

# Stratex International plc

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## Stratex's Altintepe gold mine is now generating hard cash

First half results from Stratex International plc (LON:STI) have confirmed that after a slightly protracted process the Altintepe mine is now up and running well.

For the six months to June Altintepe produced 19,467 ounces of gold, which translated into revenues of nearly US\$33 mln for Altintepe Madencilik, the operating company 45% owned by Stratex and 55% owned by its partner, the Turkish conglomerate Bahar Madencilik.

"We're quite confident with 19,000 ounces produced in the first half that we'll hit the 30,000 ounces annual target," says Stratex chairman Christopher Hall.

"We had some hiccups in the beginning," continues Hall. "We knew the ore was clay-rich but we thought the plant could handle it. It couldn't - and a new circuit had to be added. Now, though, the mine is working well."

So well that serious cash is now flowing in and, with operating costs at around US\$560, margins are looking very healthy indeed.

The slight disappointment is that although cash is starting to build up in the operating company, there's no immediate sign of it filtering back up to Stratex itself.

It's perhaps partly because of that that the shares are now slightly off their early July 2.40p highs, although at the current 1.98p they are still up by around 70% on the beginning of the year.

No doubt a distribution will eventually come, but for now the complexities of being a minority partner in a Turkish operation are mitigating against.

"It's a question of deferred distribution rather than lost distribution," emphasises Christopher Hall. In the short-term, he explains, cash needs to be set aside for development capital and for closure planning.

Chief executive Bob Foster gives further detail in written commentary accompanying the second quarter update.

"We are working with Bahar to establish a sound policy for funding future capital expenditure and mine-closure costs," he says. "Once these requirements have been agreed and accurately costed, the level of distribution of net cash to both parties throughout the life of mine can commence."

Foster also points out that Bahar will be entitled to an 80-20 split until their up-front capital is repaid. But Hall emphasises that this was capped at US\$39mln and any overrun was at Bahar's own cost - he is impressed that they have delivered what now looks to be a fairly high-end operation.

**Price:** 1.95p

**Market Cap:** £9.11M

### 1 Year Share Price Graph



### Share Information

**Code:** STI

**Listing:** AIM

<b>52 week</b>	<b>High</b>	<b>Low</b>
	2.63p	1.08p

**Sector:** General Mining - Gold

**Website:** [www.stratexinternational.com](http://www.stratexinternational.com)

### Company Synopsis:

*Focused on the exploration and development of gold and high-value base-metal deposits, AIM-quoted Stratex International is active in Turkey and Senegal and has strategic interests in East Africa and Ghana. In the eight years since listing, Stratex has discovered more than 2.2 million ounces of gold and 7.09 million ounces of silver.*

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And all told, it's a relationship that's held up well over the past few years, to the point where Hall calls Altintepe "the high spot" in Stratex's project portfolio, which is many and varied.

"We have seven months of production that we've reported," he says. "It's now firing on all cylinders and we can now look forward to it being a medium-term operation."

The only real sadness, given the margins that are on offer, is that the mine life isn't any longer, but that may yet change as further drilling takes place in the coming months.

Meanwhile, Stratex's activities elsewhere continue. Investee companies Thani Stratex and Goldstone Resources (LON:GRL) have both raised money in recent months, taking advantage of a funding environment which Hall says is now offering "improved terms."

This raises the possibility that with favourable tailwinds in the markets and with cash now coming in from Turkey, Stratex itself may embark on a new undertaking.

"We are looking for an acquisition," says Hall. "We're looking at second tier assets that are being put up for sale."

What would be ideal, he says, would be "a second Altintepe in the right jurisdiction in Africa."

This time round though, although Stratex is after a similar asset it might go for more favourable terms. The idea, says Hall, would be to bring in a partner but retain control. That way, he says, it would be "a step forward from Altintepe."

But the repeated reference to Altintepe is instructive. It's here that Stratex has delivered - and is delivering - on its long-stated strategy of project generation.

The trick at Altintepe was to get someone else to pay for the development. If Stratex can do that on its next project and still retain control, it will mark a real step forward.

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