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**Price** 11.875p

Ticker STI

Market cap (£m) 18.24

Shares in issue (m) 153.62

Index AIM

12m high (p) 11.875

12m low (p) 6.53

Cash in hand (£m) 1.5

Major Shareholders % Holding

RAB Special Situations 21.3

Teck Cominco 13.4

Mr NJ Graham 11.1

Orion Trust Limited 6.4

Management 17.0



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HANSONWESTHOUSE

UK Smaller Companies  
Sector: Metals & Mining

INITIATING COVERAGE

# Stratex International plc

## Turkish Delight

04 May 2007

In just over 12 months Stratex has progressed its Inlice gold discovery in Turkey from an early stage exploration play to an advanced project with an initial gold resource of 373,000oz. Inlice has excellent growth potential and is located within the Konya belt, a previously undiscovered gold district with multi-million ounce potential.

- Stratex is an AIM-quoted exploration and development company focused on gold projects in Turkey. It was admitted to AIM in January 2006 and has assembled a quality portfolio of projects with an initial focus on the Inlice gold discovery.
- Stratex has a strategic alliance with Teck Cominco, a major diversified Canadian mining group. The agreement provides access to data and shared resources and helps to mitigate financial and technical risks. Teck Cominco also provides new projects for Stratex's portfolio. Stratex's projects are 100% owned and Teck retains an option to earn back in.
- Inlice, the Company's flagship gold project located in central western Turkey is a grassroots discovery made by Stratex's General Manager in 2003 and is showing potential to become an economic orebody. In May 2007 the Company released an initial JORC resource of 373,000oz Au. Stratex has discovered near-surface high grade gold in an area of excellent infrastructure. The mineralised zones have economic grades over widths of up to 50m.
- Recent drilling at Inlice has returned excellent results including 54.6m at 6.22g/t Au from a hole drilled into a topographic gap separating two ridges that comprises the majority of the resource. This intercept also included an interval of 17.1m at 10.88g/t Au and supports the view that Inlice is centred on a substantial gold bearing zone. The Merkez Zone, a porphyry Au-Cu target located less than 1km from Inlice, remains as yet untested.
- Stratex has locked up the most prospective land within the Konya belt which, according to experts, has similarities to the 40Moz Au Maricunga belt in Chile where mineralisation was unknown prior to 1980.
- The Company has an extensive portfolio of projects including the Doganbey and Muratdere bulk-tonnage porphyry targets. Stratex has only tested a small fraction of available targets.
- Turkey is relatively lower risk than most countries where other AIM companies are operating. The government actively encourages foreign investment in mining and has a track record of facilitating new gold projects into production. The country has excellent infrastructure and is relatively free from native title and environment issues.
- The outlook for gold is positive. Industry gold mine production fell in 2006 due to declining grades and depletion at existing mines. A lack of new discoveries has resulted from years of under-investment in exploration. The metal has been propelled to 25-year highs of US\$725/oz due to increased investor demand set against a volatile geo-political backdrop.
- We have valued Stratex at £27.4m (17.8p/share) based on the peer group average of US\$50/oz and nominal values for exploration and the Teck Cominco alliance. Given the relatively lower political risk in Turkey, the expanding Inlice project and the blue-sky exploration potential, Stratex currently appears to be undervalued relative to the Company's potential. We expect the Company to rapidly expand its resource base over the next 12 months. Stratex represents a cheap entry point into a fast growing gold play.

HansonWesthouse acts as nomad and broker to Stratex International plc and is paid fees for these services

**Please read the important information at the end of this report**

## Management

### **David Hall BSc, MSc (age 46), Executive Chairman**

Mr Hall has over 24 years' experience in the exploration sector and has worked on and assessed exploration projects and mines in over 40 countries including Turkey where he worked for four and half years. His previous roles have included Chief Geologist for Minorco responsible for Central and Eastern Europe, Central Asia and Middle East, Consultant Geologist for Minorco South America and subsequently Exploration Manager for AngloGold in South America. Mr Hall is also President and CEO of TSXV listed GoldQuest Mining Corporation. He is a graduate in geology from Trinity College Dublin and holds a Masters Degree in Mineral Exploration from Queens University, Ontario.

### **Bob Foster BSc, PhD, FIMM, CEng, FGS, CGeol (age 58), Chief Executive Officer**

Dr Foster has 33 years' experience as an economic geologist with particular expertise in the genesis and exploration of gold deposits, having worked in Europe, Central Asia, North and South America, and throughout Africa. He joined Southampton University in 1984 where he spent 15 years lecturing and managing a large applied research group investigating ore-forming processes and mineral exploration strategies. He has published numerous scientific and technical papers and has been an invited keynote speaker at numerous conferences around the world. Dr Foster was a founding member of Pan-African Mining Pvt Ltd that developed the Ayrshire gold mine in Zimbabwe in 1991-1996. For six years prior to joining Stratex, Dr Foster was Minerals Manager for UK-based international consultancy group Exploration Consultants Limited.

### **Perry Ashwood FCA, (aged 58), Chief Financial Officer**

Mr Ashwood qualified as a Chartered Accountant in 1971, training with Spain Brothers & Co. and KPMG. After qualifying he spent 5 years with British Oxygen Ltd in their Corporate Office before moving to Rank Xerox Ltd in 1978. Perry was with Xerox for 20 years and held various positions ranging from Group Chief Accountant to Finance Director. He joined Intermec International Inc in 1998 as Finance Director, Europe, Middle East & Africa before becoming an independent consultant in 2000.

### **Paul Foord BSc, MBA (age 52), Non Executive Director**

Mr Foord has 30 years' experience in finance, strategy and consulting. An early career as an accountant in Gulf Oil and an MBA from Cranfield led to consulting for Price Waterhouse and Gemini Consulting. He has held a number of management posts including Strategy Director for Group Victoire, Finance Director for Willis Coroon, and COO and Finance Director for the Land of Leather group.

### **Bahri Yildiz BSc (age 50), General Manager Turkey**

Bahri Yildiz is a Turkish national with a career spanning 26 years dedicated to mineral exploration and mining geology throughout Turkey. A geology graduate of the Middle East Technical University, Mr Yildiz commenced his career in 1980 with the government's General Directorate of Mineral Research and Exploration where he spent ten years managing a wide range of base and precious metal exploration projects. This was followed by three years as Exploration Manager with Turkish company Yurttaslar Madencilik before he joined Dardanel Madencilik, the Turkish subsidiary of Inco Ltd in 1992 as Senior Geologist. During his final four years with Dardanel he was Exploration Manager and responsible for generating and supervising a wide range of exploration programmes throughout Turkey.

## Consultants:

**Dr Richard Sillitoe** is a world renowned economic geologist in all types of orebodies and terrains, and one of the world's leading experts in epithermal gold deposits.

**Dr Stephen Redwood** is a highly experienced geologist with recognised expertise in epithermal gold and porphyry systems. Former Chief Geologist with AngloGold in South America.

## Investment summary

**Highly experienced management team.** In terms of relevant expertise of the board and management, we believe it would be difficult to assemble a better team than Stratex. The management has particular expertise in the exploration and development of gold projects worldwide and also has an impressive in-country team with the local knowledge in place to manage projects and create value through discovery.

**Strategic exploration.** Stratex are keen to progress and move projects along the pipeline. The Company has been quick to spot opportunities and most importantly, to act on them. Stratex are doing what they do best: finding and developing projects with strong economic potential. With the Inlice and Altintepe projects, Stratex currently has a total gold resource base of 684, 514oz, well on the way to becoming a 1Moz company.

**Teck Cominco alliance adds considerable strength.** The strategic alliance with Canadian major Teck Cominco Limited is a huge positive for Stratex. The partnership with a cash-rich major producer provides access to data and resources and vastly reduces Stratex's exposure to both financial and technical risk. Teck will also feed selected new projects into Stratex's pipeline for fast-tracking.

**Inlice is a significant grassroots gold discovery.** In less than 12 months, Stratex has progressed Inlice from an early stage exploration play to a project with a resource of 373,000oz gold. The discovery cost for this initial resource is a mere US\$1.3/oz compared to the industry average of >US\$55/oz.

**Inlice has the potential to become a mine.** Stratex has discovered a deposit with significant economic potential. Recent drilling returned intercepts including 54.6m at 6.22g/t. Inlice is not a small system; the gold-bearing zones have widths up to 50m and carry high gold grades from the surface.

**Inlice has strong growth potential.** The 373,000oz initial resource is only the first step in the Inlice story. Stratex has only drill tested a very small fraction of its licence area. Mineralisation is open to depth and the west of the licence and additionally, the Merkez Zone remains untested.

**Stratex has locked up the most prospective ground in the Turkish Konya Belt.** The Company was the first to recognise the potential of the Konya Belt to host significant mineral deposits. Stratex already holds not only the ground surrounding Inlice but 31 additional licences (404km<sup>2</sup>) covering the additional occurrences of hydrothermal alteration that could potentially represent totally new orebodies.

**Huge blue-sky exploration potential.** Stratex has an enviable exploration portfolio primarily focused on the Konya belt which includes the Inlice and Doganbey projects but also other Konya look-alikes. The pipeline also contains the Muratdere, Dikmen, Karaagac and Hasancelebi projects. The recently acquired Altintepe project has a NI 43-101 resource of 311,543oz Au, which Stratex aims to expand through further evaluation work.

**Turkey is a mining friendly country.** The Turkish government has recently revised the mining code in order to attract more foreign investment in the exploration and development of Turkish mineral resources. It has been proven that it is possible to bring a gold project into production in Turkey.

**Turkey is the new frontier.** Turkey is significantly lower risk than the majority of other prospective countries. The country has excellent infrastructure and is refreshingly free from environmental and native land issues. Turkey is a country where it is possible to get things done.

**The outlook for gold is positive.** Gold mine production fell in 2006 with a marked decline in South Africa, Australia and the U.S. Costs are rising on the back of declining grades and production coming from deeper levels. Gold has seen 25 year highs in the last 12 months set against a volatile geo-political backdrop.

**Konya could be a multi-million ounce district.** The Konya Belt in Turkey has marked similarities to the Maricunga Belt in Chile (40Moz gold endowment), which prior to 1980 was not known to be mineralised.

**The market has not yet recognised the full value of Stratex.** We have valued Stratex at £27.4m (17.8p) based on the peer group average of US\$50/oz and nominal values for exploration and the Teck Cominco alliance. Given the lower political risk in Turkey, the expanding Inlice project and the blue-sky exploration potential, Stratex appears to be undervalued relative to the Company's potential. We believe the real value lies in the prospectivity of the Company's extensive exploration ground of which only a fraction has been tested.

## Valuation

Our current valuation of Stratex is £27.4m (US\$52.1m) or 17.8p per share. Based on the AIM peer group average market cap / resource of US\$50/oz we have valued Inlice at £9.8m and Altintepe at £8.2m. We have assigned nominal values of £5.3m (US\$10m) for the Company's exploration portfolio and £2.6m (US\$5m) for the Teck alliance. In comparison to other junior gold companies on AIM Stratex appears to be undervalued based on future potential. We believe Stratex represents a cheap and relatively low risk entry point into a fast growing gold play. Inlice has significant growth potential and we expect the Company to make good progress over the next 12 months. The Company is well placed for significant value uplift should any of its prospective exploration targets come to fruition. The strategic alliance with Teck Cominco Limited is extremely positive for Stratex. Turkey is considerably lower risk than almost every single country where Stratex's peers are operating (See Table 2).

### Peer group analysis

We have compared Stratex with a group of 17 comparable gold exploration and development companies on AIM with resources in the range of 0.5Moz to 3.7Moz Au. The average MktCap/AuEq value for this group is US\$50/oz. Stratex has a market cap / resource value of US\$48/oz which is just below the group average and in part reflects Statex's early stage of development. The Company's assets are in Turkey which is considerably lower risk than most of the countries where other AIM junior gold companies are operating.

**Table 2: Comparable analysis of AIM junior gold companies with resources**

Company	Ticker	Key Projects	Country	Mkt Cap £m	Attrib Au Resource ozs	Attrib AuEq Resource oz	In-situ Value US\$m	Mkt cap/ oz AuEq US\$/oz
Leyshon Resources	LRL	Zheng Guang	China	60.5	847,000	1,048,190	524	110
Shanta Gold	SHG	Mqusu, Ikungu	Tanzania	43.6	926,000	926,000	463	89
Central African Gold	CAN	Bibiani	Mali, Ghana, Botswana	51.8	1,472,000	1,472,000	736	67
Archipelago Resources	AR	Toka Tindung	Indonesia	41.6	1,487,500	1,487,500	744	53
Cluff Gold	CLF	Angovia, Kalsaka	Burkina Faso, S.Leone	53.3	1,284,000	1,284,000	642	79
Aurum Mining	AUR	Andash	Kyrgyz Republic	49.6	1,417,000	1,887,000	944	50
African Consolidated Resources	AFCR	Pickstone/Peerless, Giant	Zimbabwe	24.2	820,500	820,500	410	56
China Goldmines	CGM	Guanzhuang	China	26.8	960,000	960,000	480	53
Pan African Resources	PAF	Manica	Mozambique	21.4	1,049,024	1,049,024	525	39
Peninsular Gold	PGL	Raub, Tersang-Chenua	Malaysia	12.0	579,000	579,000	290	39
Mercator Gold	MCR	Meekatharra	Australia	53.0	1,940,000	1,940,000	970	52
African Eagle Resources	AFE	Miyabi	Tanzania	18.3	519,000	914,000	457	38
Tianshan Goldfields	TGF	Gold Mountain	China	37.3	2,558,700	2,558,700	1,279	28
Medoro Resources	MRL	Lo Increible	Venezuela	20.6	963,000	963,000	482	41
Kryso Resources	KYS	Pakrut	Tajikistan	8.5	596,500	596,500	298	27
Metals Exploration	MTL	Runruno	Philippines	27.6	1,421,000	2,121,000	1,061	25
Trans-Siberian Gold	TSG	Asacha, Rodnikova, Veduga	Russia	20.2	3,733,070	3,733,070	1,867	10
<b>Stratex</b>	<b>STI</b>	<b>Inlice, Konya Belt</b>	<b>Turkey</b>	<b>17.47</b>	<b>684,514</b>	<b>684,514</b>	<b>342</b>	<b>48.5</b>
<b>Average</b>				<b>33.5</b>	<b>1,327,841</b>	<b>1,431,734</b>	<b>716</b>	<b>50</b>

Source: Fidessa, Company websites. Prices on 03 May 2007.

Metal price assumptions: Cu \$1.25/lb, Co \$10/lb, Zn \$0.55/lb, Pb \$0.30/lb, Au \$500/oz, Ag \$8/oz, Mo \$10/lb. \$/£ rate for calculation of equivalents = 1.9

We expect Stratex to rapidly move up the food chain in 2007 as it expands its Inlice project and starts to test further targets within its 600km<sup>2</sup> land package. Stratex does not necessarily intend to take its projects through to production. We believe the value lies in discovery and rapidly advancing projects up to the point where they become of significant interest to third parties. Although exploration is inherently risky, Stratex has so far been successful in delivering low-cost ounces through discovery. An important point is that a huge proportion of Stratex's prospective licences remains untested.

**Table 1: Stratex valuation**

Project Valuation	Gold (ozs)	Value* (\$m)	Value (£m)	Value (p/share)
Inlice	372,971	18.6	9.8	6.4
Altin Tepe	311,543	15.6	8.2	5.3
<b>Total</b>	<b>684,514</b>	<b>34.2</b>	<b>18.0</b>	<b>11.7</b>
Additional Valuation		Value (\$m)	Value (£m)	Value (p/share)
Cash		2.9	1.5	1.0
Exploration		10	5.3	3.4
Teck Alliance		5	2.6	1.7
<b>Total</b>		<b>17.9</b>	<b>9.4</b>	<b>6.1</b>
<b>Total</b>		<b>52.1</b>	<b>27.4</b>	<b>17.8</b>

\*Resources valued using US\$50/oz peer average

Our preliminary valuation of Stratex is £27.4m (US\$52.1m) or 17.8p per share

Stratex represents a relatively cheap entry point into a fast growing gold play

Turkey is relatively lower risk than almost every country where Stratex's peers are operating

## Exploration

We have attributed a nominal value of £5.3m (US\$10m) for the Company's exploration projects. Stratex has a quality exploration portfolio which we believe has not as yet been factored in by the market. This US\$10m includes any Inlice upside, the projects in the Konya Belt (inc. Doganbey) in addition to Muratdere, Dikmen, Karaagac, Hasancelebi and the Company's other early stage projects. It is difficult to put numbers on early stage exploration projects with any certainty. However, reference to the group of gold explorers on AIM without reported resources indicates an average market cap of £12m. We believe that Stratex's exploration portfolio is equally if not more prospective than these eight peers companies and if spun-out as a separate entity would be valued in a similar range. We have adopted a conservative view and taken around half of this peer average to assign a value of US\$10m (£5.26m).

**Table 3: AIM explorers without resources**

AIM Explorers	Ticker	Key Projects	Country	Mkt Cap \$m	Mkt Cap £m
Triple Plate Junction	TPJ	Pu Sam Cap, Crater Mt	Vietnam, PNG	50.7	26.7
Glencar Mining	GEX	Komana	Mali	53.8	28.3
Persian Gold	PNG	Chah-e-Zard, Takestan	Iran	19.1	10.0
Kalimantan Gold	KLG	Jelai-Mewet, KSK	Indonesia	18.8	9.9
Horizonte Minerals	HZM	Tangara, Falcao	Brazil, Peru	11.5	6.0
Solomon Gold	SOLG	Sutakiki	Solomon Islands	8.8	4.6
Conroy Diamonds & Gold	CDG	Armagh, Tullybuck	Ireland, Finland	8.5	4.5
Kefi Minerals	KEFI	Artvin, Gumushane	Turkey, Bulgaria	12.0	6.3
<b>Average</b>				<b>22.9</b>	<b>12.1</b>

Source: Fidessa Prices on 1 May '07

## Teck Cominco Limited alliance

We have attributed a nominal £2.6m (US\$5m) value for the alliance with Teck Cominco which is a valuable asset to Stratex. It reduces the Company's risk exposure as well as providing opportunities for sharing data and resources. Teck has considerable capacity to fund projects as well as introduce new projects into the pipeline. Stratex's projects are currently owned 100% although Teck retains the right to earn-back in to 51% for projects introduced by Stratex and 60% for projects introduced by Teck, by spending two times Stratex's exploration expenditure in both cases. Although, this means that Stratex will be diluted should Teck exercise its option, the positive flip-side is that Teck will have to put its money into the ground which will fast track Inlice into production. Stratex then has the option to hang in for cash flow or look to divest their share for a healthy premium to a third party and retain a net smelter royalty.

## Upside

From our recent site visit it was clear that Inlice has real growth potential and the scale of the project changes with almost every drill hole. We believe the longer term upside for the wider Inlice area is potentially much greater than the recently reported 372,971oz resource. Recent drill results from Inlice support our view that this resource is only the first chapter in the Inlice book. Stratex's initial target is to define a 2Moz gold district which we concur is a reasonable target. Both the market valuation and our current valuation does not fully reflect Stratex's exploration potential. We believe that this will change when Stratex starts to drill test new targets and increases the resource base at Inlice.

A positive story is emerging of high-grade gold over considerable widths from near surface, all located in a new epithermal-porphyry gold district which has not been subject to modern exploration techniques. Stratex has only drill-tested a small fraction of its licences and we expect regular news flow in 2007. With such a large ground holding, the onus is on Stratex to rapidly evaluate targets and drill them. Stratex has a number of sizeable porphyry targets which remain untested.

## Valuation summary

Our current valuation of Stratex is £27.4m (US\$52.1m) or 17.8p per share. This is comprised of a project valuation component of £18m and an additional component of £9.4m for exploration and the Teck alliance. We have also adjusted for cash holdings of £1.5m. Stratex represents a cheap entry point into a growing company with exploration blue sky and provides an opportunity to participate in a gold play in a relatively low risk country. We believe the extensive exploration portfolio adds significant upside. Based on future growth and exploration potential we believe that Stratex currently appears to be undervalued.

Teck earn-in will dilute Stratex's equity in the projects but also give them a smaller piece of a much bigger and more advanced project. The structure of the alliance will be reviewed during the year

372,971oz is just a start for Inlice. We believe the project has potential for significant resource growth.

Inlice is located within a district with multi-million ounce potential



## Company Overview

Stratex International plc is an exploration company focused on the development of gold and base metal projects in Turkey. The Company has an extensive portfolio of quality projects in central and western Turkey ranging in stage from early to advanced exploration. Since joining AIM in January 2006, Stratex has been fast-tracking the Inlice gold project, a grassroots gold discovery made by Stratex's General Manager.

As testament to Stratex's early recognition of the mineral potential in Turkey and target selection strategy, the Company has secured a dominant landholding position of over 600km<sup>2</sup>. This includes 31 licences within the highly prospective Konya Volcanic Complex, which hosts the Inlice prospect and has marked similarities to the >40Moz Maricunga Belt within the Andean Cordillera of northern Chile. In addition to Inlice, Stratex is currently evaluating a number of other projects in Turkey including the Altintepe gold deposit, the Karaagac gold prospect and the Doganbey, Dikmen and Muratdere Au -Cu -Mo porphyry prospects.

Stratex signed an operating agreement with Teck Cominco Limited (TSX/NYSE: TCK), a major Canadian diversified mining company which holds a 13% equity stake in the company. The strategic alliance allows the two companies to pool expertise, skills and databases. Teck Cominco retains an option to buy back into Stratex's projects and contribute to their development.

## Corporate Development

Stratex Exploration was formed in 2004 to take advantage of the dearth of exploration activity and the forecast supply deficit for precious and base metals as a result of years of underinvestment in exploration. The highly experienced management team has a strong technical background with the ability to fast-track exploration projects towards the development stage. After assembling a quality portfolio of projects, including grassroots discoveries, the Company was admitted to AIM as Stratex International plc in January 2006 after raising £1.87m. Stratex has wasted no time in its first year as a listed company and has been rapidly accelerating its Turkish projects at low cost and achieving excellent results.

### 2004

Stratex Exploration Ltd incorporated.  
Murat Dagı agreement signed with Teck Cominco.  
Strategic alliance concept agreed with Teck Cominco.

### 2005

100% owned Turkish subsidiary established. "Stratex Madencilik"  
Strategic alliance signed with Teck Cominco.  
April: Reconnaissance exploration commences.  
4 discoveries - Karaagac, Inlice, Dikmen and Muratdere.

### 2006

4 Jan: Admitted to AIM raising £1.87m (gross) through the issue of 37.4m shares at 5p per share.  
March: Drilling commences at Inlice. Hasancelebi licence acquired.  
April: Positive drill results reported at Inlice.  
July: Drilling commences at Karaagac.  
August: £1m financing.  
Exercised 100% option on Muratdagı from Teck Cominco

### 2007

May: First JORC resource reported for Inlice

## Teck Cominco Strategic Alliance

Stratex is ahead of the game and has entered into a strategic alliance with Teck Cominco Limited, a major diversified mining, smelting and refining company based in Canada. Teck is a founder shareholder in Stratex and currently holds 13% equity in the Company.

The alliance with Teck ensures that Stratex retains the best of both worlds. The partnership provides Stratex the freedom to remain a dynamic fast moving exploration company whilst having access to technical and financial support from a major mining company. Teck has a market cap of C\$17bn (£7.3bn) and achieved annual revenue of C\$5.8bn (£2.5bn) in 2006. Teck has been actively exploring in Turkey and is one of the few major mining companies to have a regional exploration office in Ankara. The management of Stratex has chosen wisely by forging an alliance with Teck, the world leaders in the production of metallurgical coal and zinc and currently operating the Red Dog zinc-lead mine in Alaska, the largest zinc mine in the world. Teck is also a major producer of copper and gold. Teck has approximately US\$4bn in cash and is resource hungry.

Both Teck and Stratex have demonstrated a real commitment to exploration. Stratex is benefiting from Teck's strategy to combine in-house exploration with leveraged exploration partnerships where Teck aims to be the 'partner of choice' for junior mining companies. The agreement covers activities in Europe, the Middle East, and Africa.

Alliance provides access to technical resources and reduces risk exposure

Key points are as follows:

- Potential projects are evaluated by a joint Stratex/Teck advisory board before adoption which aims to minimise risk and expenditure.
- Stratex can achieve a 100% interest in a property introduced by Teck on the basis of negotiated exploration expenditure by Stratex. Teck can earn back in to a project to a level of 60% by spending two times Stratex's exploration expenditure.
- Teck can earn-in up to 51% of Stratex's interest in any approved property introduced by Stratex by spending two times the expenditure incurred by Stratex. Teck's earn-in right is triggered once Stratex has expended US\$2.5m on the project in question.
- Teck has the right to choose up to four earn-in opportunities prior to the termination of the strategic alliance on 31 December 2007. We expect the structure of the alliance to be reviewed during 2007.

## Projects Overview

All of Stratex's projects are located in western and central Turkey where a number of volcanic-associated gold and copper-gold deposits have been discovered during the past decade. Stratex's portfolio covers approximately 600km<sup>2</sup> covering five major licence blocks. The Company's flagship project is the Inlice gold prospect with other key projects including the Doganbey within the Konya volcanic belt and Altintepe.

**Figure 1: Location of Stratex's projects in western and central Turkey**



Source: Stratex

**Table 4: Summary of key Stratex projects**

	Project name	Target	Mineralisation style	Ownership*	Stage
Konya	Inlice	Au	Epithermal	100%	Exploration + resource drilling
	Doganbey	Cu-Au-Mo	Porphyry	100%	Exploration drilling
	Konya District	Multiple	Multiple	100%	Reconnaissance and target selection .
Other	Muratdere	Cu-Mo-Au	Porphyry	100%	Rock sampling and drilling Q2 2007
	Altintepe	Au	Epithermal	100%	Exploration. Drilling Q3/Q4 2007
	Karaagac	Au	Sediment & thrust hosted	100%	Exploration drilling
	Hasancelebi	Au	Epithermal / porphyry	100%	Reconnaissance and target selection

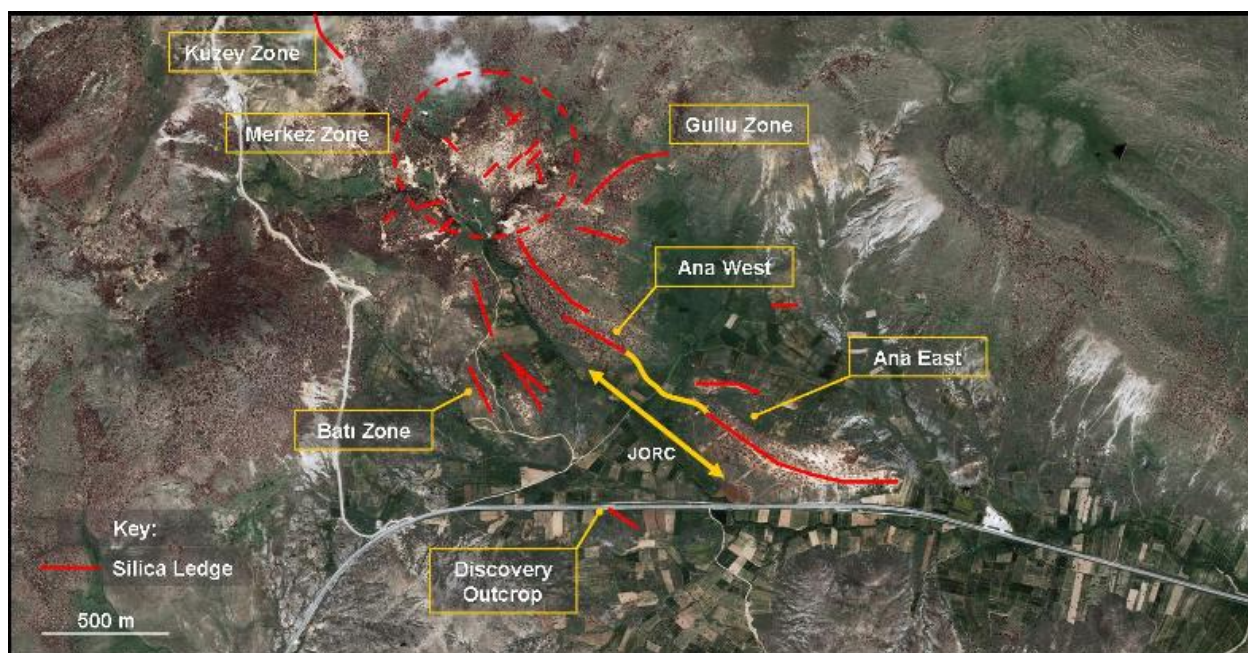
\* Subject to various Teck Options

Source: Stratex

## Inlice gold project

The Inlice gold prospect (pronounced “In-lee-jeer”) is Stratex’s flagship project, located 30km southwest of the city of Konya and 230km south of the Turkish capital city, Ankara. Inlice is located within the centre of the regional Konya area. The primary focus to date has been on the Ana East and Ana West areas and the topographic gap between these two prominent ridges.

**Figure 2: Inlice project**



Source: Stratex

### A true grassroots gold discovery

Stratex has the distinction of being able to lay claim to a true grassroots gold discovery; a rare event in the exploration industry nowadays. True grassroots gold discoveries made over the last ten years have been few and far between. There are no records of previous mining or exploration for metallic minerals either in Inlice or the surrounding areas.

Alteration and gold mineralisation were first recognised at Inlice by Bahri Yildiz in 2003 who noted and sampled a road side outcrop. The sample returned 1.3g/t Au. A second reconnaissance visit was made by Bahri and Bob Foster in June 2005 who identified the presence of prominent silica bodies. 18 rock chip / grab samples returned grades of up to 6.15g/t Au over 2.5m and 4.1g/t Au over a single composite section of 13m. Stratex successfully secured the mineral rights to the area in August 2005 and subsequently acquired a further 31 licences in the wider Konya district.

**Figure 3: Inlice discovery outcrop**



Source: HansonWesthouse



## Licences

Stratex has acquired a 100% interest in 31 licences (404km<sup>2</sup>) throughout the Konya Belt. The Inlice project was secured through an auction process for a bargain price of £5,014. The licences are renewable on submission of an exploration report detailing the Company's activities to date.

## Geological setting

The Inlice project is hosted by a sequence of interbedded Miocene age (23.8 - 5.3m years ago) volcanic and sedimentary rocks which suggests a very active volcanic environment related to the northward subduction of the African tectonic plate. The volcanics are interbedded with a variety of limestones, marls and shales. The geological setting of Inlice is similar to many of the classic districts worldwide hosting epithermal style mineralisation, including the Maricunga Belt in Chile which is also a Miocene age volcanic belt (appendix 4).

The mineralisation at Inlice is of high-sulphidation epithermal affinity (appendix 3) and is hosted in andesitic to dacitic volcanic rocks. The gold mineralisation occurs in steeply-dipping silica ledges, which resemble large quartz veins. These ledges are thought to form by the replacement of permeable rocks within the volcanic sequence, and controlled by cross-cutting faults. The highest gold grades correlate with the presence of "vuggy silica" rocks (figure 5). The mineralised system at Inlice has been traced over an area of at least 3,500m by 1,000m and remains open to the northwest, southeast and at depth.

**Figure 4: Inlice silica ledges**



**Figure 5: Vuggy silica hosting gold**



Above: This innocuous looking rock is vuggy silica – the rock which predominantly hosts the gold at Inlice. This sample grades 8g/t Au.

Left: Inlice gold-bearing silica ledge outcropping at surface

Source: HansonWesthouse

## Excellent existing infrastructure with power and water supplies

Inlice is ideally located in an area with excellent infrastructure with access to water and power supplies. The prospect is located between 1,400m and 1,950m above sea level in a semi-arid region of south-western Turkey. The region encounters hot, dry summers and cold, snowy winters with annual temperatures ranging between 40°C and -28°C.

Ample water is available from springs and creeks, whilst all the local villages are supplied with electricity by the national grid. Supplies and equipment can be obtained in the city of Konya (population: 900,000) and labour could be sourced locally. The project has excellent road access with three highways traversing the mountain range from east to west, including the main Ankara to Antalya arterial route.

The project is located a matter of metres away from a main highway, a distinct advantage when compared to many gold projects around the world which are located in the middle of dense jungles or deserts entirely lacking in infrastructure.

Inlice is a high-sulphidation gold deposit

The product of an active volcanic environment

(See appendix 3)

The gold-bearing silica ledges at Inlice are not thin veins; the ledges vary in width up to 50m and outcrop at surface with grades of up to 8g/t Au in samples

Stratex has established excellent relations with the local community spearheaded by highly respected General Manager and Turkish National, Bahri Yildiz

Early drilling intersected grades of up to 8.5g/t close to surface

Drill intersections are oblique but with the true width of some ledges >40m, the thickness of gold-bearing zones is substantial

## Environmental and local issues - refreshingly free from problems

Stratex has been proactive in forging strong relationships with the local Turkish community. It was clear during our site visit that the Company, and Bahri Yildiz in particular, are well respected in Turkey and the local Konya area. The presence of a magnesite mining operation only a few kilometres away from Inlice has ensured that there is a local “mining culture”. Stratex has developed a good relationship with the provincial authorities in Konya and the development of the Inlice project would be a positive for the local people, providing jobs and other benefits. The Company has already been actively involved in the local community and has contributed resources to the local school.

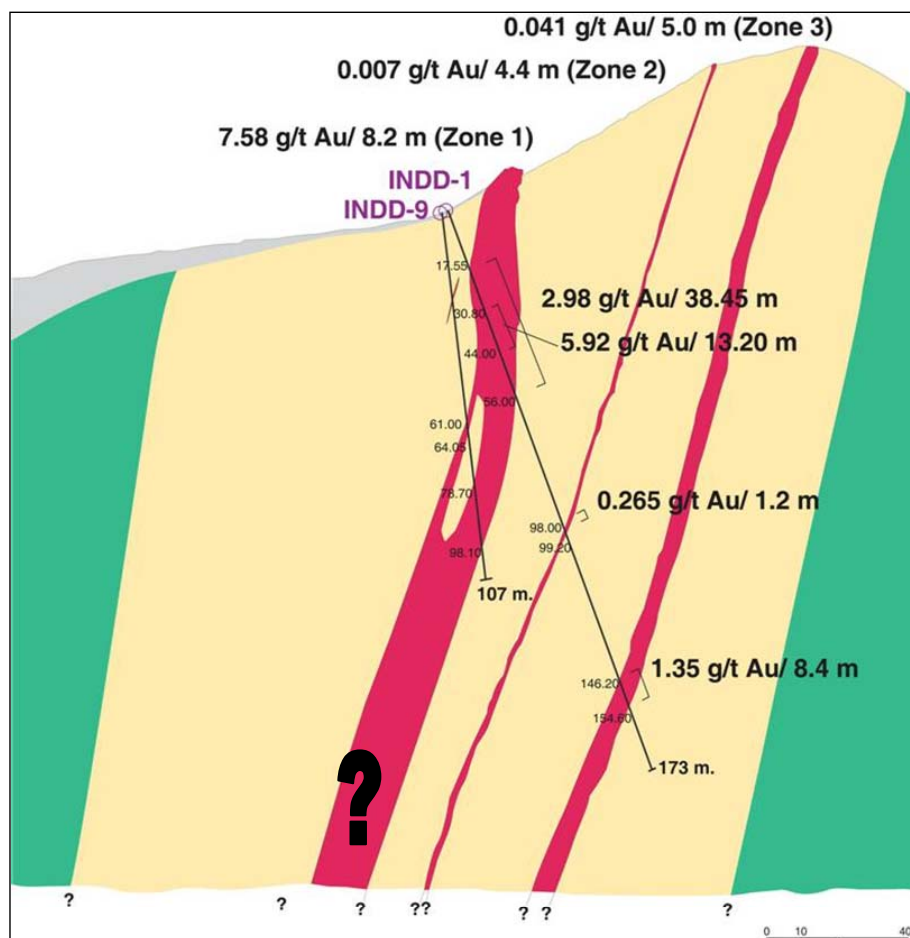
No native title or environmental issues have arisen to date. The Company is in the process of commissioning an environmental baseline study.

## Drilling Results - piecing together the jigsaw

Immediately after the acquisition of the Inlice licence, Stratex conducted a systematic rock chip sampling programme across the silica-rich Ana East Zone which returned extremely encouraging results; an average of 19.6m at 2.1g/t Au for the 400m long north western section.

Following on from the positive rock chip sampling, Stratex embarked on an aggressive programme of exploration and resource drilling. To date, the Company has drilled 44 diamond core holes for approximately 3,800m. The results from initial drilling were extremely encouraging with highlights including 32.2m at 5.75g/t (including 16.5m at 8.53g/t Au) and 38.5m at 2.98g/t Au (including 13.2m at 5.92g/t Au). In a short space of time Stratex has moved Inlice from an early stage speculative exploration play to an advanced project with a resource. An impressive achievement in the 12 months since drilling commenced at Inlice.

**Figure 6: Cross-section of Inlice showing assay results from early drilling**



Source: Stratex

A recent drill hole into the Gap Zone returned high grades. 54.6m at 6.22g/t Au from only 4.1m from surface. The intersection had a true width of 42m

Stratex has delineated a completely new high-sulphidation gold deposit at Inlice, centred on the Ana Zone, a prominent ridge divided into the Ana East and Ana West Zones. The vertical depth of the system has been proven to at least 160m by drilling and has not been closed off at depth.

Mineralisation outcrops all along the Ana Zone ridge and early drill holes intersected high grade gold from shallow depths. However, it was not clear if the mineralisation was continuous underneath a topographic gap between the Ana East and Ana West Zones. INDD-13 was drilled into the heart of the Gap Zone and returned an intercept of 68.4m at 2.96g/t Au from a depth of 43m. The intersection included 15m at 7.69g/t Au. The results were backed up by INDD-27 which intersected a mineralised hydrothermal breccia and returned 54.6m at 6.22g/t Au including 17.1m at 10.88g/t Au, the highest grades received to date and indicates that the Gap Zone is underlain by a substantial gold-bearing zone

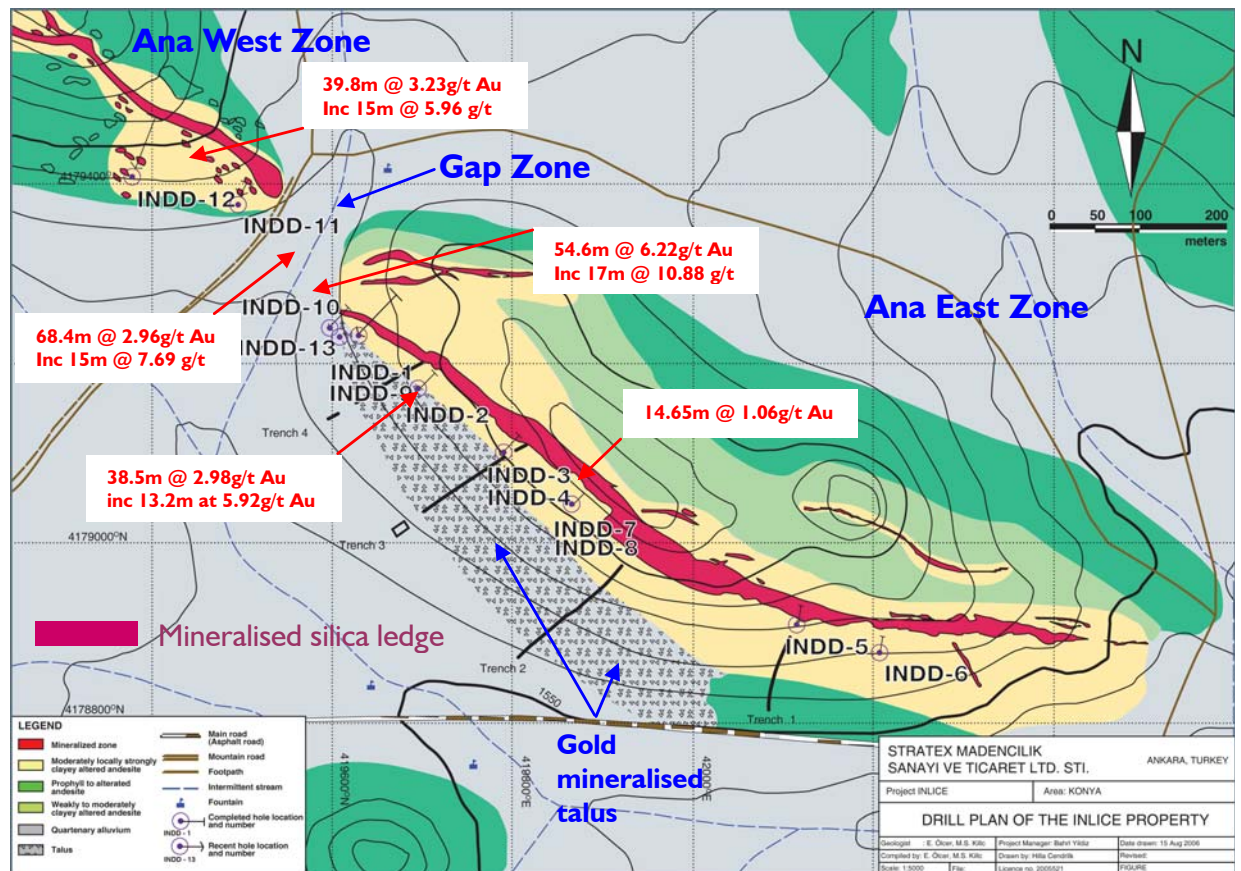
The results from INDD-13 and INDD-17 drilled in this "gap" have important implications for the scale of the deposit and for further exploration. Silica ledges by virtue of their resistance to erosion usually form prominent ridges, but these results prove that gold-mineralised silica ledges can occur beneath alluvium covered topographic lows. The potentially economic mineralised system has now been defined over a strike length in excess of 600m and is showing potential to become an orebody.

Table 5: Inlice drilling highlights

Drillhole	Depth (m)	Length (m)	Gold (g/t)
INDD-1	17.6	38.5	2.98
	inc	13.2	5.92
INDD-9	23.0	3.0	4.16
	61.0	3.1	2.80
	81.0	17.0	1.73
INDD-10	39.9	32.2	5.75
	inc	16.5	8.53
INDD-11	18.3	37.7	4.70
	inc	19.0	6.97
INDD-13	47.6	68.4	2.96
	inc	15.0	7.69
INDD-15		37.6	4.70
	inc	13.2	8.20
INDD-18	36.6	15.0	2.94
INDD-19	18.5	39.8	3.23
	inc	15.0	5.96
INDD-26		33.8	5.12
	inc	19.5	7.86
INDD-27	4.1	54.6	6.22
	inc	17.1	10.88

Source: Stratex

Figure 7: Inlice plan showing drilling and key intercepts



Gold grades increase to the west in the Ana East zone towards the Gap Zone. The debate is still open as to whether the Gap Zone represents a feeder zone, channelling mineralised fluids into the area

Gold grades increase with depth and have been tested down to 160m in places

The system remains open to depth and the west but drilling has largely closed off mineralisation to the east of the Ana East Zone

Source: Stratex



Potential high-level porphyry gold centre. Evidence of silica ledges and large hydrothermal alteration footprint.

Stratex believes Merkez zone may represent the source of gold-rich fluids which deposited gold at Inlice

Talus zone potentially represents an additional resource for the Inlice project

Preliminary metallurgical test-work indicates gold recoveries of 95% for oxides

Gold recovery from sulphides is low (<28%) using conventional leach. However bio-leaching technology producing recoveries of >85% and is a potential option for Stratex

## Merkez Zone - potential porphyry gold centre adjacent to Inlice

The 1,000m diameter Merkez Zone is located directly to the northwest of Ana West ridge (see Figure 2). The NW/SE trending silica ledges of the Ana Zones appear to be focused towards this zone, which Stratex believes represents a possible high-level porphyry style target. The zone contains numerous small, randomly orientated silica ledges. The potential for the Merkez Zone to be mineralised remains open, and would increase the scale of the Inlice project should it prove economic. INDD-31 recently drilled into the Merkez Zone intersected porphyry style alteration and points to the presence of a possible porphyry gold centre. It is clear from walking over the ground that the whole Inlice project is located within a huge volcanic system. Stratex believes that the high sulphidation deposit at Inlice may be linked to this zone. Stratex will undertake further drilling to investigate the potential for the Inlice area to host both epithermal and porphyry style mineralisation.

## Talus - additional gold resource for early cash flow

A well developed zone of colluvial rocks and boulders or "talus" is present immediately south of and adjacent to the Ana East Ridge. This talus is composed of boulders from the gold-bearing silica ledges, deposited under the influence of gravity on the steep slope, south of Ana. Given that the silica ledges outcropping at surface are gold bearing then it follows that the talus is also mineralised and represents a resource in its own right. Further evaluation is required but the recent independent resource estimate by ACA Howe International suggests an initial resource 28,718oz gold. Although a relatively small resource taken in isolation, the talus could provide early cash flow to complement the potential development of the Ana Zones. The broken up and oxidised rocks would immediately be available as a source of feed for any potential operation.

## Inlice - a mine in the making?

Although it is still early days, Inlice already has the potential to support an open-pit mining operation. The gold mineralisation is high-grade, near surface (low strip ratio) and the top of the system is completely oxidised down to a depth of around 25m. Given the proximity to existing infrastructure the project could be fast-tracked into development for a fairly modest capital outlay.

The project is not advanced enough to pin down capital cost estimates but, as a rough guide, the Krumovgrad gold project in Bulgaria provides some context. Krumovgrad is also an epithermal deposit with a life of mine gold production forecast at 746,000oz. Total direct capex for the project has been estimated at around US\$48m with total cash costs of approximately US\$116/oz AuEq based on a conventional open pit mining and a SAG milling / Carbon-In-Leach process route.

Preliminary metallurgical test-work using cyanide leach indicates that gold recovery of 95% is achievable for oxide samples with exceptionally rapid recoveries. 92% of the gold was recovered from a coarse oxide sample within one day suggesting that the oxide portion of the deposit would be readily amenable to heap leach methods. However, gold recoveries from Inlice sulphide samples have been poor with only 21-28% recovery achieved, although the sulphide component is higher grade. Further test work will be undertaken to investigate the optimum process route for recovering gold from sulphide material. Test work will investigate a standard industry approach of using flotation to produce a pyrite-dominated concentrate followed by a fine grind and cyanide leaching. Gold recovery using this methodology commonly leads to recoveries of 80-90% from this type of material. The potential use of bioleach technology may also be investigated. Initial results suggest that the Inlice ore contains no discernible deleterious elements.

Given the proximity to power and water, access to skilled labour, and the involvement of Teck Cominco, it is possible that Inlice could be fast-tracked into production. However, it is unlikely that Stratex will actually develop the Inlice project itself. Teck Cominco will be offered first refusal to develop Inlice, but if Teck chooses not to proceed then the project could be JV'd to a mid-tier miner or sold outright with a retained royalty. Either way, the fast track development approach benefits Stratex whose strategy is to accelerate projects to key development points and to start realising value well in advance of the first gold pour of any given deposit.

Stratex has only drill-tested a small portion of the Inlice property and scope exists to considerably expand the mineralised system. The fact that gold grades increase with depth is encouraging and gives Stratex the option of evaluating underground mining options after an initial open pit operation. The project is becoming focused on the high-grade core of the deposit centred around the Gap Zone.



Total Mineral  
Resource for Inlice is  
372,971oz Au

Composed of:

Indicated: 155,304oz

Inferred: 217,667oz

Lower than  
anticipated grades for  
the Inferred resource  
but Stratex will now  
focus on the high-  
grade gap zone

We expect Stratex to  
expand this resource  
in the next 12  
months

Recent drill results  
from the Merkez  
zone open up the  
possibility that Inlice  
has the potential to  
host a porphyry gold  
system in addition to  
the already proven  
high sulphidation gold  
system

Discovery cost of  
Inlice only US\$1.3/oz

Based on the JORC  
resource at Inlice,  
Stratex has delivered  
97oz Au per metre  
drilled

## Resource estimate

In May 2007, Stratex released its first independent JORC compliant Mineral Resource estimate of 372,971oz Au for the Inlice project. This is based a total resource of 6.75Mt at 1.72g/t Au. Total Indicated Mineral Resources are 155,304oz Au and total Inferred Mineral Resources are 217,667oz Au. This resource estimate compiled by ACA Howe International Ltd incorporates data from 3,828m of diamond drilling in 44 holes completed at the Inlice project since April 2006.

Approximately 90% of this total 372,971oz gold resource is derived from drilling on the main Ana Zone. Indicated Mineral Resources for the Ana Zone are 1.52Mt at 3.02g/t Au for 147,094oz Au and Inferred Mineral Resources are 3.19Mt at 1.82g/t Au for 187,030oz Au. Due to the very sharp termination of the gold values at the contacts of the Ana mineralised silica zone, no cut-off grade was applied in the resource calculation.

The lower grade for the inferred resource versus the indicated resource reflects the inclusion of lower grade blocks along strike from the high-grade Gap Zone. Drilling in the Gap Zone has encountered grades of up to 6.2g/t Au over intervals of 55m. The high grade Gap Zone is open to depth and will be the focus of further drilling. It is likely that any potential future deep/underground mining operation would focus on the high grade Gap Zone where drilling indicates average grades of between 7g/t - 8g/t Au and widths around 11-12m over a strike of about 270 m.

We expect the Company to continue drilling at the project in order to define the nature and extent of the high grade Gap Zone and also work on upgrading the current inferred/indicated resource into the indicated and measured status. ACA Howe reported that resource blocks "do not meet with the 'measured' category of classification due to some minor sample and topographical survey issues which are currently under review." We anticipate that Stratex will resolve these issues in the coming months.

This is a solid first resource estimate given the early stage of the project and being based on only 3800m of drilling. Stratex believes that the wider Inlice and Konya area has the potential to become a multi-million ounce gold district. The 2007 exploration programme will aim to outline further resources within the Konya area.

In addition, the recent discovery of porphyry style alteration through drilling in the Merkez Zone, 1km northwest of Inlice, suggests the potential presence of a porphyry gold centre proximal to Inlice.

Although Inlice is still a relatively small project it is becoming of significant interest to strategic partner Teck Cominco and third parties. Stratex ensures that as much of its budget as possible gets ploughed into the ground and Inlice becomes a stronger blip on the radar with every new hole drilled. The clustered nature and style of epithermal deposits means that they can grow in size rapidly as exploration continues. Barrick Gold's Alto Chicama high-sulphidation epithermal deposit was a grassroots discovery which grew from a resource of 3.5Moz Au to 7.2Moz Au within the space of a year. Given the highly prospective ground held by Stratex around Inlice and in the wider Konya belt we would not be surprised to see the resource grow substantially over the next 12-18 months. However, this will require a substantial exploration and drilling programme.

## Discovery cost – Stratex delivering value

Stratex is an abbreviation of "Strategic Exploration" and the Company "does what it says on the tin". Although an actual gold pour is still some way off, the Company has already delivered significant value. It is worth noting that the Company has only spent ~US\$0.5m to define a resource of 0.37Moz gold, a discovery cost of US\$1.3/oz. True discovery costs are notoriously difficult to calculate but a paper by WMC estimated the average cost of grassroots gold discovery (Western World / Australia) during the period 1985-2002 as approximately US\$55/oz. Given mushrooming capital and operating costs and inflationary rises this figure could now be a lot higher.

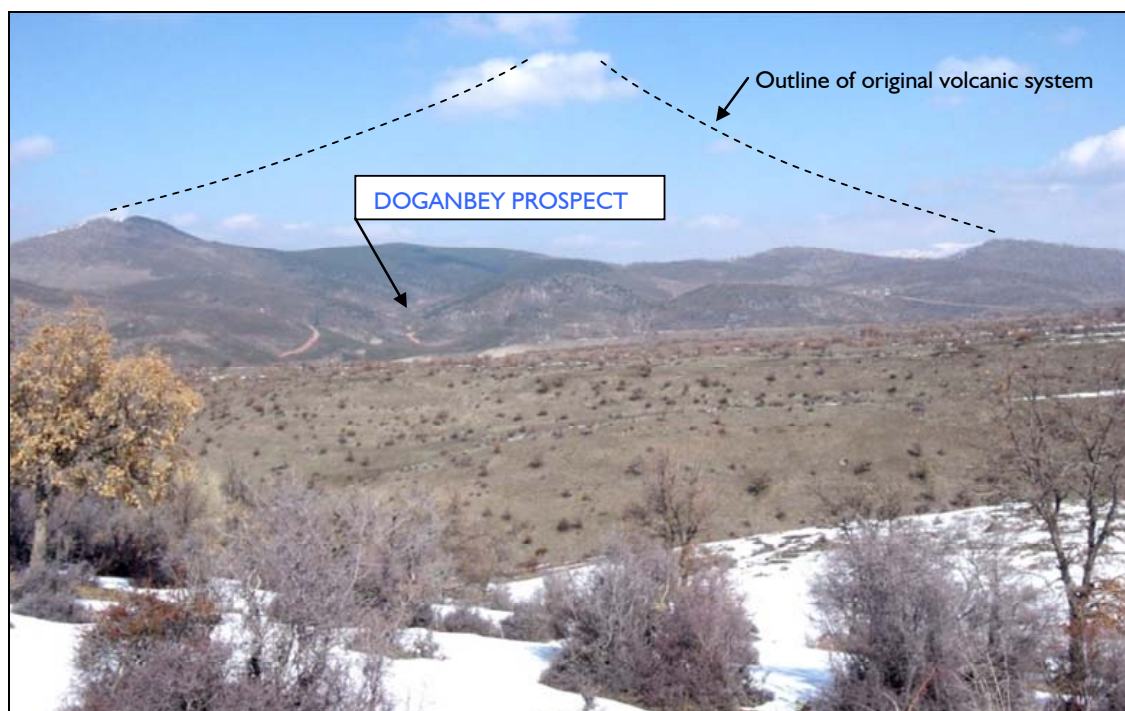
## 2007 Strategy

Following on from early success, Stratex is now pursuing a two-pronged approach of exploration and resource drilling with three rigs currently on site at Inlice. Drilling is focused on firming up the current resource and identifying new mineralised zones. The Company will focus on the high grade Gap Zone and continue to investigate the Merkez Zone in addition to evaluating options with Teck Cominco to fast track Inlice. We expect significant news flow over the next 12 months as drilling ramps up at the project.

## Doganbey

Doganbey is Stratex's second major project within the Konya Volcanic Belt and is ready to be drilled. The project is located 17km northwest of Inlice at the northern end of the Erenler Dagı Mountains. The Doganbey hydrothermal alteration zone covers an area of approximately 4km x 2.5km and is focused on a 1km diameter volcanic centre. Doganbey is a porphyry Cu-Au-Mo target and could represent another grassroots discovery for Stratex. The recognition of the porphyry gold centre at Doganbey has important implications for exploration in the wider Konya district. Doganbey, like Inlice is also located in an area close to existing infrastructure, nearby to tarmac roads and 2 to 3km away from villages hooked up to the national electricity grid.

**Figure 8: Doganbey volcanic centre**



Source: HansonWesthouse

The Doganbey project is located at the heart of a large volcanic system

There is no doubt that Doganbey is a large porphyry centre, but it still remains for Stratex to prove whether or not it carries economic mineralisation

Due to the size of the system, a positive result from drilling could turn the project into a "company maker"

Determining level of erosion of the volcanic system will be critical

### Exploration work so far – "zeroing in"

ASTER<sup>1</sup> satellite imagery undertaken in September 2005 identified the hydrothermal alteration zone. Stratex has carried out rock chip sampling over the prospect for a total of 281 samples. The assays returned results of up to 681ppb gold and outline a broad 600m wide by 1000m long anomalous gold zone. The prospect is hosted within the same Konya Belt volcanic rocks as Inlice and two volcanic centres of different ages have been identified. Independent consultant Stewart Redwood drew comparisons of the geological setting with Yanacocha in Peru (50Moz Au). The prospect shows similar high-sulphidation style alteration to Inlice in addition to the presence of similar silica ledges. During the site visit, it became clear that Doganbey shows many of the classic signs of a huge porphyry system with hydrothermal alteration and numerous small quartz veinlets. Stratex plans to drill test the project in mid 2007. If the drilling returns promising gold grades, it is not unrealistic that the Company could be looking at a 50-60Mt project. Grades of 1g/t Au and upwards would be extremely positive.

<sup>1</sup> Advanced Spaceborne Thermal Emission and Reflection Radiometer – used to obtain detailed maps of the land surface.

## Konya Volcanic Complex – district potential

Extensive hydrothermal alteration potentially related to mineralising systems has been identified over a huge area

To date, Stratex has only drill tested a small fraction of these prospective zones

This additional exploration ground provides a project pipeline and huge blue sky potential

Although the Konya play is early stage and thus speculative, the discovery of Inlice proves that the district has the potential to host gold deposits

Stratex has successfully used satellite images to outline the main hydrothermal alteration zones within the Konya volcanic belt. At least 15 alteration zones have been identified and claimed by the Company, indicating the huge potential for the district to host additional auriferous gold systems. Stratex is using the data to identify similar alteration zones to that surrounding the Inlice deposit. The alteration “footprint” of Inlice is actually fairly discrete but geochemical sampling utilising the well developed drainage system will help to define targets.

### Inlice - a ‘Rosetta Stone’ to unlocking a new gold district in Turkey

Stratex is in the enviable position of being the first company to secure ground and apply modern exploration techniques within the Konya Belt. Experience gained from Inlice indicates that gold mineralised silica zones can occur in alluvium covered topographic lows as well as ridges. Refining of the Inlice geological model will be key in applying thematic exploration to the remaining Konya District with the potential to locate further gold mineralisation both proximal and distal to Inlice.

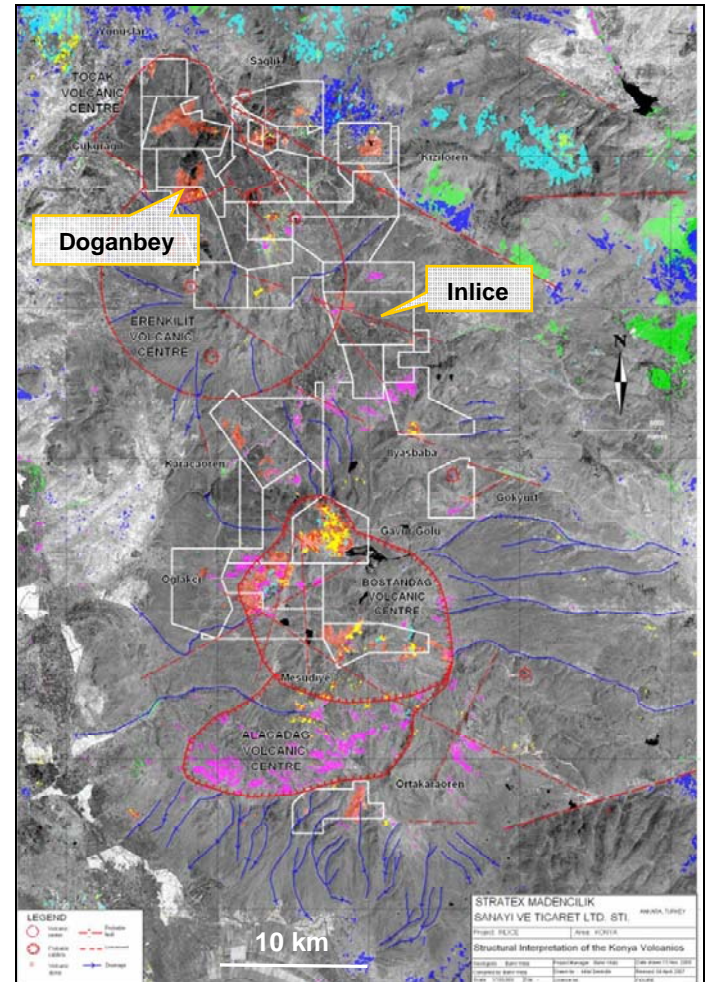
### Konya - an analogue of the 40Moz Chilean Maricunga belt?

Stratex’s consultant Dr Richard Sillitoe, a world renowned economic geologist, has drawn distinctions between the Konya Volcanic Belt and the Maricunga belt in northern Chile. The geology of the Maricunga belt is very similar to that of Konya, being dominated by Miocene age strato-volcanoes and dome complexes which are associated with epithermal gold, porphyry gold, and gold-copper deposits. Dr Sillitoe has drawn an analogy between the Konya belt today and the Maricunga belt in the early 1980s when widespread hydrothermal alteration and mineralised centres were first discovered. Prior to 1980 the Maricunga belt had no known copper or gold mineralisation. The Maricunga belt today has a gold endowment of approximately 40Moz and is host to multi-million ounce deposits such as Cerro Casale and Refugio, although it must be noted that the Konya belt is one quarter of the size of the Maricunga. See Appendix 4 for a review of the Maricunga belt.

### The early bird catches the worm

The Stratex team has identified a 50km by 20km mineralised corridor within the Konya belt and has 31 licences covering over 404km<sup>2</sup> of ground. Three high priority targets have been identified on the basis of alteration zones and with 20 target prospects outcropping. Regional exploration in the Konya area is particularly promising considering that most other known high-sulphidation systems in the world occur in clusters. The Company has only drill tested a tiny fraction of their ground holding.

**Figure 9: ASTER satellite image of Konya Belt.** White boxes show Stratex’s dominant land position



Source: Company

Stratex has already locked up the most prospective ground in the Konya Belt



NI 43-101 resource  
of 311,544oz Au.

Stratex earning  
100% by drilling  
5,000m before July  
2009

Stratex believes the  
various gold zones  
within the Altintepe  
project may be linked

Another large  
porphyry system  
with huge potential

Muratdere certainly  
has the size but  
Stratex must now  
prove that it has the  
grades

## Additional projects

### Altintepe – epithermal gold

In April 2007 Stratex signed an option agreement with Teck to acquire 100% of the Altintepe gold project located close to the Black Sea coast of northern Turkey. Altintepe has a NI 43-101 resource of 311,544oz Au using a 0.4g/t Au cut-off for two zones: Extension Ridge with an inferred resource of 2.2Mt at 1.2g/t Au (85,565oz Au) and 2G-Camliktepe with an inferred resource of 3.16Mt at 1.52g/t Au (225,979oz Au).

Under the terms of the option agreement Stratex can acquire 100% of the project by undertaking 2,000m of drilling by July 2008 and a total of 5,000m by July 2009. Teck can earn back 51% by completing 10,000m of drilling within a 42 month period. If Teck decides not to buy back in, they will retain a 1.5% NSR.

**Figure 11: View looking south over Altintepe project**



*Extension Ridge is a low sulphidation epithermal deposit juxtaposed with 2G-Camlik, a high sulphidation deposit.*

Source: Stratex

Gold mineralisation at Altintepe has been reported in ten different zones over an area of 8km<sup>2</sup>, having been tested by 79 holes drilled by third parties. Both Teck and Stratex concur that the mineralisation at the project is poorly understood. Reinterpretation of the data leads Stratex to believe that the various zones of gold mineralisation may be linked. The project has an extensive exploration database of drilling and geochemical data. Historical drilling highlights from Extension Ridge include 30m at 2.35g/t Au, 24m at 4.9g/t Au and 6m at 16.5g/t Au. Highlights from 2G-Camlik include 124m at 2.4g/t Au and 65m at 2.3g/t Au.

The acquisition of the Altintepe is a good example of the Teck strategic alliance in action with Teck farming out quality projects into Stratex's portfolio. We believe that Stratex has the expertise to rapidly advance Altintepe and use in-house knowledge to revise the geological model. Stratex anticipate further drilling in Q3/Q4 2007.

### Muratdere – porphyry copper-gold-molybdenum

The Muratdere property is located 250km west of the Turkish capital, Ankara. Muratdere is a porphyry Cu-Mo-Au deposit exposed at surface and was identified by the Turkish government Mineral Institute ("MTA") between 1999-2001. Rock samples from this work returned grades of >1% Cu and 1.2g/t Au. The MTA drilled two holes, one of which returned 194m at 0.2% Cu and 0.02% Mo. Stratex believes this hole was drilled at the edge of the mineralised body and recent mapping has demonstrated that the 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. Soil sampling by Stratex has demonstrated that the system is anomalous in gold and copper over the entire strike length. The property is ready to drill in order to investigate the potential for near-surface oxide Cu-Au mineralisation in addition to deeper sulphide mineralisation. Muratdere represents another large, bulk tonnage target in Stratex's project pipeline and has huge potential. Drilling during Q2 2007 will determine whether or not the deposit has high enough grades to warrant further investigation.



## **Karaagac – sediment-hosted gold**

In October 2004, Stratex signed an agreement with Teck Cominco to evaluate the latter's Muratdagi 121km<sup>2</sup> licence block in western Turkey which contains numerous old mine workings for mercury and antimony. Stratex has fulfilled its obligations to Teck Cominco under the deal, and all 14 licences were transferred to Stratex. Teck Cominco retains the right to earn back a 60% interest.

The priority target within the Muratdagi block is the Karaagac project which is hosted by a thrust-faulted sequence of limestones and schists intruded by volcanic rocks. Stratex has identified a thrust zone and underlying mineralised and altered limestone extending over 3.5km<sup>2</sup>. The mineralisation is interpreted as epithermal with thrusts acting as pathways for mineralising fluids. Karaagac shows similarities to TSXV listed Odyssey Resources' Tavsan deposit (377,000oz Au) also in western Turkey. Assay results from rock chips have returned values in excess of 0.5g/t Au including 2m at 9.71g/t Au. The results have outlined a shallow high tonnage / low grade gold prospect with potential for an open pit operation. A diamond and RC drilling programme commenced in August 2006 and significant results included 13m at 1.33g/t Au. However, Stratex has decided to focus its immediate attentions on the Inlice and Konya Belt projects and will evaluate options to farm-out or joint venture the Karaagac project to a third party in order to define a resource.

## **Dikmen – porphyry copper-gold-molybdenum**

The 14km<sup>2</sup> Dikmen licence is located in the Biga Peninsular, 480km west of Ankara in western Turkey and is held under option by Teck Cominco. Stratex has identified porphyry-hosted Cu-Au-Mo mineralisation comprising veinlets, stockwork and disseminations intermittently over a 3km strike length. Early stage reconnaissance fieldwork successfully confirmed the presence of well-developed stockwork mineralisation which has been traced 400m along a stream valley. Seven outcrop samples returned assay values up to 0.43g/t Au, 3.2g/t Ag, 1,875ppm Mo and 338ppm Cu. Early indications are that Dikmen has the potential to host a large tonnage open pit operation if sufficient grades are identified. Results received to date are under review to ascertain whether or not they support further systematic exploration.

**Figure 10: Dikmen porphyry target**



Source: Stratex

## **2007 Strategy and budget**

Stratex's provisional budget for 2007 amounts to ~£2.4m and it is refreshing to see that approximately 90% of this total will be spent in Turkey and put straight into the ground. Corporate overheads have been kept to a minimum. Most of the budget will be used for drilling, much of which is directed towards resource definition and exploration at the Inlice project where drilling will ramp up during Q2 2007. Although Inlice remains the focus, Stratex will be directing a significant portion of the budget towards testing other prospects, including Doganbey, Muratdere and Altintepe. The Konya Belt requires a substantial exploration programme that would be a major undertaking, even for a major company. Part of the budget will be spent on regional exploration in order to identify and fast-track targets towards drill testing. Given the potential of the district, we believe that it is money well spent and one drill hole could transform the Company overnight.

The Company is planning to consolidate results at Karaagac and investigate options to bring on board a JV partner to take the project forward, allowing the Company to focus on the core Konya projects.

Stratex has a current burn rate of between £150 – 180,000 per month depending on exploration expenditure and in particular, drilling intensity. The next 12 months may also see Teck Cominco make an earn-in decision on Inlice and Konya. The Company has a lot of work ahead and will have to juggle the two distinct strategies of resource definition at Inlice with more speculative blue sky exploration work. We expect news flow to increase considerably throughout the year.

## Appendix I: TURKEY – the one that got away

Turkey is quickly becoming a destination of choice for both major and junior mining companies alike. The Turkish government is now actively encouraging foreign investment in mining and has recently revised the mining code to be more investor friendly. Politically and economically speaking, Turkey is relatively stable with a democratic government. Turkey has a population of 73m and is 99% Muslim but it is a secular state that guarantees freedom of worship. However, the country is not without turmoil as thousands of protestors recently rallied in Istanbul in support of secularism. The Turkish army has warned that it will not permit Turkey's secular traditions to be compromised.

Real GDP growth was 4.3% in 2005 and exports amounted to US\$76.9bn, while imports were US\$109.9bn, leaving a trade deficit of US\$32.9bn. Major exports were clothing and textiles (25% of total), vehicles (14%) and basic metals (9%). Major imports were machinery (20%), chemicals (15%) and oil (12%). After nearing economic collapse, a recovery programme agreed with the IMF in 2002 has put Turkey back on track with strong economic growth and falling inflation.

Turkey became an EU candidate country in 1999 and has introduced human rights and economic reforms. However, Turkey's EU bid is in jeopardy due to issues surrounding Turkey's relationship with Cyprus and a slowdown in bringing its laws in line with European standards. The EU has suspended talks in some areas until Turkey opens its ports to Cypriot ships.

The 2006/07 Fraser Institute survey of mining company risks places Turkey ahead of many other countries on the basis of political stability, mining policy, infrastructure and native land claims and other issues.

Turkey is centrally situated between East and West and has historically acted as the gateway for trade routes between Europe and the Middle East and Asia. The country has well developed infrastructure and is bordered by the Black Sea in the north and the Mediterranean to the south. From our site visit it was clear that Turkey is a relatively easy place to do business and makes a refreshing change from many other countries.

Turkey has a very long history of mining. The Bronze Age began in Turkey and the first iron was refined there. However, although Turkey has an ancient legacy of mining, the country has seen relatively little of the mining industry's exploration expenditure. Only relatively small portions of the country have been subjected to systematic mineral exploration using modern techniques.

The combination of prospective geology and lack of capital investment means that Turkey represents a new exploration frontier. Turkey is geologically complex and tectonically active, primarily due to a history of collision, subduction and rifting caused by the convergence of the African and European tectonic plates. This tectonic event generated widespread magmatic activity producing an array of tectonic and metallogenic terrains, many of which host economic minerals deposits.

Most of the major mining companies have a presence in Turkey, either directly or through joint ventures with junior miners. The country hosts a number of operating gold, zinc, nickel and chromite mines in addition to an extensive industrial minerals industry. Turkey produces 60% of the world's borax and 20% of the world's bentonite.

The Turkish government has a track record of permitting the development of new gold mines. Eldorado Gold (TSX:ELD) have proven that it is possible to develop and bring a gold deposit into production in Turkey. Eldorado successfully developed the Kisladağ gold project which commenced commercial production in July 2006. In addition Anatolia Minerals (TSX: ANO) have advanced the 5Moz Cöpler project to feasibility and Koza Gold's Mastra gold project is currently under construction.



Source: HansonWesthouse

Turkey is a western looking country

Recent demonstrations have been in support of secularism

Economy back on track. Inflation down from 70% in 2002 to 10% in 2007

A rocky road to EU membership

Location, Location, Location

Turkey is under explored

Collision of African and Eurasian plate produced favourable geology

It has been proven possible to develop and put into production gold mines in Turkey

Turkish government actively encourage foreign investment in exploration and development of mineral resources

Turkish licences provide security of tenure.

## Turkish mining legislation – encouraging investment

Turkey recently revised its mining law in order to provide foreign investors with a more investment friendly environment. The revision was aimed at reducing licence application times and high fees. The new law reduced heavy bureaucratic control and was a direct result of the Turkish government wishing to attract more investment in exploration and the development of Turkey's natural resources.

Under Turkey's mining regime "underground resources" are not considered part of the land where they are located and are subject to exclusive state ownership. The state delegates the rights for exploration and development by issuing licences subject to royalty payments. Only companies established under Turkish laws are entitled to hold mining rights. The General Directorate of Mining Affairs authorises and regulates licences.

- *Exploration licence:* Application based on first come, first served basis and valid for three years and may be extended by a further two years by submitting a detailed report.
- *Operation licence:* Provides the legal right to use the mining area. Term varies from 5 years to a maximum of 60 years
- *Operating permit:* Required to start production, and gives the right to operate the mine. Separate licence required for each type of mineral.

Royalties are determined by the value of the raw material at the extraction point and set at 4% for precious metals and sand and gravel and 2% for all other commodities.

## Appendix 2: Mining companies active in Turkey

Company	Exch	Tick	Mkt Cap (£m)	Key project	Stage	Overview
<b>Ariana Resources</b>	AIM	AAU	3.3	Singdirgi	Exploration	Admitted to AIM in July 2005. 60 exploration licences, 3 operating licences. Flagship project: 100% owned Singdirgi acquired from Newmont Mining. Mineralisation hosted by Miocene porphyry and low-sulphidation gold-bearing quartz veins. Singdirgi is composed of 5 separate prospects, one of which Kiziltepe has a resource of 150,000oz Au (not to JORC).
<b>European Nickel</b>	AIM	ENK	220.2	Çaldag	Construction	Admitted to AIM in April 2004. Constructing the Çaldag nickel laterite heap leaching operation in Western Turkey. Production commences 2008 at 20,400t Ni + 1,200t Co per annum. Project capex US\$300m. Reserves: 33Mt at 1.14% Ni 0.07% Co (380,000t Ni, 22,000t Co contained) Company has regional exploration programme in Turkey.
<b>Eurasian Minerals</b>	TSX-V	EMX	14.2	Sistorta	Exploration	Portfolio of epithermal and porphyry Cu-Au exploration projects in far eastern and western Turkey. 59 exploration licences (1,657Km <sup>2</sup> ). Key projects: Sistorta (Au), Golcuk (Cu) and Akarca Au-Ag epithermal discovery. Also exploring in Serbia and Kyrgyzstan.
<b>Fronteer Group</b>	TSX	FRG	447.2	Agi Dag / Kirazli	Exploration / resource drilling	Exploring the Kirazli and Agi Dag gold prospects in western Turkey as well as regional exploration surrounding the Big Peninsula. Fronteer has outlined two open pit deposits at Agi Dag / Kirazli with estimated resources of 2Moz Au and 10 Moz Ag as part of a joint venture with Teck Cominco. Teck will be spending US\$15m over the next two years. Company also exploring for Cu-Au-U in Canada and Au-Ag in Mexico.
<b>Odyssey Resources</b>	TSX-V	ODX	5.0	Tavsan	Exploration / resource drilling	Developing Tavsan gold prospect in central western Turkey. Tavsan is a jasperoid-hosted epithermal gold deposit, acquired from Teck Cominco in May 2003. Historic resource of 11.6Mt at 1g/t Au (377,123oz Au contained). Teck Cominco has the option to earn back in for 51%. Company targeting resource of 1Moz Au.
<b>Mediterranean Resources</b>	TSX-V	MNR	9.5	Tac / Corak	Exploration	Developing Tac and Corak gold projects acquired after Teck Cominco spent US\$4m on exploration. Initial resource ~500,000oz Au based on historical work by Teck Cominco. NI43-101 resource estimates expected in Q1 2007.
<b>Eldorado Gold</b>	TSX	ELD	993.3	Kisladag	Production	Operating 100%-owned Kisladag project, largest gold mine in Turkey. Commercial production commenced July 2006. Average annual production over 14 LOM: 240,000oz gold at a cash cost of US\$181/oz. Open pit and heap leach operation with a capex US\$83m. Mineralisation associated with porphyry hosted quartz-pyrite veins. Measured and Indicated resources of 6Moz Au, Proven and Probable reserves of 5Moz Au. Also developing the vein-hosted 1.1Moz Efemçukuru project 20km SW of Izmir. Currently in feasibility stage, construction planned for Q2 2007 and production in Q3 2008. Exploration projects in Pontide Volcanic Belt, Biga Peninsula.
<b>Anatolia Minerals</b>	TSX	ANO	197.8	Çöpler	Feasibility	100% interest in Çöpler gold project with 3.4Moz Au resource and Proven and Probable reserves of 2Moz Au. Feasibility study completed in April 2006 indicating US\$125m capex for an oxide mill and heap leach facilities. Early LOM production average est. 160,000oz p.a, cash operating costs of US\$182/oz (net of Ag credits). Çöpler expected to produce 1.4 Moz Au over 9-year LOM, assessment of sulphide expansion underway. mineralisation at Çöpler is porphyry related, hosted by stockworks and skarns. Nine other exploration projects through Turkey, four of which under JV with Rio Tinto.
<b>Kefi Minerals</b>	AIM	KEFI	3.6	Derenintepe, Karalar	Exploration	Admitted to AIM in December 2006, formed by EMED Mining Public Limited, another AIM listed mining company. Kefi was formed to manage EMED's Turkish and Bulgarian assets. Kefi holds 21 exploration licences in eastern and northeastern Turkey.
<b>Koza Altin Sirketi</b>	n/a	n/a	n/a	Ovacik Mastra	Production Construction	Turkish company operating Ovacik gold mine in western Anatolia. Originally discovered by Normandy in 1989 and acquired from Newmont Mining. Mineralisation is epithermal related gold-bearing quartz veins. Measured and indicated resources: 2.4Mt at 10g/t Au (770,000ozs contained). Mine is OP/UG and initially produced 0.45Moz Au and 0.48Moz Ag between 2001 and 2004. Operations suspended in 2004 after use of cyanide was prohibited and other onerous environmental requirements imposed. Production re-commenced in 2005.
<b>Inmet</b>	TSX	IMN	1501.6	Çayeli	Production	Operating 100%-owned Çayeli Cu-Zn mine on Black Sea coast. Mine opened in 1994 and expected to close in 2016. Ore hosted by volcanogenic massive sulphides. UG operation producing 26,500t Cu and 42,000t Zn p.a. Future production to come from lower levels, shaft extension recently completed. Total reserves 11.6Mt at 3.65% Cu, 5.87% Zn, 49g/t Ag and 0.56g/t Au. Large exploration landholding along strike from Mine.

Source: HansonWesthouse / Company Reports



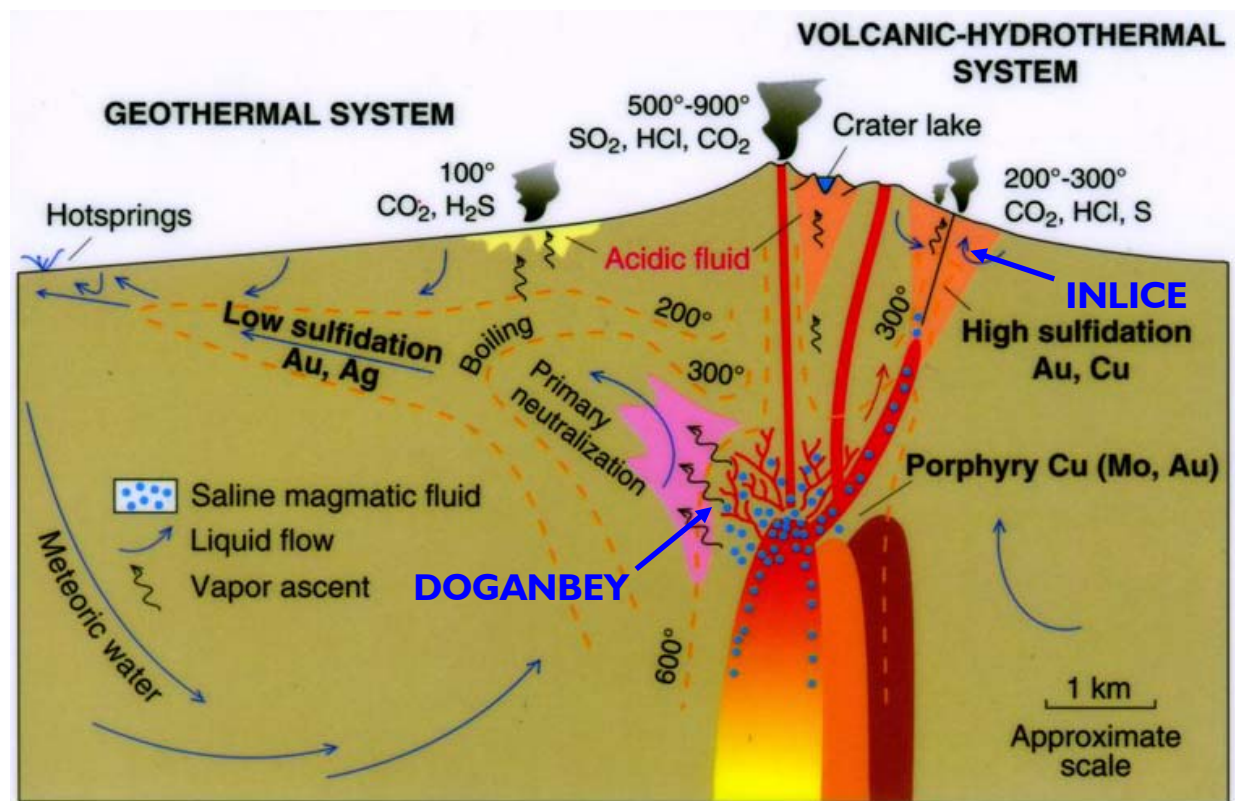
### Appendix 3: High-sulphidation epithermal gold deposits

Epithermal gold deposits are important contributors to the world's gold supply. Epithermal deposits are intimately related to volcanic systems in tectonically active areas, often related to the subduction of one tectonic plate beneath the other. Turkey is ideally located to host epithermal deposits and the volcanic rocks which host the Inlice deposit are related to the northward subduction of the African plate beneath Anatolia along a subduction zone.

Epithermal deposits are subdivided into high sulphidation and low sulphidation based on the chemistry of the mineralising fluids and thus the mineralogy of the deposit. Inlice is a high-sulphidation (HS) deposit. As Figure 13 indicates HS deposits form at shallow levels within the volcanic system and are characterised by veins, vuggy breccias and replacement horizons within volcanic sequences. The deposits are thought to form in volcanoes above de-gassing magma chambers, where magmatic fluids precipitate out gold into favourable host rocks. In terms of exploration, the deposits often have a distinct hydrothermal alteration footprint which can be used to search for epithermal systems.

There also exists a link between HS mineralisation and porphyry Cu-Au deposits which are closely related, genetically and spatially. Figure 13 illustrates the nature of this link and highlights why ground held for HS exploration is also highly prospective for porphyry deposits. Porphyry deposits normally form at deeper depths (2-5km) than HS systems and determining the depth of erosion and the vertical position in the system, therefore becomes a critical factor. Within the Konya Belt Stratex has already identified a number of high sulphidation and bulk tonnage porphyry gold targets and anticipates drill testing these during the year. The presence of a porphyry gold centre at Stratex's Doganbey project is hugely encouraging and conceptually important for exploration in the wider Konya belt.

**Figure 13: Schematic showing genesis of porphyry and high-sulphidation mineral deposits and indicating the theoretical spatial location of Doganbey and Inlice**



Source: From Hedenquist et al. 1995

## Appendix 4: Maricunga belt- an analogue for Konya?

Stratex's independent consultant, Dr Richard Sillitoe has drawn similarities between the Konya Belt in Turkey and the Maricunga Belt in northern Chile. The 200km x 50km Maricunga belt is a major mineral belt hosting high sulphidation epithermal gold and porphyry copper gold deposits.

The reason why the Maricunga analogue is so intriguing is that up to early 1980's no known mineralisation was known in the belt. It is now estimated that the Maricunga belt has a gold endowment of approximately 40Moz gold. The discovery of the Esperanza deposit in the early 1980's triggered extensive regional exploration programmes which lead to the discovery of numerous deposits, establishing Maricunga as a new metallogenic province. Further exploration over the next twenty years identified numerous large gold deposits such as Lobo (4.1Moz), Marte (2.1Moz), Refugio (6.15Moz). The belt is also home to the world class Cerro Casale deposit (1Bt at 0.69g/t Au for >22Moz gold). Geologically the gold deposits in the Maricunga Belt are hosted within a chain of Miocene volcanoes along the western Cordillera, the same age as the volcanics in the Konya Belt.

The Konya belt is smaller and does not, as yet have the proven endowment of the Maricunga Belt. However, it still provides a useful comparison with the Konya Belt and Inlice; the key point being that mineralisation in the district was previously unknown. The hydrothermal alteration in the Konya Belt is largely masked by vegetation, in contrast to the arid climate and lack of vegetation in the Andes. Stratex believes that this may be one of the reasons why the Konya Belt has previously been overlooked. Stratex has secured licences over all the key areas of hydrothermal alteration and has numerous anomalies to test. The key to success will be rapid project turnover and drill testing of key targets within the Konya Belt. The Maricunga example must be viewed with care but it does illustrate that elephants can still be found outside of known elephant country. There are not many "true" grassroots projects currently being evaluated in the world, but Inlice is one of them.

**Figure 14: Stratex winter drilling at Inlice, February 2007. Gold-mineralised silica ledges outcropping in low hill behind drill rig**



Source: HansonWesthouse

## Financials

<b>Consolidated Income Statement</b>	<b>Year ended 31 December 2006</b>	<b>Period from 24 August 2004 to 31 December 2005</b>
	GBP	GBP
Revenue	-	-
Cost of sales	-	-
Gross profit	-	-
Administrative expenses	-570,879	-256,834
Exchange gains - net	1,344	93
Operating loss	-569,535	-256,741
Finance income	66,351	9,770
Loss before income tax	-503,184	-246,971
Income tax credit	16,158	-
Loss for the year attributable to equity holders of the Company	-487,026	-246,971
Loss per share for losses attributable to the equity holders of the Company during the year (expressed in pence per share)	-0.34	-0.33

<b>Consolidated Balance Sheet</b>	<b>As at 31 December 2006</b>	<b>As at 31 December 2005</b>
	GBP	GBP
<b>Assets</b>		
Non-current assets		
Property, plant and equipment	27,961	3,570
Intangible assets	731,701	79,302
Trade and other receivables	41,457	15,035
Deferred tax asset	16,151	-
	817,270	97,907
Current assets		
Trade and other receivables	140,550	27,675
Cash and cash equivalents	1,563,170	177,977
	1,703,720	205,652
Total Assets	2,520,990	303,559
<b>Equity</b>		
Company		
Ordinary shares	1,536,167	1,000,000
Share premium	2,170,743	-
Other reserves	-534,656	-484,138
Accumulated losses	-719,693	-246,971
Total equity	2,452,561	268,891
<b>Liabilities</b>		
Non-current liabilities		
Employee termination benefits	1,152	-
Deferred tax liabilities	593	-
	1,745	-
Current liabilities		
Trade and other payables	66,684	34,668
	66,684	34,668
Total equity and liabilities	2,520,990	303,559

<b>Consolidated Cash Flow Statement</b>	<b>Year ended 31 December 2006</b>	<b>Period from 24 August 2004 to 31 December 2005</b>
	GBP	GBP
Cash flows from operating activities		
Net cash used in operating activities	-662,263	-265,021
Cash flows from investing activities		
Purchases of property, plant and equipment	-30,612	-4,892
Purchases of intangible assets	-644,592	-76,480
Interest received	66,351	9,770
Net cash used in investing activities	-608,853	-71,602
Cash flows from financing activities		
Proceeds from issuance of ordinary shares	2,656,310	514,600
Net cash used in financing activities	2,656,310	514,600
Net increase in cash and cash equivalents	1,358,194	177,977
Cash and cash equivalents at beginning of the period	177,977	-
Cash, and equivalents at end of the year	1,563,171	177,977

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