

STRATEX INTERNATIONAL

Operations update

BUY*

3.9p[#]

Year-end Dec	2011A	2012A	2013E	2014E
Revenue (£m)	-	-	0.2	-
EBITDA (£m)	(1.0)	(2.8)	(2.6)	(2.7)
Adj. Pre-tax Profit (£m)	(0.4)	9.6	(0.3)	(3.0)
Adj. EPS (p)	(0.1)	2.2	(0.1)	(0.6)
DPS (p)	-	-	-	-
Net Cash/(Debt) (£m)	0.6	2.4	9.4	5.8
P/E (x)	(30.4)	1.8	(66.7)	(6.2)
Dividend yield (%)	-	-	-	-
EV/EBITDA (x)	(12.4)	(5.3)	(3.6)	(4.7)

SOURCE: Northland Capital Partners Limited estimates

[#]Priced at market close, 6th March 2014

*Northland Capital Partners Limited is the Joint Broker to Stratex International and therefore this information should be viewed as Marketing Material

We continue to believe that 2014 holds much promise for Stratex International with some major developments from the Company expected. 2014 is likely to see the commencement of mining at the Altintepe Gold Project (45%-Stratex), completion of the feasibility study at the Muratdere Copper-Gold Project (39%-Stratex, 30%-post feasibility study) as well as further drill results from the Dalafin Gold Project (75%-Stratex) and the Tembo Gold Project (12.89%-Stratex). Today's announcement can be viewed as a cleansing of the portfolio with Stratex relinquishing a number of exploration projects that failed to contain the significant exploration targets that the Company demands. This does reduce our price target to 10.9p from 12.8p but this still offers substantial upside to the current share price.

- **Turkey:** The forestry permit for Altintepe remains outstanding and, as a result, we have pushed back our expectations on the commencement of mining to Q414. At Muratdere, the amount of the resource included in the optimisation study was significantly below our expectations, decreasing our valuation of the project, although we recognise that there is a much larger resource that might be considered in the future.
- **West Africa:** Stratex continues to deliver excellent results from the drilling at Dalafin, Senegal, while follow-up exploration from North Suehn, Liberia, was disappointing, leading Stratex to not commit any further funds to the project. Initial work at the recently optioned Sinoe Project, Liberia, is underway.
- **East Africa:** Infill and step-out drilling is underway at the Tembo Project, Tanzania, and based on previous drilling we believe the project holds significant promise. AngloGold Ashanti has left the Thani-Ashanti joint venture, but Stratex will continue to work in the Afar, Ethiopia and Djibouti with the Thani Group. Stratex has relinquished a number of licences that did not deliver significant results, including the licence that contained the Megenta Project.
- **Valuation:** Following today's update we have decreased our price target to 10.9p share from 12.8p and updated our forecasts.

Key Data	
Rating (12 month)	BUY*
Price Target	10.9p (from 12.8p)
Risk	High
Sentiment	Positive
Ticker	STI.L
Shares in issue	467m
Market cap	£18m
12-mth price range	5.5p-3.6p
Net cash (FY13E)	£9.4m
Next event	FY13 Results - March

COMPANY DESCRIPTION

Stratex International Plc is a gold and base metals exploration and development company with key assets in Turkey, East Africa and West Africa. The company has discovered more than 2.2moz of gold and is actively exploring all three territories through several JV partnerships with major operators.

CONTACTS

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INVESTMENT APPRAISAL

Stratex has continued to prove itself as a premier explorer with its latest drilling at the Dalafin Project delivering some excellent results including 59.6m at 2.2g/t Au from surface (FADD-03) and 96m at 1.51g/t Au from 4.1m below the surface (FADD-04). To date, Stratex has discovered over 2.2moz Au and as drill results continue to come in from Dalafin and Tembo we would expect to see this number increase.

2.2moz Au discovered to date

As part and parcel of being an explorer, Stratex has also had some negative results in areas cited as having great potential. Importantly, Stratex has made tough decisions quickly and halted expenses at these projects and relinquished the licences, focusing its efforts on the exploration projects with the best potential.

Focused its portfolio

At Stratex's development projects, there were a number of disappointments with the forestry permit for the Altintepe Project still pending, likely resulting in a delay in initial mining to Q414 from Q314. The size of the resource included in Lodo's optimisation study for the Muratdere Project was also smaller than we had anticipated leading to a significant reduction in our valuation of the project. There was some positive news with the preliminary economic assessment for the Öksüt project, where Stratex has a 1% gross revenue royalty, being above our expectations.

Mining to commence at Altintepe in Q414

VALUATION

We have reduced our valuation for Stratex to 10.9p per share from 12.8p per share based on this latest update (Table 1). While a number of positive developments have been seen in some of its key exploration projects, such as Dalafin, a number of projects have not delivered their exploration potential and as a consequence the relevant licences have been relinquished. The pit optimisation study for Muratdere was predicated on elevated economic parameters and this has led to the biggest reduction in our valuation, although we recognise that the wider resource and long-term potential remain positive. The expected decrease in net cash to £9.4m also has to be taken into account whilst recognising that the expenditure is being put to good use in the Company's ongoing exploration programmes.

Price target 10.9p

Our valuation does not fully reflect the blue sky potential of Stratex's exploration projects and we believe that with Stratex's track record of making discoveries, with over 2.2moz discovered to date, there is plenty of upside to our updated price target.

Exploration upside

TABLE 1: NCP VALUATION SUMMARY

Project/Investment	New valuation (£m)	New valuation per share (p)	Old valuation (£m)	Old valuation per share (p)
Altintepe	23.2	5.0	23.1	5.0
Muratdere	7.9	1.7	14.6	3.1
Öksüt NSR	4.6	1.0	3.5	0.7
Turkey - other	0.5	0.1	0.6	0.1
East Africa inc. Afar	2.1	0.5	2.5	0.5
Tembo (Stratex interest)	1.2	0.3	0	0
West Africa	2.2	0.5	1.8	0.4
Net Cash (debt)	9.4	2.0	13.7	2.9
Total	51.1	10.9	59.8	12.8

SOURCE: Northland Capital Partners estimates



TURKEY

Stratex's main focus in Turkey remains its development projects and it is continuing to seek to dispose of its exploration projects to potential Turkish partners for cash and/or royalty considerations.

Focus on Turkish development projects

At the Altintepe Project (Figure 1), its partner Bahar has been updating the resource model and is expected to produce a life-of-mine plan shortly with construction to commence as soon as the Forest Permit is received. At the Muratdere Project, its JV partner Lodos has completed its optimised design for the pits and metallurgical studies are well advanced with the feasibility expected in H214. At Öksüt, where Stratex has a 1% net smelter return royalty up to \$20m, Centerra Gold (CG.TSX) has produced an updated preliminary economic assessment of the project with production expected to start in 2016.

FIGURE 1: LOCATION OF STRATEX'S TURKISH PROJECTS



SOURCE: Company, modified by Northland Capital Partners

ALTINTEPE

At the Altintepe Project, joint-venture partner Bahar Madencilik Sinayi ve Ticaret Ltd Sti (Bahar) continues to await the award of the Forestry Permit before it can commence the mine development.

Forestry permit still pending

The resource model for the project is currently being updated and density studies for run-of-mine ore and stacked heap-leach material are in progress and a life of mine plan is expected to be produced shortly. JV Partner Bahar is also undertaking metallurgical test work on high, intermediate and low-grade material from the Camlik East zone, and also on the Extension Ridge area that is currently outside the current mine plan and life.

The continued delay in the forestry permit is disappointing but we still believe the delay is not related to the success of the application as there is a large backlog of permits that require approval remaining across all sectors.

OWNERSHIP

Stratex has a 45% free carried-to-production interest in the Altintepe Project in a joint venture with local construction company Bahar

45%-Stratex



FY14 EXPECTATIONS

The continued delay in the issue of the Forestry Permit means that our initial production expectations for Altintepe are again pushed back to Q414 (from Q314) with first gold pour in Q115. Development of the mine is expected to be fairly rapid, taking around six months and Bahar is committed to starting construction as soon as the permit is awarded.

First gold pour Q115

VALUATION

Our valuation of Stratex's 45% interest in Altintepe remains largely unchanged at £23.2m or 5p per share.

Valuation of Stratex's interest - £23.2m

MURATDERE

At the Muratdere Project, joint venture partner Lodos Maden Yatırım Sanayii ve Ticaret A.Ş. (Lodos) is continuing to make significant progress and has completed an optimised pit design with two open pits containing 15.087mt averaging 0.54% Cu and 0.1g/t Au.

Lodos has also continued to progress the metallurgical studies and the kinetic tests to determine acid rock drainage are now in the second month of the five month study. The geotechnical study to determine the location of the tailings dam is also now underway.

OWNERSHIP

At Muratdere, Stratex currently has a 39% interest but we expect this to reduce to 30% following the completion of the feasibility study funded by Lodos.

30%-Stratex post feasibility study

FY14 EXPECTATIONS

The main development we anticipate this year at Muratdere is the completion of the feasibility study, expected in H214.

Feasibility study - H214

VALUATION

The amount of the resource included in the optimisation study at Muradere is below our expectations and has led us to decrease our valuation of the project to £7.9m or 1.7p per share from £14.7m or 3.1p per share.

Valuation of Stratex's interest - £14.7m

ÖKSÜT NSR

At Öksüt, where Stratex owns a 1% royalty on production (capped at \$20m), Centerra, the project operator, has completed a preliminary economic assessment (PEA) (19/02/14). Based on the PEA, Centerra expects to produce around 839,000oz Au over 11 years with production commencing in 2016. Based on the results of the PEA and a \$1,200/oz gold price, we have increased our valuation of Stratex's royalty to £4.6m or 1p per share from £3.5m or 0.7p per share.

Valuation of Stratex's royalty - £4.6m



WEST AFRICA

Stratex's decision to expand into West Africa in January 2012 has been a rewarding experience with the Dalafin Project, located in Senegal (Figure 2), shaping up to be another significant discovery for the Company. Using its footprint in Senegal as a base, Stratex added the North Suehn Project, located in Liberia, to its portfolio in February 2013 and the Sinoe Project, also located in Liberia, in February 2014.

Stratex is currently completing an infill and step-out drill programme at Dalafin with exciting results received to date. At North Suehn, results have not been as positive with follow up soil sampling failing to define any significant anomalies and we expect Stratex to conclude work on the project. At Sinoe, Stratex is expecting to begin exploration shortly by extending the soil geochemical survey work previously completed by Aforo, work that has already identified very encouraging gold anomalies.

Stratex has built its West African expansion using methods that minimise the upfront financial risk, using paper and deferred consideration, as well as project earn-ins, to ensure that it gets the most from every dollar it spends.

Stratex's management has already indicated it believes that West Africa remains underexplored and the region is now entering a second stage of exploration with a significant number of recent discoveries being made. Stratex is continuing to examine a number of projects in the region and we believe that West Africa holds much promise for the Company.

Based on the continued progress made at Dalafin, the addition of Sinoe and the removal of North Suehn, our valuation of Stratex's West African portfolio has increased to £2.2m or 0.5p per share from £1.8m or 0.4p per share. This valuation does not take into account the blue sky potential of the project, which appears substantial based on drilling to date.

Rapid West African expansion

Minimising upfront risk and cost

West African portfolio likely to increase

Valuation of Stratex's interest - £2.2m

FIGURE 2: LOCATION OF STRATEX'S WEST AFRICAN PROJECTS



SOURCE: Company modified by Northland Capital partners



DALAFIN, SENEGAL

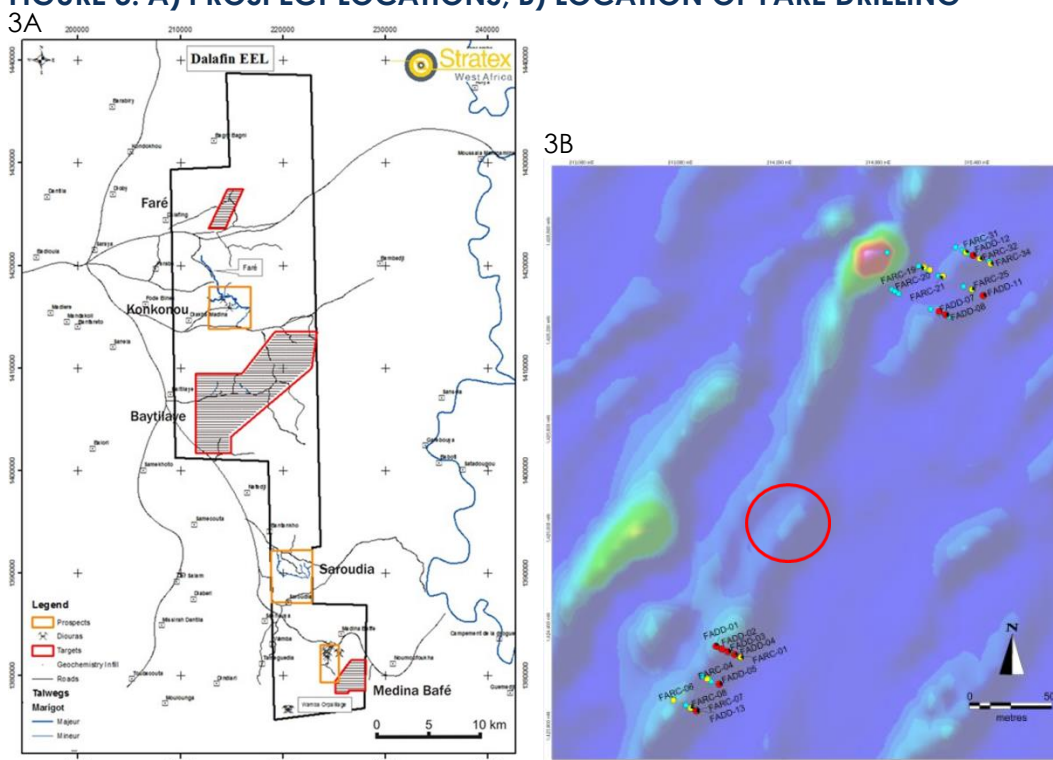
Stratex has now (19/02/14) depth-tested three out of four key prospects defined by the rotary air blast (RAB) and air core drill programme (25/07/13 & 02/09/13) at the Dalafin Project, located in Senegal (Figure 3A).

Three out of four targets tested

Initial results from diamond and reverse circulation drilling at the Faré Prospect have been impressive with the definition of a 75m wide zone of reasonable grade gold mineralisation that remains open to the north. Intersections from the Baytilaye and Saroudia target areas were narrower and lower grade than Faré but Stratex remains positive on the potential of these areas believing the lower grades could be indicative of deeper concealed higher grade mineralisation as weathering may have leached gold from the upper levels.

75m wide mineralised zone

FIGURE 3: A) PROSPECT LOCATIONS, B) LOCATION OF FARÉ DRILLING



SOURCE: Company

Results from Faré South (Figure 3B & Table 2) returned decent grades over very large near-surface intercepts associated with porphyry mineralisation including; 59.6m at 2.2g/t Au from surface (FADD-03), 96m at 1.51g/t Au from 4.1m below the surface (FADD-04) and 14m at 2.94g/t Au from 11.1m below the surface (FADD-02).

59.6m at 2.2g/t Au

Results from Faré North (Figure 3B & Table 2) appear to demonstrate that the mineralisation isn't as widespread but still returned good grades over potentially minable near surface intercepts including 3.5m at 2.06g/t Au from 14.1m below the surface (FADD-07), 2m at 1.81g/t Au from 25m below the surface (FARC-19) and 2m at 1.64g/t Au from 7m below the surface (FARC-20).

3.5m at 2.06g/t Au

The mineralisation at Faré South remains open to the north (red circle Figure 3B), where an airborne magnetic survey identified a magnetic body around 600m north of current drilling while drilling to 200m to the south returned only minor

Further upside in Faré South



mineralisation. Stratex believes the magnetic body to the north could potentially indicate the same or a similar porphyry system, highlighting that plenty of upside potential remains at Faré.

A programme of step-out drilling on 100m fences to the north in Faré is currently underway, as is a fence of holes 100m to the south. A number of holes will also be drilled to a greater depth to test the depth continuity of mineralisation.

At the Madina Bafé Prospect, reverse circulation and diamond drilling is expected to begin shortly, following up on the positive RAB drilling results (02/09/13; Table 2). This prospect will be drilled towards the end of the current programme of drilling because the nature of the outcropping geology and regolith made it difficult to judge the continuity of mineralisation at surface and not because of its potential relative to the other projects. While drilling was underway at the other prospects, the Company's geologists were on the ground at Madina Bafé determining the distribution and orientation of gold mineralisation based on the positive RAB results, soil geochemistry, outcropping gold bearing veins and airborne magnetics.

**Drilling to commence
at Madina Bafé**

TABLE 2: SELECTED DRILL RESULTS FROM DALAFIN

Hole	Zone	From (m)	To (m)	Interval (m)	Au (g/t)	Hole	Zone	From (m)	To (m)	Interval (m)	Au (g/t)
FADD-01	Faré South	8.6	13.1	4.5	0.9	DFRB-00205	Faré	14.0	18.0	4.0	4.7
FADD-02	Faré South	11.1	25.1	14.0	2.9	DFRB-00223	Faré	18.0	21.0	3.0	0.8
FADD-03	Faré South	0.0	59.6	59.6	2.2	DFRB-00234	Faré	4.0	8.0	4.0	0.6
FADD-04	Faré South	4.1	100.1	96.0	1.5	DFRB-00243	Faré	0.0	7.0	7.0	2.9
FADD-05	Faré South	57.6	58.6	1.0	3.5	DFRB-00244	Faré	0.0	4.0	4.0	0.4
FADD-13	Faré South	17.6	24.6	7.0	1.6	DFRB-00245	Faré	0.0	4.0	4.0	1.2
FARC-01	Faré South	50.0	60.0	10.0	2.3	DFRB-00282	Faré	10.0	14.0	4.0	0.7
FARC-04	Faré South	46.0	47.0	1.0	22.2	DFRB-00293	Faré	18.0	26.0	8.0	2.8
FARC-06	Faré South	3.0	5.0	2.0	0.4	DFRB-00309	Faré	16.0	24.0	8.0	0.2
FARC-07	Faré South	19.0	26.0	7.0	86.4	DFRB-00341	Faré	18.0	25.0	7.0	0.5
FARC-08	Faré South	26.0	29.0	3.0	0.9	DFRB-00385	Faré	8.0	11.0	3.0	1.0
FARC-07t	Faré South	14.1	21.1	7.0	1.6	DFRB-00425	Faré	0.0	2.0	2.0	10.0
FARC-08t	Faré South	32.6	34.6	2.0	1.3						
FARC-11	Faré North	17.0	21.5	4.5	0.4	BLDD-01	Baytilaye	11.3	16.1	4.8	0.5
FARC-12	Faré North	96.6	100.6	4.0	0.4	BLDD-02	Baytilaye	22.1	32.6	10.5	0.4
FARC-19	Faré North	25.0	27.0	2.0	1.8	BLDD-03	Baytilaye	124.3	126.3	2.0	0.5
FARC-20	Faré North	66.0	68.0	2.0	0.4	DFRB-00887	Baytilaye	6.0	12.0	6.0	0.9
FARC-21	Faré North	7.0	9.0	2.0	1.6	DFRB-00980	Baytilaye	2.0	6.0	4.0	0.7
FARC-25	Faré North	50.0	53.0	3.0	0.6	DFRB-00990	Baytilaye	2.0	8.0	6.0	6.1
FARC-27	Faré North	45.0	46.0	1.0	1.1	DFRB-01039	Baytilaye	0.0	17.0	17.0	0.5
FARC-31	Faré North	13.0	23.0	10.0	0.5	DFRB-01041	Baytilaye	16.0	22.0	6.0	2.6
FARC-32	Faré North	20.0	22.0	2.0	0.7	DFRB-01043	Baytilaye	8.0	11.0	3.0	0.4
FARC-34	Faré North	12.0	16.0	4.0	0.5	DFRB-01044	Baytilaye	0.0	10.0	10.0	1.4
FARB-00079	Faré	4.0	14.0	10.0	2.3	DFRB-01120	Baytilaye	8.0	14.0	6.0	1.2
FARB-00085	Faré	20.0	26.0	6.0	1.6						
FARB-00106	Faré	6.0	15.0	9.0	2.9	SDRC-01	Saroudia	33.0	37.0	4.0	0.5
FARB-00107	Faré	0.0	28.0	28.0	0.5	SDRC-02	Saroudia	47.0	50.0	3.0	0.7
FARB-00109	Faré	0.0	35.0	35.0	1.2	SDRC-03	Saroudia	44.0	46.0	2.0	0.5
FARB-00110	Faré	0.0	35.0	35.0	0.8	SDRC-04	Saroudia	67.0	68.0	1.0	0.7
FARB-00111	Faré	0.0	32.0	32.0	2.5	DFRB-0646	Saroudia	2.0	12.0	10.0	0.4
FARB-00112	Faré	0.0	20.0	20.0	0.5	DFRB-0651	Saroudia	8.0	11.0	3.0	0.6
FARB-00139	Faré	30.0	35.0	5.0	1.4	DFRB-0721	Saroudia	12.0	16.0	4.0	0.4
FARB-00163	Faré	6.0	14.0	8.0	1.1	DFRB-0745	Saroudia	26.0	28.0	2.0	0.6
DFRB-00087	Faré	16.0	20.0	4.0	0.7	DFRB-0754	Saroudia	0.0	4.0	4.0	0.4
DFRB-00090	Faré	12.0	28.0	16.0	0.8	DFRB-0774	Saroudia	22.0	26.0	4.0	0.6
DFRB-00094	Faré	6.0	8.0	2.0	0.9	DFRB-0786	Saroudia	12.0	14.0	2.0	1.8
DFRB-00146	Faré	10.0	12.0	2.0	2.1	DFRB-0824	Saroudia	22.0	26.0	4.0	0.6
DFRB-00153	Faré	18.0	20.0	2.0	1.0	DFRB-0825	Saroudia	16.0	20.0	4.0	1.0
DFRB-00159	Faré	16.0	22.0	6.0	0.3	DFRB-0845	Saroudia	20.0	22.0	2.0	2.9
DFRB-00182	Faré	26.0	29.0	3.0	2.0						

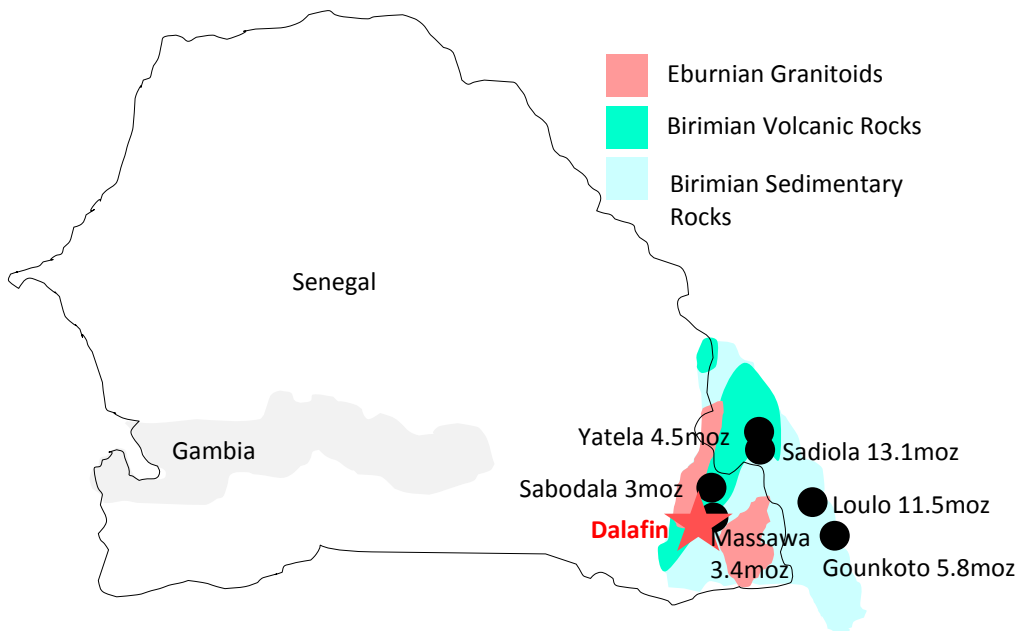
SOURCE: Company



GEOLOGY

The Dalafin Project is located in centre of the Birimian-age Kédougou-Kenieba Gold Belt (Figure 4) that contains several major gold deposits in Senegal including Randgold Resources' Massawa deposit (3.4moz) and Oromin Exploration's Sabodala deposit (3moz), and in Mali Randgold's Loulo (11.5moz) and Gounkoto projects (5.8moz) and Iamgold's Sadiola (13.1moz) and Yatela (4.5moz) projects.

FIGURE 4: MAJOR GOLD DEPOSITS IN THE KÉDOUGOU-KENIEBA GOLD BELT



SOURCE: Northland Capital Partners Limited

The Project contains multiple granite porphyry intrusions that have intruded a sequence of intensely altered metasedimentary rocks. Gold mineralisation appears to be associated with quartz-pyrite mineralisation located in breccia's that surround the porphyries. Both the porphyries and the gold mineralisation have a NNE trend that appears to be related to a major deep-lying structure. Magnetic data appear to show that this structure extends for several km to the north indicating further upside potential.

OWNERSHIP

Stratex currently owns 75% of the Dalafin Project, in a joint venture with a private Senegalese company – Energy and Mining Corporation (EMC). Stratex acquired its interest in the project from Silvrex in January 2012 through the issue of 10,152,581 shares (£393,412 based on current share price) plus deferred consideration of £3.82m to be paid in cash or shares at Stratex's discretion.

75%-Stratex

The deferred consideration will be paid if the Company produces a JORC-compliant resource estimate of over 500,000oz Au before 31/12/14. The relatively minor upfront acquisition cost, paid in shares, has allowed Stratex to add significant value to the project for a limited upfront financial risk.

The Dalafin Exclusive Exploration Licence covers an areas of 472.5km² and was renewed in 2013 (02/09/2013) for three years.



TWINNING OF FARC-07

Twinning of the previously announced (18/12/13) high grade FARC-07 drill hole (7m at 86.39g/t Au) only returned 7m at 1.64g/t Au. Stratex is in discussion with the laboratory to assess where the problem may have arisen and also submitted duplicate samples to two other laboratories for checks. We remain confident in Stratex's QAQC procedure and do not expect any further reliability issues from its data.

FY14 EXPECTATIONS

While the Dalafin licence clearly has the potential to host to a major gold deposit, it is uncertain whether Stratex will reach the deferred consideration trigger of a 500,000oz JORC resource by the end of 2014. The 4,880m of reverse circulation and diamond drilling (57 holes) completed at the project to date has indicated that the Company has made a significant discovery, but Stratex still has a large amount of drilling to complete in order to prove up an initial 500,000oz Au. Stratex will likely want to have the bulk of its drilling completed before the onset of the wet season in Senegal, normally between July and September, so will be working to a tight timeframe.

Positive results from the step-out and deeper drilling at the Faré Prospect, where Stratex has defined a 75m wide zone of high grade mineralisation that is open to the north, will be key if Stratex is to establish 500,000oz Au by the end of the year.

Since the project was acquired for paper, drill results have continued to demonstrate that Stratex has not only made a significant discovery at Dalafin but also made a fantastic acquisition by acquiring a quality project for a low total consideration.

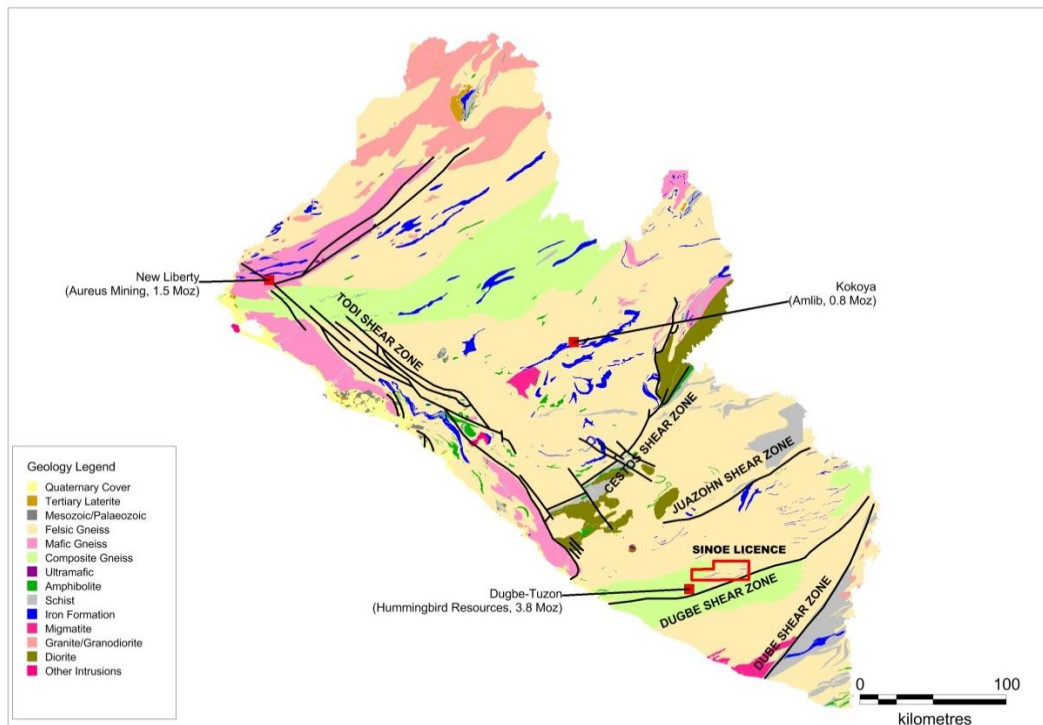
**Differed consideration
trigger expires end of
2014**



SINOE, LIBERIA

The Sinoe Project is the latest addition to Stratex's West African portfolio (11/02/14) following a nine month period of extended due diligence. The licence is located in the Southwest of Liberia in proximity to Hummingbird Resource's (HUM.L) 3.8moz Au Dugbe deposit (Figure 5).

FIGURE 5: LOCATION OF THE SINOE PROJECT



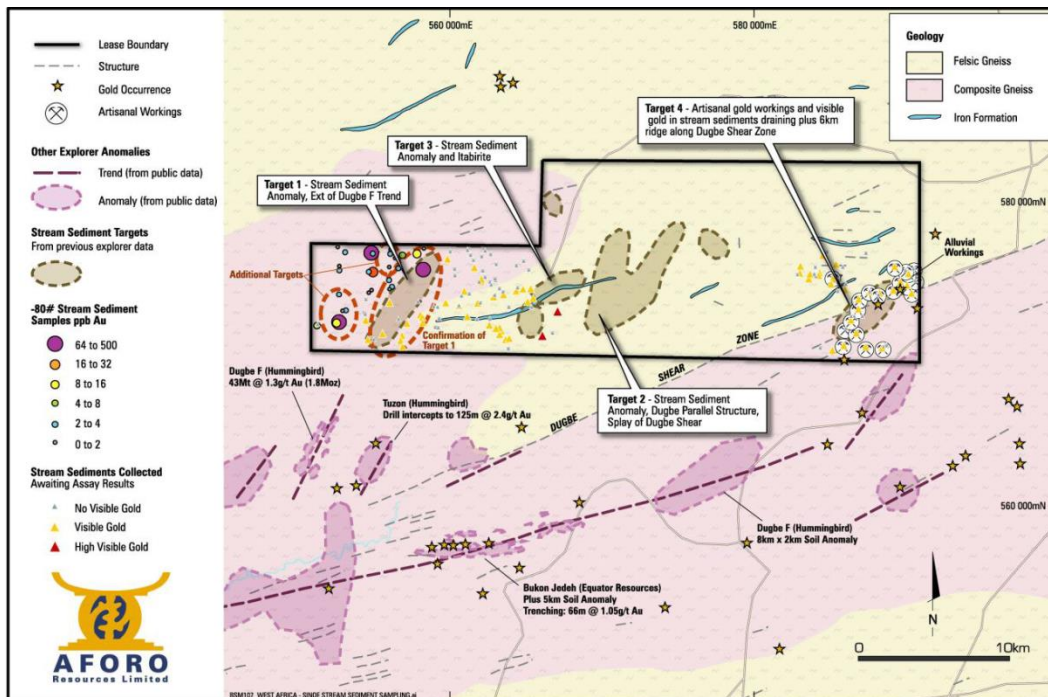
SOURCE: Company,

In the west of the licence, a programme of stream sediment sampling has confirmed that a gold bearing anomaly is located broadly along strike of the 3.8moz Au Dugbe deposit (Figure 6). Soil sampling undertaken by Aforo in the east of the licence, in an area that straddles the major Dugbe Shear Zone, identified multiple ENE striking gold-in-soil anomalies within an area measuring 10km by 7km that contains numerous artisanal workings. The central portion of the licence contains a further stream sediment anomaly that appears to be associated with an itabirite (iron formation) ridge.

**Along strike of Dugbe
(3.8moz Au)**



FIGURE 6: GEOLOGY OF THE SINOE PROJECT



SOURCE: Indo Gold

GEOLOGY

The Sinoe Project is located 5-10 km from Hummingbird Resource's (HUM.L) 3.8moz Au Dugbe deposit and Stratex believes it is located in a similar structural setting.

The project is located in Birimian age rocks (Palaeoproterozoic) with composite gneiss to the west and felsic gneiss in the central and eastern portion (Figure 6). The Dugbe Shear Zone, that is related to the Dugbe deposit, crosscuts the south-east portion of the licence where artisanal workings are located.

OWNERSHIP

Stratex is currently spending an initial AUD\$160,000 (c. £87,000) on exploration at the Sinoe project by July 2014. Following the results of this, Stratex has the option to spend an additional AUD\$160,000 (c. £87,000) on exploration along with a payment of AUD\$100,000 (c. £54,500) to acquire 100% of either the holding company - Aforo Resources Liberia Limited - or the Sinoe Project from Aforo Resources Limited, its private Australian parent company. Aforo Resources will be eligible for a further payment of AUD\$4/oz Au should a resource of 500,000oz Au be established at the project, though this is capped at 1moz Au.

Stratex also paid Aforo an advance of AUD\$150,000 (c. £82,000) in December 2013 for an exclusive period of due diligence, and this will be forgiven should Stratex exercise the option to acquire the project. Should the option not be exercised, then half of the loan will be repaid in shares in Aforo Resources Limited.

The Mineral Exploration Licence (MEL) for the Sinoe Project was granted in 2013 and is valid for a period of three years. Stratex should be able to renew the



licence for a further two years but will have to undertake a statutory 50% area reduction to the licence.

FY14 EXPECTATIONS

Stratex has now commenced an infill soil sampling programme over the eastern portion of the licence where Aforo already defined a 10km by 7km zone of anomalous gold-in-soil anomalies. Stratex will also be undertaking initial soils sampling on the central portion of the licence where previous stream sediment sampling defined an anomaly associated with the itabirite ridge.

**Soil sampling
programme underway**

NORTH SUEHN, LIBERIA

At the North Suehn Project located in northwest Liberia, follow up soil sampling generated no significant targets to justify further expense from Stratex. The Company is now in discussions with BG Minerals to determine the best way forward for both parties.



EAST AFRICA

To date, the drill results from Stratex's Afar interests (Figure 7) have continued to indicate large gold-bearing mineralised systems but are yet to define a high-grade epithermal deposit. Stratex is currently reviewing the geological and geochemical data from the work undertaken and will apply what has been learnt during the next phase of drilling at the Oklila Project, Djibouti.

Large gold bearing system

At Stratex's latest East African interest (03/12/13) - Tembo Gold Corporation's (TEM.TSX-V) Tembo Project, located in Tanzania (Figure 7) - the next phase of drilling is underway with two diamond drill rigs on site.

Two drill rigs on site

FIGURE 7: LOCATION OF STRATEX'S EAST AFRICAN PROJECTS



SOURCE: Company modified by Northland Capital Partners



TEMBO, TANZANIA

Stratex invested in Tembo Gold Corporation (TEM.TSX-V) (23/12/12) recognising the project was a significant discovery that had yet to be taken to the resource stage due to Tembo's inability to raise funds. As a result, taking a stake in the Company via an "Investment Group" was a fantastic opportunity for Stratex to use its considerable cash balance to implement its strategy of adding significant value to a de-risked project.

Developing significant discovery to resource stage

Tembo has received exciting results from a number of the 192 holes totalling 35,000m of drilling on seven targets (Ngula 1, Nyakagwe East, Mgusu, Nyakagwe Village, Iyenze and Ngula 2). Results from drilling conducted by Tembo to date includes: 35.9m at 3.13g/t Au (TDD0004), 15.0m at 22.81g/t Au (TDD0041), 11.1m at 8.17g/t Au (TDD0054) and 4.0m at 10.76g/t Au (TDD0005).

35.9m at 3.13g/t Au

Despite these impressive results, no resource has been defined at the Tembo Project, giving Stratex and the other members of the Investment Group an opportunity to add significant value by funding step-out drilling and preparation of a maiden resource estimate.

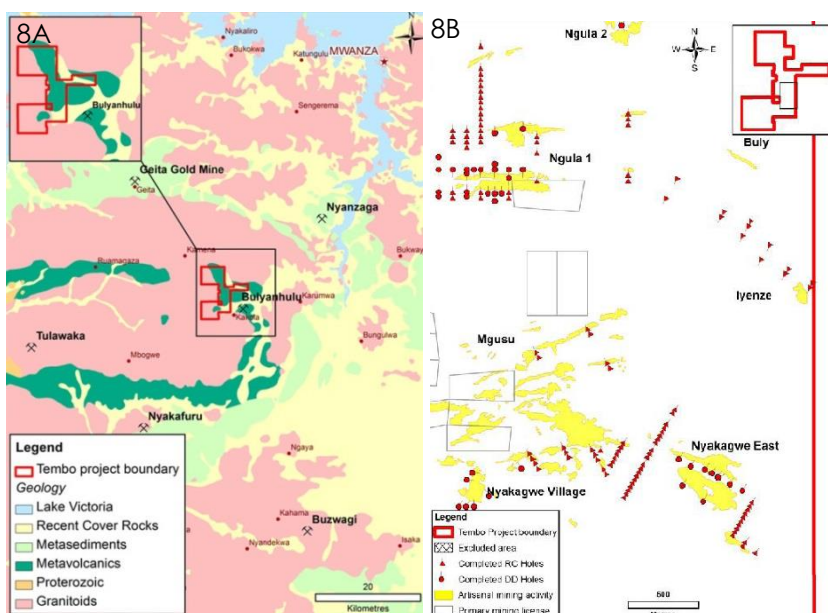
Based on Stratex's 13% interest in Tembo and its current share price, we value Stratex's holding at £1.2m or 0.3p per share.

Valuation of Stratex's interest - £1.2m

GEOLOGY

The Tembo Gold project consists of thirty-three prospecting licences and five prospecting licence applications covering over 100km² in the Lake Victoria Gold Belt adjacent to African Barrick Gold's 14moz Au Bulyanhulu Mine (Figure 8a).

FIGURE 8: A) TEMBO PROJECT, B) WORKINGS AND DRILLING TO DATE



SOURCE: Tembo Gold Corporation

Highlighting the area's prospectivity are the 2,000 artisanal miners operating at multiple sites on the licence (yellow areas in Figure 8b). These workings appear to correspond to the 100km of structures defined in a magnetic survey as well as gold-in-soil anomalies, and therefore represent significant exploration targets.



Sampling by Tembo indicates that the artisanal miners are extracting grades between 5g/t and 58g/t Au from shafts that are 30m-90m deep. As can be seen by comparing the holes drilled to date (red circles and red triangles in Figure 8b) to the distribution of artisanal workings (yellow areas in Figure 7b) there is a considerable area of workings yet to be drill tested, indicating the further upside potential.

Further upside potential

From the drilling to date in the Ngula 1 target area (Figures 9A and 9B), Tembo has defined multiple steeply dipping gold-bearing shear zones over a strike length of 600m with grades ranging between 1 and 300g/t Au, located below a large artisanal working (Figures 9A and 9B). The gold mineralisation is focused along contacts of and within the mafic meta-volcanic and meta-sedimentary host rocks.

OWNERSHIP

Stratex's investment in Tembo reflected a departure from typical deals that the Company had done in the past as it was its first investment into a listed vehicle and it also undertook the investment as part of an Investment Group alongside the New Africa Mining Fund II and Concept Capital Management.

The Investment Group injected a total of CAD\$7.23m in to Tembo with Stratex investing CAD\$1.75m. Stratex currently holds a 13% interest in Tembo. This could increase up to 23% on the exercise of warrants.

13%-Stratex, plus warrants

Although Stratex's investment into Tembo was a departure from its normal method of adding value to projects, it appears to be an effective and de-risked way of investing and advancing a project. By investing as part of Group that holds an interest of 58% in Tembo, plus warrants, the Group has effective control of the Company. With each member of the investment group having board representation, the Group can ensure that funds are deployed in the most efficient way.

58%-Investment Group, plus warrants

FY14 EXPECTATIONS

Tembo Gold Corporation currently has two diamond drill rigs on site and is undertaking an in-fill and deeper drill programme that is expected to continue for the next ten months. The anticipated results (April) of a ground-based induced polarisation survey over the Buly Prospect, located 3km along strike from Bulyanhulu, will also be used to guide the ongoing drilling. The management team, that includes Stratex's CEO Bob Foster, will review the drilling plan on a quarterly basis, with the focus on delivering a maiden resource estimate for the project as soon as possible.

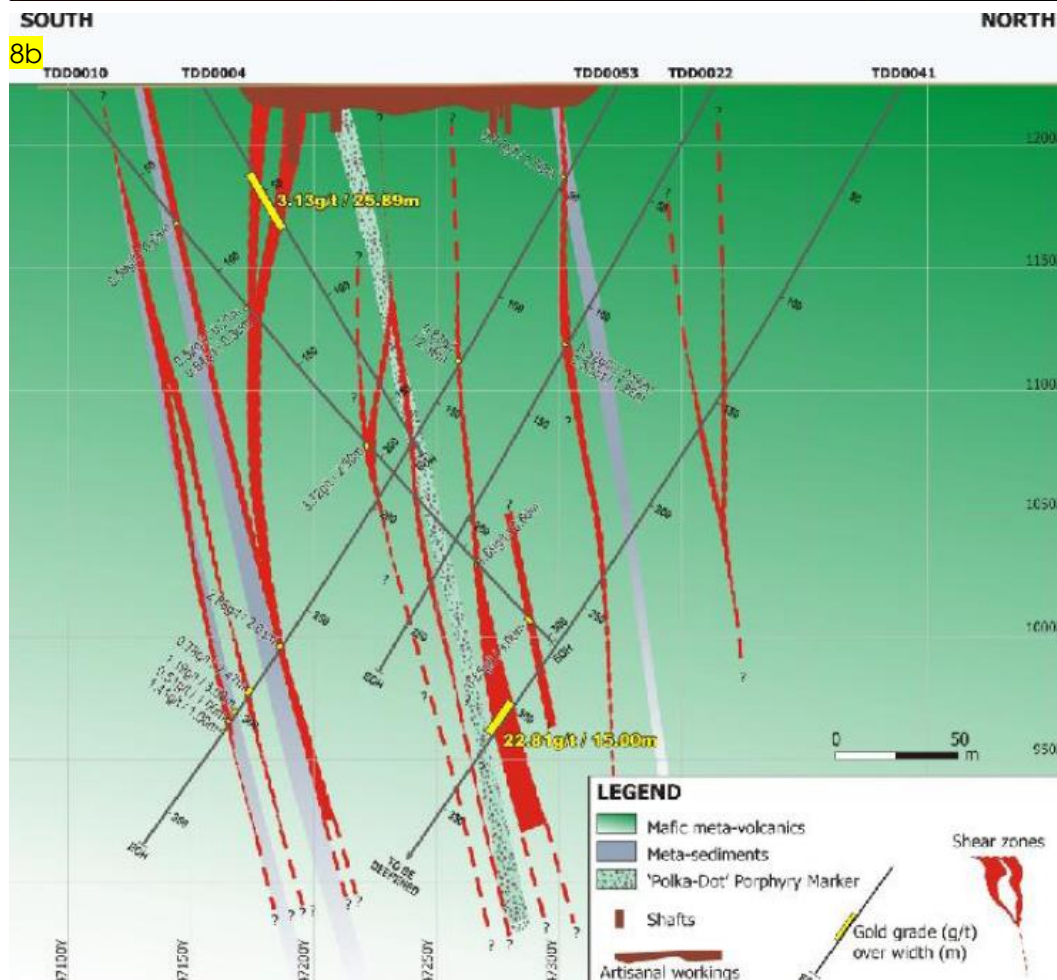
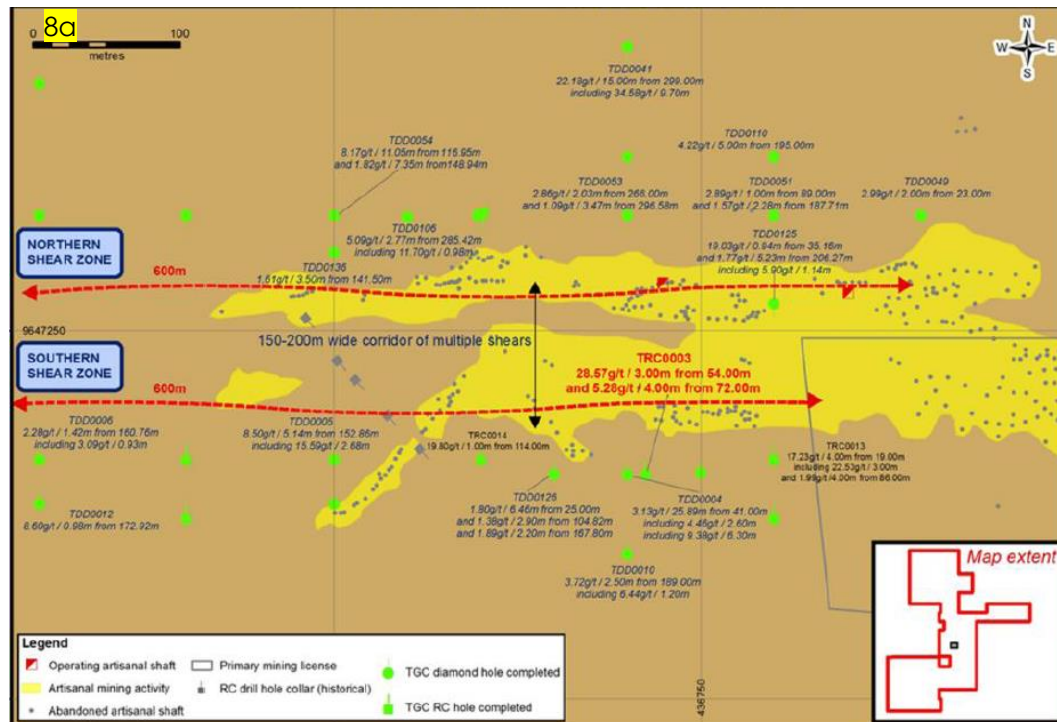
Results expected in April

At the Ngula 1 target, two new holes were drilled to test deeper targets and the last hole of the 2012 drill programme (TDD0041) was extended to complete the section through the target zone. These holes are now completed with assay results pending.

Both drill rigs are currently at the Nyakagwe East target and two out of eight planned holes have now been completed following up on previous drilling in 2008 and 2012.



FIGURE 9: A) MAP OF DRILLING RESULTS AT NGULA 1, B) INTERPRETED CROSS-SECTION OF NGULA 1



SOURCE: Tembo Gold Corporation



AFAR, ETHIOPIA AND DJIBOUTI

In the Afar Region of Ethiopia and Djibouti, Stratex's interests can be grouped in to two categories; projects in the Thani joint venture located in Northeast Ethiopia and Djibouti and projects where Stratex operates with local partners located in the north of Ethiopia (Figure 7).

Following AngloGold Ashanti's reduction in worldwide exploration, it has withdrawn from its joint venture with Dubai-based Thani Emirates Resources Holdings Ltd. As a result, Stratex's Afar joint venture will be with Thani as a sole partner.

Based on the reduction to Stratex's East African portfolio, we have decreased our valuation of the East African projects to £2.1m or 0.5p per share from £2.5m.

Valuation of Stratex's interest - £2.1m

NORTHERN ETHIOPIAN PROJECTS

Blackrock

At the Blackrock Project, located in the Afar Region, Ethiopia, where Stratex has a 95% interest, results to date have defined large zones of low-grade gold mineralisation but significant high grade intercepts have yet to be defined. To date, Stratex has completed 9,800m of drilling but has only effectively tested around 5km of the cumulative 30km of mineralised systems and we continue to believe that plenty of upside remains at the project. Stratex has submitted a licence extension application for another year and further drilling is planned following a review of all the data collected to date. Stratex is also awaiting the award of two new licences in the Rift Valley where remote sensing has indicated significant potential.

Seeking licence extension

Other projects

Stratex has opted not to proceed with the Berahale and Tigray Projects following a lack of viable targets being identified during initial exploration. An operational interest in the Shehagne project has also been relinquished.

THANI JV PROJECTS (49% Stratex)

At the Oklila Project, Djibouti, Stratex is in discussions with Thani on the logistics of the next drill programme. The partnership has now identified 10km of veins including inferred structures beneath wadi sediments and surface cover. The most excitement to date has come from the Pandora and Pyrrha veins that have consistently returned significant gold grades along outcropping strike lengths of 2.3 km and 1.54 km, respectively. At the Assal and Dimoli Khan projects, the next phase of exploration is currently under consideration.

Following the latest drill campaign at Megenta gold-bearing veins continued to be defined but have not returned high grades over large intercepts, Stratex has opted to relinquish the licence.



FORECASTS

Income statement								
Year to 31st December (£m)	2009A	2010A	2011A	2012A	2013E	2014E	2015E	2016E
Revenue	-	-	-	-	0.2	-	-	-
Cost of Sales	-	-	-	-	(0.2)	-	-	-
Administration expenses	(1.3)	(1.7)	(2.0)	(2.9)	(2.7)	(2.8)	(3.0)	(3.1)
Exchange profit/(loss)	(0.0)	0.1	0.9	(0.0)	-	-	-	-
Issue of shares other than for cash	(0.4)	-	-	-	-	-	-	-
EBIT	(1.7)	(1.6)	(1.1)	(2.9)	(2.7)	(2.8)	(3.0)	(3.1)
Financial income	0.0	0.0	0.0	0.1	(0.1)	(0.1)	(0.0)	(0.0)
Financial expense	-	-	-	-	-	-	-	-
Post tax associate income from Altintepe	-	-	-	-	-	-	2.1	4.8
Gain/(loss) of associate	-	(0.1)	(0.1)	(0.2)	(0.1)	(0.1)	(0.1)	(0.1)
Gain/(loss) on acquisition/sale	-	(1.1)	0.8	12.9	2.8	-	-	-
Impairment charges	(0.5)	(0.1)	(0.1)	(0.1)	(0.4)	-	-	-
Profit/(loss) before tax	(2.1)	(2.9)	(0.5)	9.7	(0.5)	(3.0)	(1.0)	1.5
Taxation credit/(expense)	(0.0)	(0.0)	0.1	(0.1)	0.2	-	-	-
Profit/(loss) for the year	(2.1)	(2.9)	(0.4)	9.6	(0.3)	(3.0)	(1.0)	1.5
Exchange differences on translating foreign operations	(0.4)	(0.3)	(0.7)	0.2	-	-	-	-
Profit/(loss) for the year	(2.6)	(3.1)	(1.2)	9.8	(0.3)	(3.0)	(1.0)	1.5
Profit/(loss) for the year attributable to:								
Equity holders of the parent company	(2.1)	(2.9)	(0.4)	9.6	(0.3)	(3.0)	(1.0)	1.5
Non-controlling interest (minorities)	-	-	(0.0)	(0.0)	-	-	-	-
Basic EPS/(LPS) (p)	(0.9)	(1.0)	(0.1)	2.2	(0.1)	(0.6)	(0.2)	0.3
Diluted EPS/(LPS) (p)	(0.8)	(0.9)	(0.1)	2.2	(0.1)	(0.6)	(0.2)	0.3
Taxation Rate %	0.2	0.3	(14.1)	(1.4)	(38.8)	-	-	-
Group Pre-tax Margin (%)	126.5	178.7	46.1	(331.3)	17.1	105.6	33.2	(48.5)
Operating Profit (EBIT) Margin (%)	n.a.	n.a.	n.a.	n.a.	(1,330.0)	n.a.	n.a.	n.a.
Dividends per share (p)	-	-	-	-	-	-	-	-
Dividend Cover (x)	-	-	-	-	-	-	-	-
Number of shares (m) (Ave weighted)	239.5	284.1	321.5	437.3	467.3	467.3	467.3	467.3
Number of shares (m) (Ave weighted fully dil.)	258.1	305.2	342.5	445.4	479.6	479.6	479.6	479.6
EBITDA (£m)	(1.6)	(1.5)	(1.0)	(2.8)	(2.6)	(2.7)	(2.9)	(3.1)
Enterprise Value (£m)	11.0	12.2	12.7	14.8	9.2	12.8	14.6	18.6
EBITDA Interest Cover (x)	(38.1)	(69.4)	(43.5)	(46.9)	27.2	47.1	80.6	79.0
Depreciation & Amortisation	0.1	0.1	0.1	0.1	0.1	0.1	0.1	-
Cash Earnings Per Share (p)	(0.6)	(0.5)	(0.3)	(0.6)	(0.5)	(0.6)	(0.6)	(0.7)
Price (p)	3.9	3.9	3.9	3.9	3.9	3.9	3.9	3.9
Price Earnings Ratio	(4.7)	(4.1)	(30.4)	1.8	(66.7)	(6.2)	(18.8)	12.3
Net yield %	-	-	-	-	-	-	-	-
NAV per share (c)	3.3	0.7	0.9	4.2	2.8	1.7	1.0	-
EV/EBITDA	(6.7)	(8.0)	(12.4)	(5.3)	(3.6)	(4.7)	(5.1)	(5.9)

SOURCE: Northland Capital Partners Limited estimates



Cash flow							
Year to 31st December (£m)	2010A	2011A	2012A	2013E	2014E	2015E	2016E
Operating profit (EBIT)	(1.6)	(1.1)	(2.9)	(2.7)	(2.8)	(3.0)	(3.1)
Net interest (cash paid)	0.0	0.0	0.1	0.0	0.0	0.0	0.0
Depreciation and Amortisation	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Post tax associate income from Altintepe	-	-	-	-	-	2.1	4.8
Other	(0.0)	(0.1)	(0.0)	-	-	-	-
Cash in	(1.5)	(1.1)	(2.7)	(2.6)	(2.7)	(0.7)	1.8
Debtors less creditors	(0.4)	0.6	(0.2)	-	-	-	-
Tax paid	-	-	-	-	-	-	-
Cash out	(0.4)	0.6	(0.2)	-	-	-	-
Gross trading cash flow	(2.0)	(0.5)	(2.9)	(2.6)	(2.7)	(0.7)	1.8
Capital expenditure	(0.2)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)
Exploration costs	(1.7)	(4.5)	(5.2)	(6.0)	(3.0)	(3.0)	(3.0)
Net trading cash flow	(3.8)	(5.0)	(8.3)	(8.7)	(5.8)	(3.8)	(1.3)
Acquisitions & investments	(0.0)	(1.0)	(0.2)	(1.1)	(1.1)	(0.1)	-
Sale of fixed assets & investments (net)	0.7	0.8	1.3	14.6	-	-	-
Issue of share options	0.0	0.1	0.1	-	-	-	-
Issue of shares (net)	1.3	4.5	7.6	-	-	-	-
Funds from JV partner	1.4	2.8	1.2	1.2	1.5	1.0	1.0
Gain/(loss) from non-controlling interest in subsidiary	-	0.3	(0.2)	-	-	-	-
Exchange Rate Movements	(0.2)	(0.5)	0.2	-	-	-	-
Change in net cash and cash equivalents	(0.7)	2.0	1.7	6.1	(5.4)	(2.9)	(0.3)
Gross cash and cash equivalents	1.0	3.0	4.7	10.8	5.4	2.4	2.1

SOURCE: Northland Capital Partners Limited estimates



Balance sheet							
Year to 31st December (£m)	2010A	2011A	2012A	2013E	2014E	2015E	2016E
Share capital	2.9	3.5	4.7	4.7	4.7	4.7	4.7
Share premium account	9.3	13.2	20.4	20.4	20.4	20.4	20.4
Retained earnings/losses	(7.7)	(8.1)	1.6	1.3	(1.7)	(2.7)	(1.2)
Other Reserves (incl. Foreign currency reserve)	0.0	(0.6)	(0.4)	(0.6)	(1.0)	(1.0)	(1.0)
Non-controlling interest (minorities)	-	0.1	-	0.1	0.1	0.1	0.1
Deferred tax, provisions & retirement benefit obligations	-	-	-	-	-	-	-
Long term debt	1.4	0.5	0.5	0.3	-	-	-
Short term debt	0.1	2.0	1.8	1.1	0.3	0.4	0.4
Capital employed	6.0	10.7	28.5	27.3	22.8	21.9	23.4
Intangibles and goodwill	2.5	5.2	8.0	12.8	14.3	16.3	18.3
Fixed assets	0.3	0.2	0.2	0.3	0.5	0.5	0.5
Investments/assets held for sale	0.6	0.3	0.5	-	-	-	-
Investments in subsidiaries	0.1	0.3	1.1	1.1	1.4	1.4	1.4
Stocks	-	-	-	-	-	-	-
Debtors less creditors (incl. Loans receivable)	1.4	1.4	13.8	2.1	1.0	1.0	1.0
Deferred tax	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Cash & Equivalent (unrestricted)	1.0	3.0	4.7	10.8	6.1	4.0	4.4
Cash (restricted)	-	-	-	-	-	-	-
Capital employed	6.0	10.7	28.5	27.3	23.5	23.4	25.7
Net assets per share net of goodwill & intangibles (p)	0.7	0.9	4.2	2.8	1.7	1.1	1.0
Net assets per share inc. goodwill & intangibles (p)	1.6	2.5	6.0	5.5	4.8	4.6	4.9
Net cash (debt) (£m)	(0.4)	0.6	2.4	9.4	5.8	3.6	4.0
Free cash flow per share (p)	(0.6)	(0.1)	(0.7)	(0.5)	(0.6)	(0.2)	0.4
Gearing (%)	(9.2)	7.4	9.3	36.5	26.0	16.7	17.3
Shares in issue (m)	284.1	321.5	437.3	467.3	467.3	467.3	467.3
Post tax RoCE (%)	(0.3)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)
RoE (%)	(0.7)	(0.1)	0.4	(0.0)	(0.1)	(0.0)	0.1
Shareholders' funds (£m)	4.6	8.1	26.2	25.8	22.4	21.4	22.9
Shareholders' funds net of intangibles (£m)	2.0	2.9	18.3	13.0	8.1	5.1	4.6

SOURCE: Northland Capital Partners Limited estimates



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