlandcp.com

INVESTMENT APPRAISAL

With the Turkish projects nearing production and largely self-financing as a result of Joint Venture (JV) relationships in place, investor attention should turn to the exploration assets. The extensive prospects (some of which are located in the remote Afar Region of Ethiopia) offer the potential to be transformational for Stratex. The Afar Region is underexplored, and positive early work has attracted the attention of major operator Thani Ashanti (the JV between AngloGold Ashanti [AGA] and Dubai-based Thani Investments), and now AGA itself. There are good reasons for a possible uplift in valuation based on this new potential. In addition, greater appreciation of the near-term nature of the Turkish assets should begin to be reflected in the valuation of Stratex once the financing mechanisms are in place and production revenues are on stream. Finally, exploration potential was recently highlighted by strong results from both the Öksüt and Muratdere drilling programmes.

ASSETS RANGE FROM EARLY STAGE EXPLORATION TO PRE-PRODUCTION (FEASIBILITY)

Stratex International is an exploration and development company with projects in Turkey, Ethiopia, and Djibouti. The Turkish assets are relatively advanced with exploration having proved up a non-JORC-compliant global resource of c.1.53Moz of gold, 7.9Moz of silver and 0.186Mt of copper (with additional metals credits) prior to JV take-up, and c.1Moz of gold net to Stratex assuming full take-up by JV partners. Its Ethiopian and Djibouti assets are early stage, but numerous epithermal gold systems have already been established by Stratex, which has capitalised on its first mover advantage in the area.

ANGLOGOLD ASHANTI INTEREST OUTLINES POTENTIAL

The AngloGold Ashanti (AGA) placing in June was another landmark deal for Stratex (following AGA's earlier involvement via the Thani-Ashanti JV at the project and the divisional level).

AngloGold Ashanti is already a part holder in the key Ethiopian Megenta prospect through its Thani-Ashanti JV. However, for us, its decision to take a direct stake in Stratex at the plc level is testament to its wider potential. Not only does this reaffirm our confidence following strong early Megenta prospect results that the area offers significant potential for a major discovery, but it also attests to the wider prospectivity of both the Ethiopian (over and above the Thani-Ashanti projects) and Turkish assets.

ETHIOPIA SITE VISIT — EARLY STAGE/SIGNIFICANT POTENTIAL

We visited the highly-prospective Ethiopian assets and were impressed by the scale of opportunity, clear signs of mineralisation, and early progress. The assets contain multiple epithermal gold systems exhibiting some remarkably high grades at surface. It is too early to be conclusive but early indications suggest that a significant gold discovery is possible. Grassroots work on the extensive Ethiopian concessions has uncovered potential for a significant new gold system which has attracted the attention of major Thani-Ashanti.

JOINT VENTURE AGREEMENTS (JVS)

The company has conceived projects which have attracted a number of major JV-partners. The most advanced of these is its partnership with major Turkish infrastructure group NTF İnşaat Ticaret Limited Şirketi (NTF). The NTF/Stratex JV is progressing the near-term Inlice deposit. Stratex management is also in discussions with another Turkish infrastructure group to meet a H113 time frame for production at the larger Altintepe deposit. Stratex has further agreements with Canadian majors Teck Resources and Centerra Exploration, and a JV with Turkish company Aydeniz Group. In addition, Stratex has an agreement with copper major Antofagasta to explore for copper deposits within Turkey.

Assuming that all projects were advanced to the second stage (which is admittedly not a certainty), aggregate third-party spending would amount to $22M (£13.75M), around half of Stratex's current market capitalisation.

VALUATION

It is difficult to quantify the potential of Stratex's exploration portfolio. For us, however, the AngloGold and Antofagasta deals provide a strong signal of intent. The presence of Canadian majors Teck and Centerra attests to the potential of the Turkish exploration assets. Our sum-of-the-parts valuation arrives at 13.3p per share, without reflecting the blue-sky potential for either territory. Near-term catalysts should arise from; Blackrock drilling results (expected Q411/Q112), further Megenta prospect drilling in H112, and Inlice deposit gold production towards mid-year 2012.

EXPECTED NEWSFLOW

As with most exploration and development companies, a certain amount of fluidity can be expected in the work programme. However, the general catalysts in relation to the key programmes are;

TURKEY — POTENTIAL NEWSFLOW

- **Inlice** Receiving permits to commence plant design to begin construction in Q411/Q112
- **Altintepe** Announcement of new JV in Q411
- **Altunhisar** Exploration and drilling in Q411
- **Öksüt** Further drilling

ETHIOPIA — POTENTIAL NEWSFLOW

- **Shehagne** Drilling results in Q411
- **Blackrock** Drilling campaign in Q411
- **Afar** Exploration developments in Q411/Q112
- **Megenta** Further drilling in 2012

VALUATION

We adopt a hybrid approach to our sum-of-the–parts valuation. For the Turkish assets, we take the feasibility study assumptions from the Inlice deposit and extrapolate these across the other deposits. Where this is not possible, we incorporate a risked valuation based on the NPV per ounce established by our model (and at significant discount for the sulphide resources). We value the exploration assets at transaction value, which offers a conservative starting point. We arrive at a valuation of 13.3p per share.

S-O-T-P VALUATION

Oxide deposits contribute 4p to valuation

Our valuation attributes 4.2p per share for the gold development assets (the Inlice and Altintepe deposits), 1.6p for the Öksüt Gold prospect, 1.2p for the Muratdere (copper/gold) prospect and an aggregate 2.1p for the combined value of the gold sulphide deposits.

The combined gold exploration acreage adds a modest 2.7p per share, though our heavily-risked upside case suggests 9.8p for these assets. Thus, our base case valuation and near-term price target is 13.3p which we perceive as conservative. The upside case (based on a major Megenta or Blackrock discovery) is 18.4p. Again, this is likely to be conservative given that outcome.

EXHIBIT 1: OVERVIEW OF VALUATION

	NPV per oz ($)	Net Resource oz (k)	Value ($)	Value (£)	Per share (p)
Oxides;					
Inlice	204.7	26.8	5.49	3.49	1.0
Altintepe	145.0	156.1	22.64	14.42	4.1
Öksüt (50%)*	72.5	120.7	8.76	5.58	1.6
Muratdere - copper**	-	-	3.5	2.2	0.6
Muratdere - Gold*	72.5	46	3.3	2.1	0.6
Sulphides (incl. Karaagac)* **	**36.3**	**314.2**	**11.4**	**7.3**	**2.1**
Resources	**-**	**-**	**55.1**	**35.1**	**10.1**
Exploration (transaction value)†	**-**	**-**	**14.8**	**9.4**	**2.7**
Sub Total	-	-	69.9	44.5	12.8
Year-end net cash estimate	-	-	3.0	1.9	0.5
Total Valuation £m	**-**	**-**	**72.9**	**46.4**	**13.3**

Note resources estimates are not currently JORC compliant
* Incorporates a 50% discount to the Altintepe deposit and assumes NPV/oz at $1,100/oz
**Based on estimated copper per lb copper values of African Copper and Canadian copper basket
***Incorporates a 75% discount to the Altintepe deposit and assumed NPV/oz at $1,100/oz
†Assets not yet exhibiting quantifiable resources are incorporated at transaction value as broken down in Exhibit 2

METHODOLOGY

Conservative hybrid approach to valuation

Our estimate of gold NAV for the development assets derives from applying the Inlice deposit inputs to the larger Altintepe deposit. Given that the Altintepe deposit is in the pre-feasibility stage, these figures are high level and should be considered indicative nonetheless, they should help to provide a marker. We arrive at an NPV per ounce of $145/oz for the Altintepe deposit (See Appendix 1).

Given that the preliminary economics will focus on the oxide resources (and possibly transitional material) we apply an aggressive 75% discount to the NPV when calculating the sulphide resources.

Valuing the Ethiopian assets is more problematic. To value the extensive land acreage is inappropriate, given that it is of little use for anything else. To value the potential of the deposits (at a very rough guess of 2-3Moz potential) would be extremely subjective and speculative, yet this is the upside case. Therefore, we value the assets at transaction cost which provides a point in time, verifiable third-party base case - given that these are largely underwritten by significant industry players. This, of course, allows little value for the potential of the assets and should, we hope, prove highly conservative.

For example, ignoring the Thani-Ashanti 5% direct stake in Stratex East Africa, on a contribution basis, the JV requires $7M investment in order to realise the 70% stake in one of the individual projects. Thus, Stratex's net aggregate interest of 30% can be notionally valued at $3M. In reality, the deal is more complicated because the JV agreement allows Thani Ashanti to farm-up in any of the projects for $4M each. Given that this is likely to be the most prospective area, however, this seems a reasonable, if crude, methodology for now. All of the other exploration acreage is incorporated in this transaction valuation approach (i.e. grossing up the value of the funds that were/are required to earn-in). Again, we believe that this should be conservative. For the 100%-owned Blackrock prospect, which is already exhibiting strong results from early chip sampling, we ascribe $6M (just over half the value of the main licence for the Thani Ashanti JV).

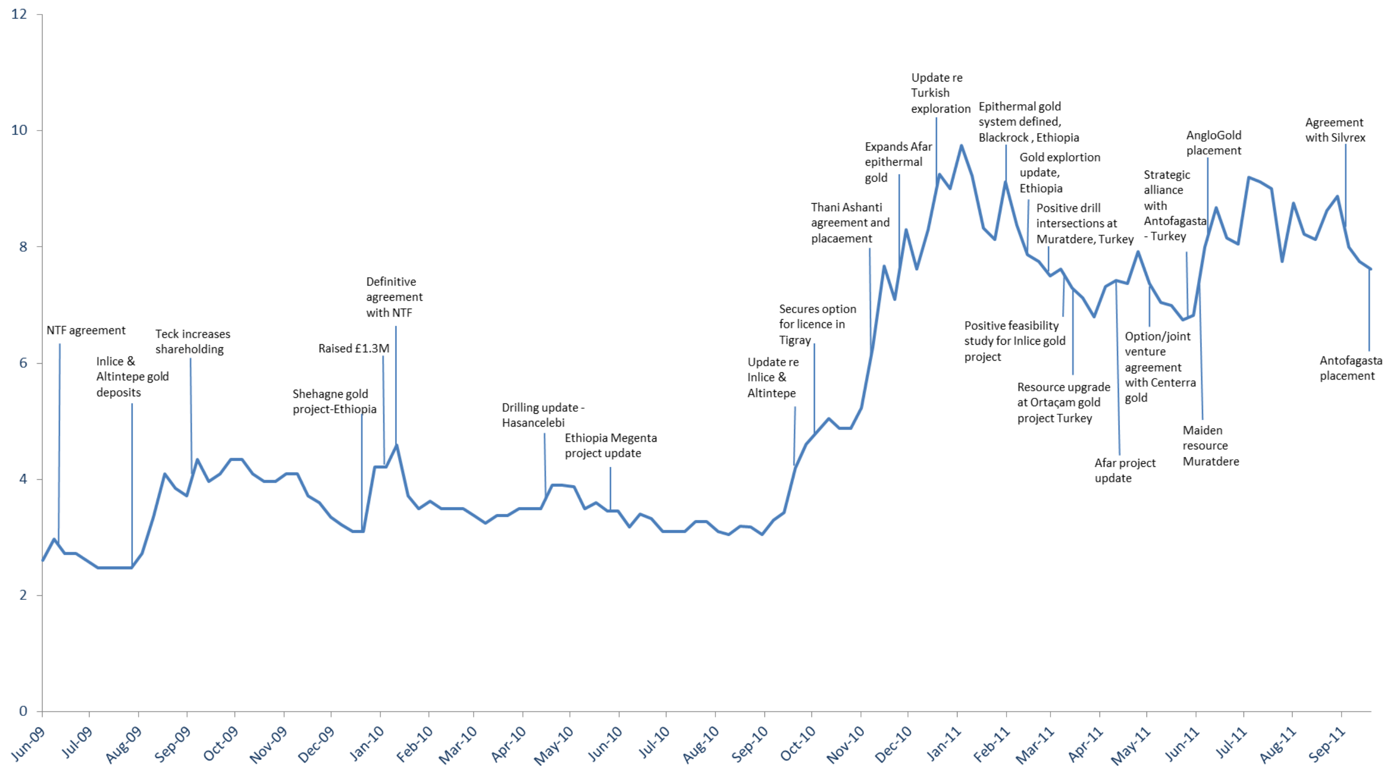
EXHIBIT 2: TRANSACTION-BASED VALUATIONS

Partner	1st stage payment	Interest at phase	Implied value	2nd stage payment	Aggregate spend at phase	Interest at phase	Notional transaction value	Notional value net to Stratex ($)	Notional value net to Stratex (£)	Per share (p)
Turkey										
Altunhisar	3.0	50%	6.0	3.0	6.0	70%	8.6	2.6	1.6	0.5
Teck Resources	2.0	51%	3.9	3.0	5.0	70%	7.1	2.1	1.4	0.4
Antofagasta	1.0	51%	2.0	3.0	4.0	70%	5.7	1.7	1.1	0.3
Ethiopia									0.0	0.0
Thani-Ashanti	3	51	0.1	4.0	7.0	70%	10.0	3.0	1.9	0.5
Blackrock	-	-	-	-	-	-	-	5.0	3.2	0.9
Sheba	-	-	-	-	-	-	-	0.4	0.2	0.1
Total Exploration value	-	-	**11.9**	**13.0**	**22**	-	**31.43**	**14.8**	**9.4**	**2.7**

SOURCE: Company/Northland Capital

SHARE PRICE PERFORMANCE

EXHIBIT 3: SHARE PRICE PERFORMANCE AND KEY ANNOUNCEMENTS



SOURCE: Fidessa/RNS/Northland Capital Partners Limited UK

Share break out followed Ethiopia move

Shares traded within a relatively tight range of 3-4p from mid-2009 to 2010, before breaking out in November 2010. Rerating coincided with progress on the key Ethiopian assets at that time. Another notable breakout in January 2011 accompanied the signing of the Thani-Ashanti deal. Shares subsequently retraced in line, however, with the rest of the mining sector due to macro concerns following the bull-run in commodities before rallying in recognition of the significant AngloGold Ashanti placing.

We view the shares as good value at these levels. Gold looks highly-priced, but has proven remarkably robust given the uncertainty in equity, debt and currency markets. There was significant potential that gold was overbought as evidenced by recent retracement; nevertheless we anticipate a robust gold price of over the $1,100-1,200/oz level required to underwrite the project economics for Stratex's key development projects (a price range we incorporate in our models).

VALUE AND PERCEPTION

Undervalued compared to comparators

It is our view that Stratex shares remain undervalued for two principal reasons: 1) the steady and conservative progress (in terms of operating expenditure), and 2) the relatively small size of individual deposits to date.

1. ***The small cap market may not have fully reflected the measured progress of the group.***

Whilst it has ambitious exploration objectives, Stratex has maintained a conservatively-run operation from an expenditure point of view.

The strategy has been to expend small amounts to 'work up' greenfield exploration projects, typically bringing in JV partners to take on the capital-intensive exploration drilling phase. We see this as positive.

The farm-outs preserve shareholders' funds and allow exposure to upside and are thereby a key attraction and differentiator for the group.

Effective capital management

In this way the company has managed capital efficiently, mitigating financial and technical risk and advancing its first Turkish asset the Inlice deposit, to within 12 months of production. However, the small cap markets are notoriously short of patience and it may be that some would have preferred more instantaneous results or a more 'go it alone' approach.

It is true that the farm-out strategy can be a double-edged sword; the larger farm-in partner dictates the speed of progress (and is often in less of a hurry given a myriad of other projects). Thus it is possible that the company suffers; 1) a lack of control, and 2) a diluted interest.

Overall we expect that the commencement of even small-scale production from the Inlice deposit should address any concerns and should validate the approach. This could be further underlined by the more material Altintepe deposit a year later.

2. Individual discoveries are modest (so far)

Net resource of c.0.6Moz, Au

While the company has a global resource of over 1.53Moz Au, this is spread across a number of relatively small deposits and its interest has been/will likely be diluted through JV partnerships in place. Thus the net resource, assuming all JV partners take up their stakes, is just over 0.57Moz Au. Whilst modest, the Turkish assets contain a high proportion of oxide material which reduces the cost and complexity of exploitation. The cyanide heap-leaching process used for primary gold and silver recovery increases the likelihood and scale of near-term cashflows. Separately, the continued presence of the major JV partners suggests that there remain sizeable exploration opportunities in Turkey. Whilst still in the early exploration stage, we note the positive recent drilling which discovered large intersections of low grade gold at the Öksüt prospect (234.4m @ 2.08g/t Au and 220.2m @ 1.83g/t Au). Results suggest a likely expansion of the Öksüt prospect resource, which has currently c.317Koz of gold (240Koz oxides) on the basis of in-house estimates.

PROGRESSING IN SCALE

First gold production anticipated mid-year

We believe that any investor reticence over the Turkish assets will naturally be addressed as Stratex are advances them to production, which is expected to occur mid-year 2012. Ahead of this, we believe that the Ethiopian assets could provide a nearer-term share price catalyst. As very early-stage exploration, these are much more difficult to quantify, and it is by no means certain that an economic resource will be established. However, the company has already established the existence of a number of epithermal systems. Early indications suggest that the region could be analogous to Patagonia, which hosts multiple deposits.

LANDMARK PLACINGS

ANGLOGOLD ASHANTI PLACING

Gold major takes 11.5% stake

The AngloGold Ashanti placing in June 2011 was a landmark deal. Conducted at a premium to the prevailing price at that time, this was also a net win for investors.

In June 2011, AngloGold Ashanti subscribed for 38.9M Stratex shares at 7.72p, a 10% premium to the previous 20-day trading average at the time of the placing to raise £3M. This gave AngloGold an 11.5% stake in Stratex.

AngloGold will have the right to maintain its equity stake by contributing to any future funding undertaken by Stratex.

In addition, so long as AngloGold Ashanti holds 10% of Stratex at the time of a spin-off of the East African assets, Stratex will 'use all reasonable endeavours' to allow it to subscribe for additional shares to maintain 10% in that future entity.

AngloGold Ashanti is already a part holder in the Megenta prospect through its Thani-Ashanti JV. However, for us, its decision to take a direct stake in Stratex suggests several key positives:

1) AngloGold Ashanti sought to have a strategic stake in the company, given its record in uncovering new gold mineralisation, not limited to Ethiopia/ Djibouti.
2) The deal further reaffirms our confidence, following strong early Megenta prospect results, that the area offers significant potential for a major discovery.
3) It reflects the effectiveness of Stratex's targeted land acquisitions in Ethiopia, which has seen it secure a significant amount of the prospective acreage of the country. For us, the AngloGold Ashanti deal testifies particularly to the prospectivity of the acreage outside of the control of the existing Thani-Ashanti deal. As such, it strongly reflects the attractiveness of these assets.
4) The deal helped to shore up Stratex's balance sheet, providing much-needed capital for non-third-party financed exploration (Black Rock prospect and Shehagne prospect), as well as providing for well over a year's central administration cost.
5) From an investor viewpoint, the deal is likely to promote bid speculation, given the size of the stake taken by AngloGold Ashanti. We believe that it is too early for such speculation (Stratex also has another long-term investor in terms of Canadian major Teck Resources, which holds 10.6%), but that AngloGold Ashanti is clearly interested in seeking a strategic foothold. AngloGold Ashanti is in a strong position should it decide to extend its interest further.

ANTOFAGASTA PLACING

Copper major takes 2.97% stake

The announcement on the 26th September by Stratex of the placing to Antofagasta of 10.4M new shares at a price of 7.72p for consideration of £0.8M was a further endorsement of Stratex's potential. The major mining company has already committed $1M to a JV with Stratex International for copper exploration in Turkey, and will now hold 2.97% of Stratex's equity.

CENTAMIN'S MOVE INTO ETHIOPIA

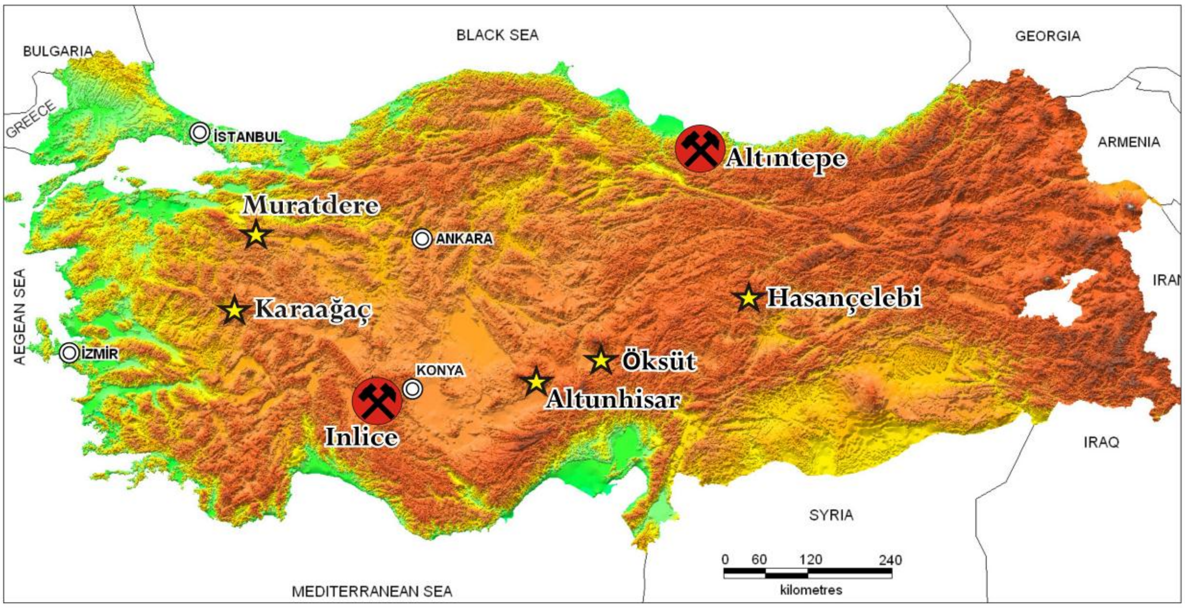
New partnership with Centamin

We also note Centamin's, move into Ethiopia. Centamin operates the Sukari Mine in Egypt which has a total resource of 10.99Moz and holds over 160 km^2 of exploration licences in Egypt. The company has acquired Stratex's JV-partner Sheba Exploration for £7.5M. One of Sheba's key assets is the Shehagne project in Northern Ethiopia. Stratex is earning into a 60% stake (expected to be achieved in 2011), and has the right to extend ownership to 80%, by taking the project to feasibility study. Centamin's move into Ethiopia is testament to the exploration potential of the country and quality of grassroots exploration by Sheba and Stratex. The deal reflects the potential value of the assets and adds another high quality, well-funded partner. Stratex held a 4.9% shareholding in Sheba and matching warrants. Stratex has received £0.576M in funds and shares from the sale of its stake in Sheba.

ASSET OVERVIEW — TURKEY

The Turkish assets span the length and breadth of the country. Inlice and Altintepe are considered development assets, whilst Hasancelebi, Karaağaç, and Altunhisar prospects are exploration assets. The Öksüt and Muratdere prospects are exploration/appraisals assets, despite already being host to modest resources.

EXHIBIT 4: MAP VIEW OF KEY TURKISH ASSETS



SOURCE: Company

The key licences are shown below, together with the JV partners and their recognised resources. In addition to the licences, the company has undertaken a JV with Antofagasta to search for copper outside of the company's existing licence areas.

LICENCE OVERVIEW
EXHIBIT 5: TURKISH LICENSES

Deposit	Measure (Oz)	Indicated (Oz)	Inferred (Oz)	Total Gold (Oz)	Oxides (Oz)	Share (%)	Net Resource (Oz)	JV partner
Karaagac	-	-	157,000	157,000	-	100%	157,000	Teck Cominco
Inlice	30,500	134,000	97,800	262,300	98,300	45%	118,035	NTF
Altıntepe*	212,352	255,392	125,387	593,131	336,915	45%	407,828	TBA**
Öksüt	-	163,849	153,407	317,256	241,440	50%	158,628	Centerra
Muratdere***	-	-	204,296	239,095	-	25%	59,774	Aydeniz
Totals	**242,852**	**553,241**	**737,890**	**1,568,782**	**676,655**	**-**	**901,265**	**-**
Exploration								
Altunhisar								Centerra
Hasançelebi								Teck Cominco
Konya								-

SOURCE: Company/Northland Capital Partners Limited *The resource at Altıntepe also includes 2,371,689 oz oxide silver (Ag), and a further 812,819 oz Ag in sulphide material. ** Stratex is currently in discussion with a Turkish construction company to JV this project therefore in our valuation we assume the potential JV partners take a 55% stake. ***The resource at Muratdere also includes 186,000 tonnes copper (Cu), 3.9 million oz Ag, 6,390 tonnes molybdenum (Mo), and 17,594 kg Rhenium (Re).

INLICE AND ALTINTEPE DEPOSITS — GOLD DEVELOPMENT

NTF funding to a feasibility study

Stratex has a JV with Turkish mining contractor and engineering group NTF Insaat Ticaret Limited Şirketi (NTF) for the Inlice deposit. The JV company is NS Madencilik, of which NTF holds 55% and Stratex 45%. The agreement requires NTF to fund expenditure up to the feasibility stage, after which the project reverts to a 'heads up' arrangement, with Stratex responsible for its 45% of development costs (although this may come from external financing). Stratex is currently in talks with a Turkish construction company to develop the Altintepe deposit. Teck Resources has a 1.5% Net Smelter Return (NSR) royalty via Altintepe and a third-party holds an NSR of 2.5%, which can be reduced to 1.25% for $0.75M.

INLICE DEPOSIT

Focus on oxide deposit

The Inlice deposit is located 30km from the city of Konya, some 230km south of Ankara. High-sulphidation gold mineralisation occurs in steeply-dipping silica ledges developed within the volcanic host rock. The company has around 0.26Moz in global resource. This includes around 0.164Moz of sulphide material not factored into the recent feasibility study, however, which focuses on the more readily recoverable oxide ore.

INLICE FEASIBILITY STUDY (FS)

FS defined small oxide reserve

Using a cut-off of 0.3g/t Au, the feasibility study outlined 0.629Mt of in-situ oxide material (averaging 2.36g/t) and 0.466Mt of talus (loose rock or scree) oxide material averaging 0.79g/t Au with an average stripping ratio of 0.76. The FS defined a small proven mineral reserve of 59.6Koz contained Au, of which expected recovery was 50.2Koz. The projected after-tax internal rate of return (IRR) is 22.9%, assuming a $1,100/oz gold price and 31.8% at US$1,200/oz. Estimated cash operating costs are $412/oz and capital expenditure is expected to be $13.9M. Planned use of the NTF mining fleet is expected to enhance after-tax IRR to 36.9% at $1,100/oz, and 47.9% at $1,200/oz.

There is some upside potential with additional transitional material — part oxidised sulphide material — which is not included in the feasibility. There is also an additional 0.164Moz Au estimated in sulphide material, which has not been incorporated into the feasibility study. Stratex expects to commission metallurgical test work on the underlying sulphide resource. The leach pad is to be designed with the potential to expand capacity from 1Mt to 3Mt, should mining additional oxide material and the sulphide zone prove viable. The projected costs are low as the oxide resource can be mined from an open pit and would be suitable for cyanide heap leaching.

With an NPV of $12.2M ($5.5M net to Stratex) at $1,200 gold, the deposit is of low materiality but nonetheless an important benchmark. The Inlice deposit should help define the project economics for the other interests and, if successful, pave the way for the more material Altintepe deposit. Mining is anticipated to commence Q1/Q212; with first gold production expected at mid-year 2012, this therefore becomes an important milestone.

PROJECT FINANCING

Some concerns over financing to production

The company is presently exploring possibilities with its partner NTF. Additional capital is required to provide its share of the estimated start-up capital expenditure required ($5.9M, subject to EPCM review). The preference is for debt financing, but with banks predominantly interested in larger syndicated deals, this may fall into a niche that means debt funding is unattractive. Given its stronger balance sheet, NTF is likely to be the key driver in the financing. Having come this far, we would be surprised if the company did not progress to the next stage of investment and development.

We expect that the project costs, whilst material, represent relatively-modest capex requirements to the operator. However, this could entail further ownership dilution for Stratex. Some extent of equity financing at the plc level is also a possibility, though this would also cause dilution for shareholders who did not participate in the fund raising. On balance, we expect the projects to be progressed to production, and are not overly concerned about dilution with regards to the Inlice deposit. Given the Altintepe deposits' greater materiality, we view the Inlice deposit partly as proof of concept for the larger project. Assuming the Inlice deposit goes to plan, this may help ease the path to realising Altintepe production.

ALTINTEPE DEPOSIT

High-sulphidation epithermal gold

The Altintepe Gold deposit is located near Fatsa, close to the Black Sea of North Central Turkey. The project is a high-sulphidation epithermal gold deposit which is also host to intermediate-sulphidation epithermal gold mineralisation, in a series of fault controlled linear veins and related stockworks or stringers. Stratex completed 4.7km of diamond drilling to outline an in-house resource based on JORC principles (though not JORC compliant) of 0.59Moz oxide gold. The bulk of this is contained in the Camlik East Zone, whilst the Extension Ridge and Kayatepe Zones host the measured resources.

EXHIBIT 6: BREAKDOWN OF STRATEX'S RESOURCES (NON-JORC)

Zone	Material	Tonnes (t)	Grade (g/t)	Gold (oz)	Measured (oz)	Indicated (oz)	Inferred (oz)	Total (oz)
Extension Ridge	Oxide	1,014,117	2.1	68,590	53,912	10,631	4,047	68,590
Kayatepe	Oxide	845,633	1.82	49,515	38,424	7,477	3,615	49,515
Camlik East	Oxide	4,049,876	1.09	142,206	-	123,577	18,629	142,206
Camlik	Oxide	3,643,746	0.45	52,871	-	32,516	20,355	52,871
Karakisla	Oxide	1,253,785	0.59	23,733	-	11,961	11,772	23,733
Total	**Oxide**	**10,807,157**	**0.97**	**336,915**	**92,335**	**186,162**	**58,417**	**336,915**
Extension Ridge	Transition	1,010,277	2.44	85,112	72,771	12,086	340	85,197
Kayatepe	Transition	1,288,515	1.68	69,409	47,337	12,494	9,578	69,409
Total	**Transition**	**2,298,792**	**2.01**	**154,521**	**120,108**	**24,580**	**9,919**	**154,606**
Kayatepe	Sulphide	3,820,664	0.68	83,624	-	44,572	39,052	83,624
Camlik	Sulphide	91,665	0.46	1,356	-	-	1,356	1,356
Karakisla	Sulphide	816,077	0.63	16,715	-	-	16,715	16,715
Total	**Sulphide**	**4,728,406**	**0.67**	**101,695**	**0**	**44,572**	**57,123**	**101,695**
Total	**All**	**17,834,355**	**1.02**	**593,131**	**212,443**	**255,313**	**125,460**	**593,216**

SOURCE: Company

There are 0.212Moz Au measured 0.255Moz Au indicated, and 0.125Moz Au inferred (not yet JORC compliant) and additional silver credits. Early metallurgical test work has indicated that, like the Inlice deposit, the deposit would be amenable to a low-cost cyanide heap-leaching process with recoveries at 95% for some of the oxide material. Given that we await news of a new partner it is premature to refine economics in too fine a detail.

However, for our own reference we extrapolate outcomes suggested by the Inlice Feasibility Study to Altintepe. In so doing, we arrive at an NPV10 of c.$22.6M (Appendix 1) on a gold price of $1,100 and a 12.5% discount rate. Our base case high-level model also indicates a payback in less than three years, with around $7.5M in annual net cashflows. Mining is expected in 2013, subject to the outcome of farm-out negotiations which are currently underway.

Original Altintepe deposit partner NTF decided not to proceed with its right to acquire 55% of the project by committing to a feasibility study. As NTF management wanted to see how work at the Inlice deposit (which it remains committed to) progressed prior to committing further capital to the Altintepe deposit. Waiting for the progression of the Inlice deposit would have threatened the H113 target for production at the Altintepe deposit and so Stratex management decided to convene discussions with another Turkish construction company to meet the 2013 time frame.

OTHER TURKEY

ÖKSÜT — GOLD EXPLORATION

JV with Canadian major Centerra

Öksüt is another high-sulphidation gold discovery made by Stratex in Central Anatolia, 25km south of Develi. The company has a JV with Canadian major Centerra which can earn up to 70% by funding aggregate $6M over five years.

At Ortaçam within the Öksüt prospect, the gold mineralisation is contained within a steeply inclined silica zone dominated by breccias. Drilling results from the area include ODD-20 which returned 109.7 m at 1.73 g/t Au, however most intercepts were substantially thinner.

In the Ortaçam North area, a vertical gold–bearing breccia pipe has been defined (234.4m @ 2.08g/t Au and 220.2m @ 1.83g/t Au). These drilling results will increase the potential gold resource at the Öksüt prospect, which currently stands at over 0.3Moz (prepared independently in accordance with the JORC guidelines but not JORC compliant). The key oxide element stands at 0.22Moz (non-JORC).

MURATDERE — COPPER/GOLD/SILVER

Copper resource surprised on the upside

The Muratdere prospect is located in western Turkey, around 250km west of Ankara. This is primarily a copper-gold system, but with potential silver, molybdenum and rhenium credits. Stratex has a JV with Turkish company Aydeniz, which can earn up to 75% by completing 5,500m of drilling and paying $0.5M to Stratex. Subsequently, both companies will proceed on a ‘contribute or dilute’ basis. Progress by Aydeniz has been encouraging, with a maiden inferred resource (not JORC compliant) of 3.9Moz silver, 0.2Moz gold, 0.18Mt copper, 6Kt molybdenum, and 17,594Kg Rhenium.

HASANÇELEBI — GOLD/SILVER

Blue-sky exploration

Located in the Yamada Volcanic Belt of the Anatolian Block in central Turkey, the Hasançelebi prospect is another high-sulphidation epithermal gold-silver project. Canadian major Teck Resources has an option to 1) acquire a 51% project interest through funding $2M, and 2) acquire up to 70% by spending an additional $3M by the end of 2015. Stratex remains the operator for the time being. The second phase of the programme, started in Q311, will comprise a further 2,000m of drilling and is expected to delineate the full extent of mineralisation.

ANTOFAGASTA — COPPER, BLUE SKY

Copper resource surprised on the upside

In May, Stratex signed an agreement with copper major Antofagasta to spearhead exploration in Turkey outside of Stratex's existing licence areas. The Tethyan Belt, which covers much of Turkey, is considered by Stratex and Antofagasta as prospective and relatively untested ground for copper mineralisation.

KARAAĞAÇ — GOLD EXPLORATION

Thrust-faulted limestone sequence

The Karaağaç Prospect is located in western Turkey, 30km from the town of Usak. A 2007 drilling programme outlined an inferred resource of 0.157Moz Au. This, ostensibly, is a small resource and unlikely to be viable as it stands. Stratex is currently evaluating whether to conduct further exploration via a JV, sell the project, or whether to conduct a follow-up drilling programme of its own.

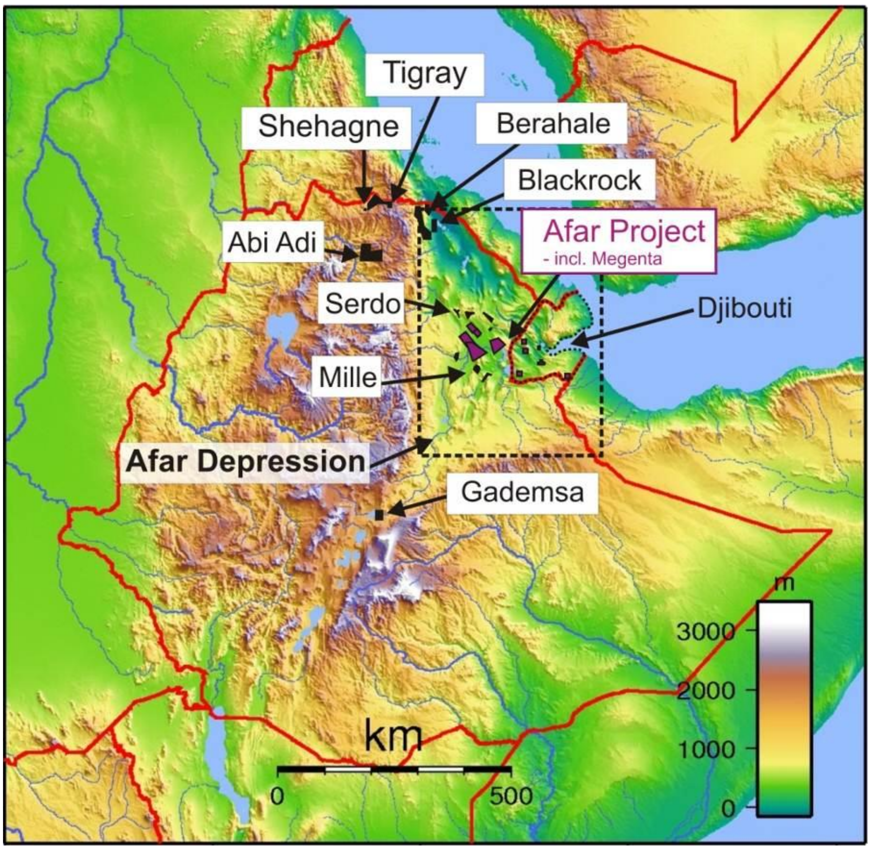
ALTUNHISAR — GOLD EXPLORATION

Blue-sky exploration

In May, Stratex signed a second JV agreement with Centerra to explore the Altunhisar Prospect, in South Central Turkey. The Altunhisar Prospect is 260km southeast of Ankara, and 200km east of the Konya Volcanic Belt (Inlice). Five extensive zones of hydrothermal alteration (associated with high-sulphidation gold systems) were discovered in 2007 and 2008. The agreement is typical for Stratex: Centerra is to fund $1.5M within three years to acquire 51%, and has the option to acquire up to 75% by spending an additional $2M over a further two years. Stratex will initially manage the programme.

ASSET OVERVIEW — EAST AFRICA

EXHIBIT 7: MAP OF CONCESSIONS IN ETHIOPIA AND DJIBOUTI



SOURCE: Company

The Ethiopian licences can be categorised as follows: 1)the Afar Project (purple squares in boxed area), including the Thani Ashanti JV, the 100% owned Blackrock and Mille I to VI, 2) Shehagne, 3) Berahale, 4) Tigray, and 5) Gedemsa exclusive exploration licences (EEL). Stratex was awarded six new licences in Djibouti which extended its reach in the Afar Depression across into Djibouti (subject to the Thani Ashanti JV).

AFAR PROJECT

Key assets

The key projects are located in the Afar Depression. Stratex announced its first discovery, the Megenta prospect, in October 2009. It subsequently acted to secure land in similarly prospective areas elsewhere in the Afar Depression of Ethiopia and neighbouring Djibouti. Stratex has a substantial total land package of 3,853km^2 in the Afar Depression in Ethiopia, which also crosses into bordering Djibouti.

Following initial reconnaissance, the company undertook detailed geological and structural mapping and channel sampling over some 5,000m by 500m at the Megenta prospect. Further epithermal discoveries confirmed the region as an epithermal gold district. The company sees clear parallels between the Afar Epithermal Province and the Deseado Massif of Patagonia, Argentina. The Deseado Massif is host to a number of significant deposits including Cerro Vanguardia, one of the largest low sulphidation deposits in the world from which AngloGold Ashanti reports production of 0.19Moz per annum.

THANI-ASHANTI JV

JV provides key backing

The Stratex-Thani Ashanti JV agreement was a watershed moment which provided strong vindication of Stratex's early work on the area, once considered to have little potential to host gold mineralisation. The agreement allows Thani Ashanti to earn into 51% of the Afar Project by spending $3M on exploration and development over two years, $1M of which must be in the first year and included a 3000m drill commitment. Thani Ashanti has completed the 3,000m drilling program at the Megenta prospect, at which Stratex has defined presence of epithermal gold veins at high level in the system with encouraging grades.

The first phase of drilling has defined veins with high proportion of calcite to silica with multi-gram grades. Management believes this indicates current drilling intersected areas high in the system and the best grades could be deeper. Future holes will be designed to establish the level of a potential boiling zone in the next stage of drilling. Thani Ashanti can earn up to 70% in any of the five licence blocks in Ethiopia or the six EELs in Djibouti by spending an additional $4M per licence within four years. The company has acquired 5% in Stratex East Africa now that it has spent the first $0.5M; this notionally values the assets at $10M. Encouragingly, Stratex remains the operator of the project, and will oversee the initial drilling campaign. Stratex has announced that it is considering spinning out the East African assets to create further shareholder value.

SITE VISIT

Establish epithermal gold system

We visited the company's Ethiopian projects in the Afar Depression (including the Megenta prospect and the remote Blackrock prospect) and saw the extensive potential of the underexplored territory.

EXHIBIT 8: ROCKY OUTCROP AT MEGENTA PROSPECT

SOURCE: Northland Capital Partners Limited UK

The Ethiopian operations are nascent with rudimentary camps established. The company has, however, made fairly rapid and cost-effective progress in terms of exploration mapping and sampling of the deposit, despite some extremely challenging conditions, particularly at the Blackrock prospect.

Located on the main road from the port at Djibouti, the Megenta prospect is well served by infrastructure with a good road and access to nearby water (the deposit transects a river and irrigation canal). The Blackrock prospect is much more remote, but the company benefits from a road developed by BHP Billiton for its nearby potash exploration.

There are challenges as well as benefits to operating in such a remote and arid environment. We met Abdu Nur, the Head of Mines & Energy Resources for the Afar region who expressed his support for Stratex's operations.

EXHIBIT 9: SITE VISIT PARTICIPANTS AND THE MEGENTA PROSPECT CAMP

SOURCE: Northland Capital Partners Limited UK

MEGENTA PROSPECT

Low-sulphidation system

Sampling has focussed on silica-bearing structures, and specifically on zones containing chalcedonic ribs and veinlets (that potentially indicate the tops of veins which should widen with depth). On our site visit, we saw first-hand a number of these prominent chalcedonic structures. The company has named the key zones Warthog, Baboon, Canal, Kingfisher, Hyena and Gazelle.

EXPLORATION

3,000m drilling campaign successfully concluded

Exploration at the Megenta prospect is still early stage. The completion of the initial 3,000m drill program has defined a large low-grade gold system but the company is encouraged by areas of high grade (e.g.19.5g/t Au over 0.7m) which is the primary exploration target.

Further work by Stratex and JV partner Thani Ashanti will help to define the extent of this discovery. The recent results from the Megenta prospect have revealed low grades from the Canal Zone, Hyena Zone, and Kingfisher Zone.

Within the Canal Zone, three gold bearing horizons of 0.52g/t Au over 2.3m, 0.35g/t Au over 10.4m, and 0.22g/t over 9.6m were intersected by drill-hole MG-DD-01. The Hyena Zone, which appears to be the largest area of gold mineralisation contained sixteen gold bearing horizons intersected in eight drill-holes, with notable grades including 0.67g/t Au over 43.2m and 0.54g/t Au from 44.4m. The four gold bearing horizons intersected in drill-hole MG-DD-12 within the Hyena Zone extended the gold target zone by 460m, which now extends over 3km. A small intersection of 0.27g/t Au over 4m was obtained from the Kingfisher Zone in drill-hole MG-DD-14.

EXHIBIT 10: COLLOFORM BANDED QUARTZ VEIN AT 93M, MG-DD-12; 19.5G/T OVER 0.7M

SOURCE: Company

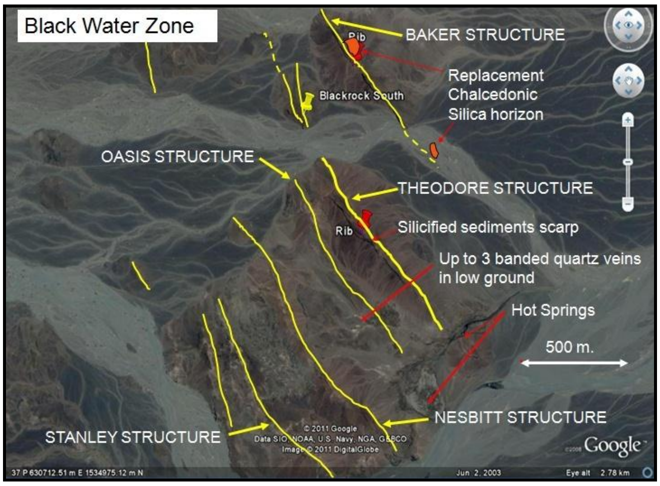
BLACKROCK PROSPECT

100% ownership

The Blackrock prospect is at an earlier stage than the Megenta prospect. Stratex has so far retained 100% operatorship of the Blackrock prospect, located in a remote area in the North of the Afar Depression, close to Djibouti. The Blackrock EEL covers an area of 299km^2 of the region, 18km east of the small town of Berahale. The Blackrock camp was very basic when we visited it, but the project will benefit from infrastructure laid down by BHP Billiton. BHP is conducting a significant potash exploration programme has established a major camp, and has put in place new roads and an air strip.

The setting is very similar to the Megenta prospect some 260km south, though the structure is lower lying at sub-sea level. The veins are similarly chalcedonic, with abundant calcite which has been replaced by silica in places. Rock chip sampling at Black Water (announced in May 2011) confirmed the presence of multiple low-sulphidation epithermal gold veins, with some bonanza grade gold values (60g/t, though only over a small 8cm intersection).

EXHIBIT 11: BLACK WATER VEINS



SOURCE: Company/Northland Capital Partners Limited UK

Structures have been identified over 15.9km from north to south in only two of the zones. Recent grab sampling focused on the Black Water Zone, though the company has outlined three other zones of prospectivity (Calcite, Discovery, and Magdala). The company believes that the Black Water Zone sampling results provide encouragement for prospectivity of further gold-bearing veins elsewhere in the other three zones. Consequently, management intends to fast-track the project to drill-ready status prior to year-end. Given that this is a 100% owned project, this bodes well for potential value appreciation. Below, the LHS photo shows the Theodore structure viewing southwards. The prospect has been intruded by multiple quartz and calcite veins; on the RHS is part of a quartz and calcite vein.

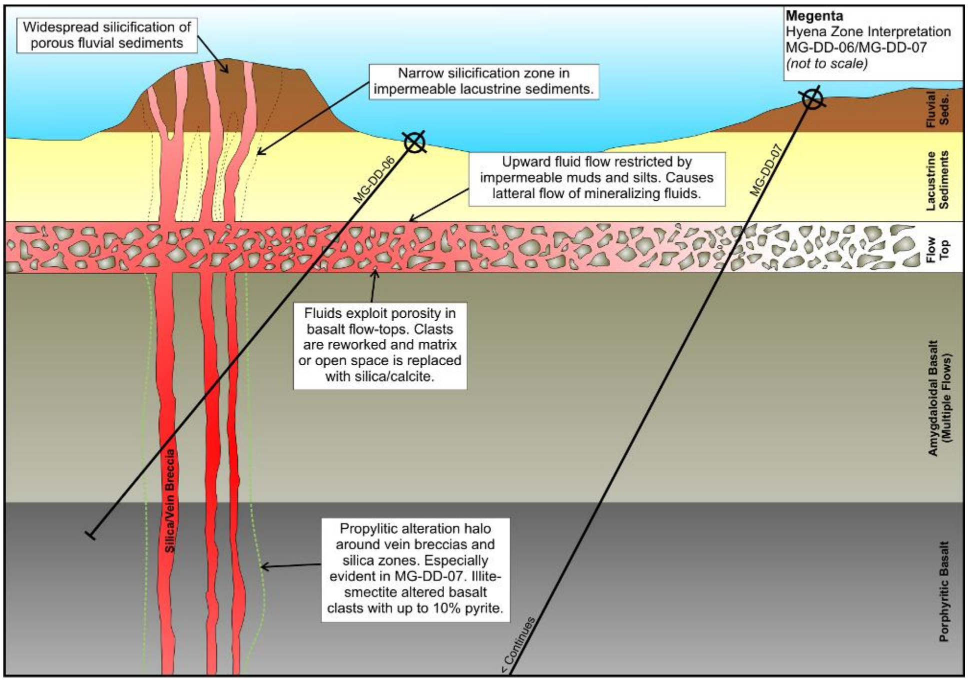
EXHIBIT 12: THEODORE SYSTEM VIEWING SOUTHWARDS (LHS); ROCK EXPOSING BANDED QUARTZ-CARBONATE VEIN* (RHS)

SOURCE: Northland Capital Partners Limited UK

*The silica is described as replacing the calcite and is considered prospective by Stratex

THE GEOLOGICAL STORY

EXHIBIT 13: DEVELOPMENT OF AN EPITHERMAL GOLD SYSTEM



SOURCE: Company

The Megenta prospect is located at a triple junction where the northeast-striking main Ethiopian Rift joins northwest and west trending rift structures. This structure relates to the East Africa Rift system and Southern Red Sea/Western Gulf of Aden spreading centres. The area is host to an epithermal system where volcanic fluids carried gold up through the faulting (and more explosively punched their way through). This is evidenced by the veins of chalcedonic silica and calcite that have formed visibly in the rocky outcrops (previous picture). In this system, gold, where present, is usually precipitated at the boiling point. Boiling of the rising fluid can lead to rapid and highly localised precipitation of abundant gold.

On triple junction of main Ethiopian rift/East-African Rift/ Western Gulf of Aden spreading centre

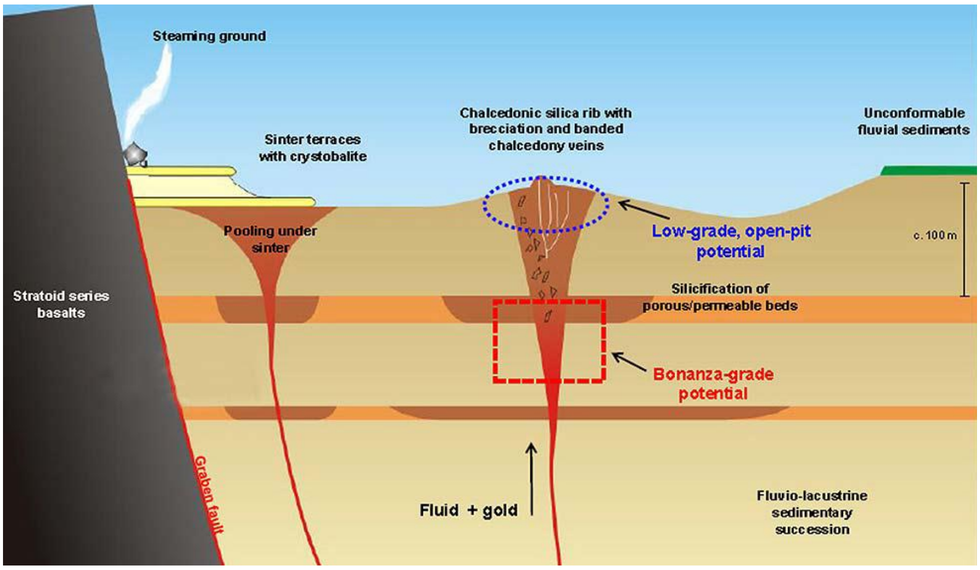
What is interesting is that these veins themselves are testing for reasonable gold grades, while generally one would expect this to have been deposited lower down in the system. It is not conclusive at this stage whether this is positive or negative, intuitively this should be encouraging. The unusual presence of gold further up the system could suggest the increased likelihood of higher-grade material lower down. Or, it could potentially be that erosion is greater than expected, meaning that the prospect is actually deeper lying in the system than originally envisaged.

Potentially analogous to Cerro Negro

There are similarities between the geology of the Afar Depression and the recent Patagonian gold discoveries such as the Cerro Negro gold/silver deposit in the Santa Cruz province of Argentina. The Patagonian discoveries are much older systems, however, epithermal gold systems of low-sulphidation-type are typically formed in rift settings in association with bimodal volcanic sequences.

These low-sulphidation gold deposits are noteworthy for their high percentage of bonanza grade ore shoots. This appreciation has led to the reopening of many volcanic regions for exploration. The Patagonian story took time to take hold partly because the larger resources actually comprised a number of small deposits which have been combined to produce these significant deposits.

EXHIBIT 14: DEVELOPMENT OF AN EPITHERMAL GOLD SYSTEM



SOURCE: Company

In this diagram, the red box depicts bonanza grade potential precipitated at the boiling point.

OTHER ETHIOPIA

SHEHAGNE

On Southerly extension of prolific Arabian-Nubian Shield

The Shehagne Project comprises an exclusive exploration licence on 50km^2 in Northern Ethiopia, on the southerly extension of the highly-prospective Arabian-Nubian Shield (ANS). Stratex has the option to earn-in up to 60% of the Shehagne Project by expending $0.35M (which it expects to surpass in 2011), and up to 80% upon the completion of a feasibility study. Stratex and JV partner Sheba Exploration (PLUS-quoted at that time) also agreed on a respective 70/30 JV to explore new prospective targets in northern Ethiopia. Drilling is completed and results are to be released shortly.

Centamin's acquisition of Stratex International's JV partner Sheba Exploration was an endorsement of both Sheba Exploration's portfolio and the exploration potential of Ethiopia and brings the prospect of another major partner.

Together with previous work by Sheba, results have helped to define an anomalous north-east trend of gold mineralization covering 1,400m by 200m with a vertical extent of around 70m (suggesting possible continuation down-dip). The potential for mineralisation remains open to the south-west. The company has established a field camp, and drilling commenced in Q311. We consider the project as secondary to the Megenta prospect, but with the potential to be equally material given Stratex's greater control.

TIGRAY GROUP (INCLUDING ABI ADI)

High-grade mineralisation

The company also has a number of interests in the prospective Arabian Nubian Shield (ANS). Tigray is located east of Stratex-Centamin's Shehagne gold project in northern Ethiopia, on the same southerly extension of the ANS. Regional work has identified a range of anomalous data including gold, silver, arsenic, antimony, tellurium, copper, and lead. This led to the discovery of the Mariam Hill prospect, a large granodioritic (coarse grained rock similar to granite) intrusive with a series of quartz veins, typically 30cm thick and extending several metres which host gold. Located on the eastern margins of the Mariam Hill prospect, there is a zone of sericite-altered tuffs which hosts a series of quartz veins approximately 5-10cm thick over a combined thickness of up to 10m.

Selective rock-chip sampling of these veins was encouraging, with a single sample producing up to 8.65g/t Au, 205g/t Ag, 0.12% Cu and 1.32% Pb. Work is expected to continue later in 2011, following up several outstanding stream sediment anomalies, and ground-truthing multiple Landsat-identified alteration anomalies.

The Abi Adi licence covers 967km^2, 80km south of the Tigray and Shehagne projects. In November 2010, Stratex entered into an agreement with Loz Bez Mining, and is currently earning-in to an initial 75% of the project by spending $1M. Stratex may then earn a further 10% of the JV through additional expenditure of $2M, to a total $3M. Stratex can commission a feasibility study at any time following the initial expenditure of $1M.

Initial stream sediment and rock chip sampling by Loz Bez Mining has identified three targets located close to artisanal workings; Gidemi Berashua, Kurtumza, and Daba Gumbah.

GEDEMSA

Early-stage exploration close to Addis Ababa

The Gedemsa licence covers 138km^2 of the main Ethiopian Rift Valley, which is fairly central in Ethiopia and thus in close proximity to Addis Ababa. On the basis of fossil evidence, hydrothermal activity is thought to be of a similar age to the Megenta prospect. The area offers convenient access for the East Africa team, and rapid geological evaluation is expected in an attempt to establish epithermal gold mineralisation for detailed sampling and potential drilling.

BERAHALE

Early-stage exploration on possible extension of Asmara gold belt

Berahale covers 1,187km^2 of prospective ground east of the Tigray licence in northern Ethiopia, and is a possible extension of the Asmara gold belt, which is currently undergoing exploration in Eritrea. Stratex plans to conduct regional stream sediment and produce mapping of the concession.

OTHER PROJECTS

RIFT RESOURCES PLC –POTASH EXPLORATION

Potash prospectivity

During its on-going program of gold exploration-license acquisition in the Afar Region of Ethiopia, Stratex became aware that it was operating in an area which is also highly prospective for potash. Stratex made application for, and was awarded a potash and associated minerals exploration license covering 500km^2 and bordering a significant BHP Billiton potash exploration project.

In order to retain its focus on gold exploration, Stratex has agreed to assign the license to Rift Resources Plc, a newly-formed potash-focused exploration company, for a cash consideration equal to the original cost of the license. Stratex has been allotted and issued 19,999,999 ordinary shares in Rift Resources, representing 49.9% of its share capital, as enlarged by a fundraising of £250,000 (25%). The Board of Rift Resources sourced this investment of £250,000 (notionally valuing the entity at £1M) to advance the initial license and to provide working capital for its development, including the acquisition of additional exploration licenses.

The Board of Rift Resources, management (including Stratex directors, employees and consultants), and founders retain the balance of 25%. The overheads of Rift Resources will be kept very low whilst Rift Resources seeks to increase its exposure to potash and other industrial minerals in Ethiopia and the region. It is intended that Rift Resources shall seek a flotation on a stock exchange in due course.

SILVREX LTD HEADS OF AGREEMENT

West Africa gold exploration

In September Stratex signed an exclusive Heads of Agreement with private company Silvrex Ltd to undertake a three month due diligence evaluation of its gold exploration projects, which could lead to Stratex acquiring Silvrex. These projects include the Dalafin gold licence in Senegal and four exploration licenses in Mauritania. The Dalafin prospect is located in the Kedougou-Kenieba Inlier, which straddles the Senegal-Mali border. The region, which contains nine significant recent discoveries including the 2Moz Yatela deposit and the Loulo deposit up to 11.4Moz, both of which are in production. Western Africa has been gaining increasing attention in terms of exploration with Rio Tinto labelling the region the World's most prospective for gold. The agreement provides Stratex with time to meticulously evaluate the assets' potential, and the results of due diligence are eagerly awaited.

QUICK SWOT ANALYSIS

STRENGTHS

MANAGEMENT AND LOCAL KNOWLEDGE

Management's exploration credentials are vindicated not only by its availability to attract the participation of major companies, but also in being entrusted to initially operate the projects on behalf of the JVs.

MULTI-ASSET APPROACH

Overall we can see the strength in diversity. The JV arrangements ensure that the company is not overstretched financially, whilst allowing the company to retain significant exposure to resource upside on a greater number of assets.

RESOURCES HELP UNDERPIN VALUATION

We perceive the current market valuation as underpinned significantly by established resources.

JV ARRANGEMENTS

JV arrangements offer two major benefits: 1) mitigating the risk and expense of exploration, and 2) allowing the company to pursue multiple targets whilst minimising cash outflow, via third-party funding for projects.

WEAKNESSES

LACK OF CONTROL

Stratex addresses third-party risk via incorporating firm deadlines for milestone expenditures/payments into the agreements, but these necessarily still allow several years' scope for its larger partners.

SMALL INDIVIDUAL RESOURCES

The sub-0.5m oz deposits may have failed to capture the imagination of some in the market. However, the oxide nature of the deposits means that Stratex should be able to develop the properties profitably using the heap-leach process.

FINANCING FOR PRODUCTION PHASE

One uncertainty relates to how appraisal assets (Inlice and Altintepe) will be progressed to production. However, start-up capex is not too onerous.

OPPORTUNITIES

FIRST-MOVER ADVANTAGE

Stratex's field exploration activities have uncovered a potential major new gold province in Ethiopia and Djibouti. Its subsequent exploration and targeted licence acquisitions have provided the company with first-mover advantage over an extensive acreage, which we believe explains AngloGold's active interest.

OTHER EXPLORATION

The company's latest agreements with Centerra and Antofagasta offer additional, unrecognised (in the shares) blue sky upside.

VALUE REALISATION

Positive metallurgical test results for Muratdere could lead to a FS and a production decision. Initial production at Inlice and Altintepe could bring on near-term cashflows. The diversification into Ethiopia presents the potential opportunity to realise its value in a separate entity, probably via spinning off Stratex's East Africa interests.

THREATS

EARLY STAGE WITH UNCERTAIN ECONOMICS

The early-stage assets have the common risks akin to exploration and uncertain economics in relation to the pre-development assets.

GOLD PRICE

Projects are heavily correlated to gold price. Future projects can be expected to exhibit similar characteristics.

GEOPOLITICAL RISK

We consider the geopolitical risks to be low for Turkey and higher, but reasonable, for Ethiopia. There are the usual risks in achieving permitting in relation to the near-term Turkish assets. Ethiopia is a largely peaceful country, and most of its security concerns relate to the borders where there are residual tensions relating to the previous border conflict with Eritrea.

KEY MANAGEMENT

CHRISTOPHER HALL, NON-EXECUTIVE CHAIRMAN

A geologist, Christopher has over 36 years of relevant experience including directorships of a number of private and listed companies. He is currently acting as in-house mining adviser to Grant Thornton.

BOB FOSTER, CHIEF EXECUTIVE OFFICER

Bob has 37 years of experience as an economic geologist with a recognised expertise in commercial exploration and the genesis of gold deposits with applied academic posts. Before pioneering Stratex's exploration activities in Turkey, Bob worked throughout the world in management on a number of projects including directing a major gold exploration programme for Pan-Reef Mining in Zimbabwe during 1994-1996.

DAVID HALL, EXECUTIVE DIRECTOR EAST AFRICA

David is a founder of Stratex and served as Chairman to Stratex prior to moving to spearhead its Ethiopian assets. He is an experienced geologist with 30 years in exploration projects in more than 60 countries including working as Exploration Manager for AngloGold South America in 1999. He is also non-executive Chairman of Horizonte Minerals plc. He has written extensively on the risk management of exploration.

PERRY ASHWOOD, CHIEF FINANCIAL OFFICER

Perry Ashwood is an experienced Chartered Accountant. He spent 20 years at Rank Xerox in various positions culminating in the role of Finance Director for Central & Eastern Europe. He became an independent consultant in 2000 specialising in assisting small to medium-sized enterprises.

PETER ADDISON, NON-EXECUTIVE DIRECTOR

Peter Addison is a lawyer specialising in company and commercial law, previously with Linklaters & Paines and Norton Rose. He spent 20 years providing corporate finance advice to a wide range of public companies in the UK and Ireland.

BAHRI YILDIZ, GENERAL MANAGER TURKEY

A Turkish national, Bahri Yildiz has 29 years of experience in exploration in a wide range of projects in Turkey, joining Stratex in April 2005. In 1992 he joined Dardanel Madencilik, the Turkish subsidiary of major Canadian mining company Inco, as Senior Geologist culminating in the role of Exploration Manager responsible for a number of programmes in Turkey.

FRANCO MARANZANA, GENERAL MANAGER DJIBOUTI

Franco is an economic geologist with 50 years of experience. This comprises work in over 100 countries for governments, international organizations and multinational companies.

RISKS

FINANCIAL/DILUTION

The investment by AngloGold and Antofagasta has greatly strengthened the balance sheet, but looking forward, Stratex has limited head room for the capex requirements of the opportunities in hand. The onset of cash flows is expected but not until mid-year 2012. Whilst JVs limit the capital requirements, further cash raises/dilution may be necessitated to achieve first production.

EXPLORATION

As is common in exploration, many projects are nascent, with their economic returns far from certain to uncover an economic reserve

COMMODITY EXPOSURE

We expect that project economics will work at above $1,100 gold, so there is some built-in slack in terms of gold price movement. However, given their limited lifespan in which to recover the initial capex, projects are heavily correlated to gold price. Future projects can be expected to exhibit similar characteristics.

GEOPOLITICAL

We consider the geopolitical risks to be low for Turkey and higher, but reasonable, for Ethiopia. Ethiopia is a largely peaceful country and most of its security concerns relate to the borders, where there are residual tensions in relation to the 2003 border conflict with Eritrea. There are some obvious difficulties relating to poor infrastructure, which largely explain its 108th placed ranking on the World Bank's ease of doing business rankings. There are also some issues with transparency of land ownership, though these should have little bearing on Stratex. The mining code looks to be reasonably transparent and consistent with common practice; it incorporates a progression from prospecting licences to large and small-scale mining licences.

PERMITTING

There are the usual risks akin to achieving permitting in relation to the near-stage Turkish assets. We do not perceive any specific problems, but for mining stocks, general environmental impact assessment (EIA) and permitting are always risks to production planning and timescale, especially given the proposed use of cyanide leaching. All licences carry the common risk associated with converting exploration licences to mining permits. In Turkey, a number of provincial and federal authorities have already expressed comfort with the progress and intentions following the initial review process earlier in 2011. Construction is estimated to take three to four months; as a result, the company perceives that mining could commence Q1/Q212 and production mid-year 2012.

FINANCES

As is usual for an exploration company, the group is pre-revenue but there is potentially a relatively short time scale before producing first revenues. Whilst we anticipate that Inlice will go into production in mid-year, we have not incorporated this into our forecasts, as we do not yet have an appreciation of what financing mechanism (be it debt/equity) will facilitate this. Thus we forecast only for the known licence fee inflows/outflows and budgeted work programme, as well as for the central costs. The major cashflow items largely relate to JV option payments and exploration costs on the other assets (for example, in the cases of Blackrock and Shehagne).

Possible onset of revenues in 2012, but uncertain financing mechanism

SELECTED FINANCIALS

Year to 31 Dec £000's (unless stated)

Profit and loss	2009	2010	H111	2011E	2012E
Revenue	-	-	-	-	-
Administrative expenses - Turkey	(409)	(801)	-	(530)	(557)
Administrative expenses - East Africa	(97)	(325)	-	(580)	(595)
Central	(763)	(580)	-	(652)	(668)
Operating loss	**(2,188)**	**(1,667)**	**(944)**	**(1,344)**	**(1,850)**
Adj. Operating Loss	**(1,694)**	**(1,734)**	**(944)**	**(1,871)**	**(1,850)**
EBITDA	**(2,172)**	**(1,584)**	**(929)**	**(1,314)**	**(1,819)**
Adj. LBT	(1,651)	(2,942)	(984)	(1,954)	(1,990)
Adj. Loss after tax	**(1,654)**	**(2,950)**	**(1,051)**	**(2,020)**	**(1,990)**
Adj. LPS (p)	(0.9)	(1.1)	(0.4)	(0.7)	(0.6)
Cash used in operations	**(1,084)**	**(2,121)**	**(909)**	**(2,616)**	**(1,772)**
Net cashflow	(2,136)	(3,348)	(1,876)	(5,592)	(1,868)
Share issues	3	1,257	3,518	4,333	-
Net proceeds from project partners	548	1,359	773	2,400	-
Net cash from financing	550	2,616	4,291	6,733	-
Net decrease in cash and cash equivalents	**(1,585)**	**(731)**	**2,416**	**1,141**	**(1,868)**
Cash at start of the year	3,313	1,728	996	996	2,138
Net Cash and cash equivalents at end of the year	**1,728**	**996**	**3,412**	**2,138**	**270**

SOURCE: Company/Northland Capital Partners Limited UK estimates

For the adjusted loss, we have reversed out non-cash project impairments but have incorporated share-based payments. For FY11 we look for adjusted LBT of £2M (£2.9M). LPS reduces to 0.7p (1.1p), given additional shares. The company operates in Turkish Lira, Ethiopian Birr and dollars and Pounds Sterling so FX can have a bearing on results. The company began the year with just under £1M, in cash and raised £3.8M through the placing's with AngloGold (£3M) and Antofagasta (£0.8M). We anticipate that it will end the year with £2.1M, given the onset of the Blackrock Drilling campaign in November.

Capex reflects Blackrock campaign

OPERATING COSTS

We expect a reduction in Turkish operating costs tin 2011, whilst an uplift in Ethiopian and central operating costs reflects the uptick in activity. Turkish central costs increased markedly in FY10 from £0.4M to £0.8M. The increase largely related to one-off payments associated with the NTF agreement on Inlice and Altintepe and there was a one-off finder's fee payment to the Turkey General Manager of £0.57M. We look for £0.530M in 2011.

Much of the central infrastructure in place

We look for costs of £0.58M for the Ethiopian activities. The company expects a slight uptick in costs given the drilling programme for the Blackrock prospect brought forward to reflect favourable rock-chip results received. We also forecast a modest increase in the central charge to £0.65M. We expect the overall operating loss will fall in 2011 as a result of the Centamin offer for Sheba. This offer resulted in a windfall to Stratex. The company has now received cash of £0.32M plus Centamin shares (value £0.29M at the time of the buyout)) for the sale of Stratex's equity investment, realising a profit of £0.527M. Since JV partner funding is effectively on an as-incurred basis, we expect the net inflows/outflows in relation to the JVs to be neutral, with the caveat that these can be impacted by timing distortions at period end. Indeed, Stratex carried £1.3M payable from H111, which now reverses out as a result of NTF's decision not to proceed with the Altintepe project resulting in the project reverting to 100% Stratex ownership,.

The balance sheet shows a large VAT receivable of £0.561M, which predominantly relates to Turkey (c.£0.55M). This may unwind in full or partially this year, but it is uncertain by how much and at what stage. We estimate that around £0.111M will be recovered in FY11.

Our 2012 estimate is largely indicative. We incorporate a small increase in central costs but have not forecast the major capital items since the 2012 budget is an unknown quantity at this stage.

FINANCIAL STATEMENTS

Year to 31 Dec £000's (unless stated)

Profit and loss	2009	2010	2011E	2012E
Revenue	-	-	-	-
Administrative expenses - Turkey	(409)	(801)	(530)	(557)
Administrative expenses - East Africa	(97)	(325)	(580)	(595)
Central	(763)	(580)	(652)	(668)
Depreciation	(16)	(84)	(30)	(31)
Other	0	(6)	(28)	0
Administrative expenses	(1,292)	(1,734)	(1,820)	(1,850)
Project impairment	(492)	(59)	0	0
Other income/(losses)	(2)	125	527	0
Share based payments	(401)	0	(50)	0
Operating loss	**(2,188)**	**(1,667)**	**(1,344)**	**(1,850)**
Adj. Operating Loss	**(1,694)**	**(1,734)**	**(1,871)**	**(1,850)**
EBITDA	*(2,172)*	*(1,584)*	*(1,314)*	*(1,819)*
Finance income	43	22	20	25
Share of losses of associate companies	-	(134)	(103)	(165)
Loss on sale of subsidiary company	-	(1,096)	0	0
Loss before income tax	**(2,145)**	**(2,876)**	**(1,427)**	**(1,990)**
Adj. LBT	**(1,651)**	**(2,942)**	**(1,954)**	**(1,990)**
Income tax	(3)	(8)	(67)	0
Loss for the period	(2,148)	(2,884)	(1,493)	(1,990)
Adj. Loss after tax	(1,654)	(2,950)	(2,020)	(1,990)
Other comprehensive income/FX	(404)	(258)	(134)	(138)
Attributable Loss	(2,552)	(3,142)	(1,493)	(1,990)
Adj. Attributable Loss	(2,058)	(3,208)	(2,155)	(2,128)
Loss per share (p)	(1.1)	(1.1)	(0.5)	(0.6)
Adj. LPS (p)	(0.9)	(1.1)	(0.7)	(0.6)

SOURCE: Company/Northland Capital Partners Limited UK estimates

Year to 31 Dec £000's (unless stated)

Cash flow statement	2009	2010	2011E	2012E
Cash flow from operating activities	**(2,145)**	**(2,876)**	**(1,427)**	**(1,990)**
Issue of share options	180	36	0	0
Depreciation	60	84	74	92
Project impairments	492	59	0	0
Fixed assets impairments	0	1	0	0
Share of associate loss	0	134	43	0
Loss (profit) on sale of subsidiary	0	1,096	(527)	0
Interest Income	(43)	(22)	(20)	(25)
Income tax paid	0	0	(67)	0
Forex	(41)	(187)	61	0
Issue of share options	401	0	50	0
Cash operating loss pre working cap	**(1,095)**	**(1,674)**	**(1,813)**	**(1,923)**
Working Capital Movement	**11**	**(447)**	**(803)**	**152**
Cash used in operations	**(1,084)**	**(2,121)**	**(2,616)**	**(1,772)**
Purchase of furniture, fittings and equipment	(45)	(186)	(56)	(96)
Purchase of Investment	(40)	(32)	(40)	0
Purchase of Intangibles (exploration assets)	(1,010)	(1,687)	(3,200)	0
Proceeds from sale of subsidiary	0	657	320	0
Interest received	43	22	0	0
Net cash used in investment activities	**(1,051)**	**(1,227)**	**(2,976)**	**(96)**
Net cashflow	**(2,136)**	**(3,348)**	**(5,592)**	**(1,868)**
Share issues	3	1,257	4,333	0
Net proceeds from project partners	548	1,359	2,400	0
Net cash from financing	**550**	**2,616**	**6,733**	**0**
Net decrease in cash and cash equivalents	**(1,585)**	**(731)**	**1,141**	**(1,868)**
Cash at start of the year	3,313	1,728	996	2,138
Net Cash and cash equivalents at end of the year	**1,728**	**996**	**2,138**	**270**

SOURCE: Company/Northland Capital Partners Limited UK estimates

Balance Sheet	2009	2010	2011E	2012E
Fixtures fittings & equipment	156	258	215	403
Intangible assets	3,607	2,523	3,450	3,450
Investments - equity method	-	377	290	290
Investments	40	72	320	320
Trade and other receivables	129	161	194	140
Deferred tax assets	126	165	170	174
Total Fixed Assets	4,058	3,556	4,639	4,777
Receivable from exploration partners	0	551	0	0
Deposits and guarantees	129	161	185	213
VAT recoverable	631	561	450	285
Prepayments	96	112	112	112
Non-Current	**(129)**	**(161)**	**(170)**	**(174)**
Trade and other receivables	0	0	0	0
Total receivables	726	1,224	577	435
Cash and cash equivalents	1,728	996	2,138	270
Intangible assets held for sale	70	199	120	120
Total Current assets	**2,524**	**2,418**	**2,835**	**825**
Total assets	**6,582**	**5,974**	**7,473**	**5,602**
Non-current liabilities	0	0	0	0
Employee termination benefits	(8)	(9)	(11)	(11)
Deferred tax liabilities	(1)	(48)	(60)	0
Total Non-current liabilities	**(9)**	**(57)**	**(71)**	**(11)**
Current liabilities	0	0	0	0
Trade and other payables	(168)	(1,359)	(150)	(200)
Total Liabilities	**(177)**	**(1,417)**	**(221)**	**(211)**
Net Assets	**6,405**	**4,557**	**7,252**	**5,392**

SOURCE: Company/Northland Capital Partners Limited UK estimates

APPENDIX 1 — INDICATIVE VALUATION FOR ALTINTEPE

Year		*2012*	*2013*	*2014*	*2015*	*Year 5-10*	*Totals*
Gold Production	K oz	17,342	24,712	38,098	38,098	228,586	346,835
Net share	**K oz**	**7,804**	**11,120**	**17,144**	**17,144**	**102,864**	**156,076**
Gold price	K/oz	1.1	1.1	1.1	1.1	1.1	1.1
Gross Revenue attrib to STI*	**$K**	**8,584**	**12,232**	**18,858**	**18,858**	**113,150**	**171,683**
NSR	$K	(343)	(489)	(754)	(754)	(4,526)	(6,867)
Total STI revenues	$k	8,241	11,743	18,104	18,104	108,624	164,816
Opex per oz (inc transport)	$/oz	(452)	(452)	(452)	(452)	(2,712)	(4,520)
Opex	$K	(3,527)	(5,026)	(7,749)	(7,749)	(46,494)	(70,546)
Operating profit	**$M**	**5,057**	**7,206**	**11,109**	**11,109**	**66,656**	**101,137**
Capex (share of)	$K	(18,000)	(1,000)	(1,000)	(1,000)	(6,000)	(27,000)
Net cashflow before tax	**$K**	**(13,287)**	**5,717**	**9,355**	**9,355**	**56,130**	**67,270**
Tax Loss	$K	(13,287)	(13,287)	(7,570)	0	0	(34,143)
Taxable profit/tax loss	$K	0	(7,570)	1,785	9,355	56,130	59,700
Tax rate	%	(20)	(20)	(20)	(20)	(20)	(20)
Tax	$K	0	0	(357)	(1,871)	(11,226)	(13,454)
NOPAT	**$K**	**(13,287)**	**5,717**	**8,998**	**7,484**	44,904	53,816
Cumulative	**$K**	**(13,287)**	**(7,570)**	**1,428**	**8,912**	53,816	53,816
NPV ($)	***$K***						**22,639**
NPV	***£K***						**14,149**
NPV per net oz	***$/oz***						**145,050**
NPV/oz £	***£***						**90,656**
SHARES (linked)	*0000s*						348,147
Per Share	***c***						**6.5**
Per Share	***p***						**4.1**

SOURCE: Company/Northland Capital Partners Limited UK estimates *Assumes a new farm out on equivalent terms to previous NTF deal

ALTINTEPE RECOVERIES

Zone	CIL (<75 microns)	Bottle roll (12mm)
Camlık	96.4%	95.0%
Camlık East	94.1%	96.5%
Karakısla	92.8%	96.6%
Kayatepe	91.8%	86.7%
Extension ridge	87.5%	68.5%
Average	92.5%	88.7%

SOURCE: Company/Northland Capital Partners Limited UK estimates

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CONTACTS

RESEARCH

Building materials	Simon Brown	+44 (0)20 7796 8891	sbrown@northlandcp.co.uk
Clean Tech	Simon Miller	+44 (0)20 7796 8841	smiller@northlandcp.co.uk
Engineering	Simon Miller	+44 (0)20 7796 8841	smiller@northlandcp.co.uk
Hardware, Software & IT Services	David Johnson	+44 (0)20 7796 8840	djohnson@northlandcp.co.uk
Housebuilders	Simon Brown	+44 (0)20 7796 8891	sbrown@northlandcp.co.uk
Infrastructure	Andy Hanson	+44 (0)20 7796 8842	ahanson@northlandcp.co.uk
Media	David Johnson	+44 (0)20 7796 8840	djohnson@northlandcp.co.uk
Mining	Andrew McGeary	+44 (0)20 7796 8843	amcgeary@northlandcp.co.uk
Mining	Ryan Long	+44 (0)20 7796 8847	rlong@northlandcp.co.uk
Oil & Gas	Andrew McGeary	+44 (0)20 7796 8843	amcgeary@northlandcp.co.uk
Special Sits	Simon Miller	+44 (0)20 7796 8841	smiller@northlandcp.co.uk
Support Services	Andy Hanson	+44 (0)20 7796 8842	ahanson@northlandcp.co.uk
Telecoms	David Johnson	+44 (0)20 7796 8840	djohnson@northlandcp.co.uk

SALES

John Howes	+44 (0)20 7796 8870	jhowes@northlandcp.co.uk
Hugh Rich	+44 (0)20 7796 8871	hrich@northlandcp.co.uk
Charles Vaughan	+44 (0)20 7796 8897	cvaughan@northlandcp.co.uk

TRADING

Zeg Choudhry	+44 (0)20 7796 8863	zchoudhry@northlandcp.co.uk
Deborah Finnegan	+44 (0)20 7796 8861	dfinnegan@northlandcp.co.uk
Bernie Leaver	+44 (0)20 7796 8860	bleaver@northlandcp.co.uk

CORPORATE BROKING

Alice Lane	+44 (0)20 7796 8899	alane@northlandcp.co.uk
Katie Shelton	+44 (0)20 7796 8896	kshelton@northlandcp.co.uk
John-Henry Wicks	+44 (0)20 7796 8854	jwicks@northlandcp.co.uk

CORPORATE FINANCE

Stuart Lane	+44 (0)20 7796 8800	slane@northlandcp.co.uk
Tim Metcalfe	+44 (0)20 7796 8824	tmetcalfe@northlandcp.co.uk
Luke Cairns	+44 (0)20 7796 8820	lcairns@northlandcp.co.uk
Louis Castro	+44 (0)20 7796 8821	lcastro@northlandcp.co.uk
Gavin Burnell	+44 (0)20 7796 8826	gburnell@northlandcp.co.uk
Shane Gallwey	+44 (0)20 7796 8823	sgallwey@northlandcp.co.uk
Taryn Jones	+44 (0)20 7796 8818	tjones@northlandcp.co.uk
Rod Venables	+44 (0)20 7796 8827	rvenables@northlandcp.co.uk
Edward Hutton	+44 (0)20 7796 8828	ehutton@northlandcp.co.uk
William Vandyk	+44 (0)20 7796 8822	wvandyk@northlandcp.co.uk

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