

stratex international plc  
annual report 2007



# Resources increased from zero to more than 800,000 ozs in the past year.

Stratex International plc is an international exploration and development company focused on the search for quality mineral resources, primarily gold, copper, molybdenum, nickel and zinc.

The Company was admitted to AIM on 4 January 2006.

The Company has, in its own rights, and through an agreement with Teck Cominco Limited, identified a number of exciting gold prospects in Turkey.

- Teck Cominco Limited, a major Canadian mining company, is a founder shareholder in Stratex and currently holds 8.76 % equity in Stratex.
- Under the Strategic Alliance Agreement, Stratex and Teck Cominco collaborate in the exploration for gold, copper, molybdenum, nickel and zinc, in Europe, the Middle East and Africa.

- All exploration opportunities are reviewed by the joint Stratex – Teck Cominco Advisory Committee, which aims to minimize risk and expenditure, and maximize potential for success.
- Teck Cominco can earn in to 51% working interest in 4 Stratex properties by spending 2x Stratex's expenditure. Teck Cominco's earn in right only effective once Stratex has expended \$2.5m. Note that Teck Cominco's option on the Konya Belt relates to 3 out of the 4 opportunities.
- Teck Cominco can earn back into the Altintepe project by completing 10,000 metres of drilling plus related exploration work.

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## 2007 Highlights

- Raised £7 million in June by placing 77million shares at 9p per share.
- Expanded the Strategic Alliance Agreement with Teck Cominco Limited in order to fast track exploration and development in the Konya Volcanic Belt.
- Entered into a new option agreement with Teck Cominco to acquire 100% of the Altintepe gold project in northern Turkey. A NI 43-101 resource of 311,543 oz gold already established.
- JORC-defined resource of 372,971 oz gold declared at Inlice.
- Drilling at the Karaağaç prospect has identified an initial inferred resource of 156,798 oz gold.
- Discovery of a new gold zone in Altintepe which has the potential to contribute significantly to the resource base.
- Additional grass root discoveries and the option on the Altintepe site now bring the total licenced area in Turkey to 1,534 km<sup>2</sup>.



Location of Stratex projects in Turkey

# Chairman's Statement

## Dear Shareholder,

2007 has been an excellent year for your Company. We have grown from a zero resource base to plus 800,000 oz, which we aim to be further defined and increased in the coming year. In addition, given that the gold price was US\$688 when we announced the Inlice resource and is now above US\$975, the value of your Company has increased both through resource addition and price of the product.

In May 2007 we advanced the Inlice gold discovery to an initial ore resource estimation of 372,971 contained ounces of gold. The discovery rate and cost at Inlice is something we are very proud of – 97 ounces per metre drilled and less than US\$2 per ounce.

Work has progressed with further drilling aimed at increasing the level of confidence of the resource as well as scoping studies on metallurgy and an initial environmental study. It is our intention along with our strategic partner, Teck Cominco Limited, to review all of this development work and plan the future path for Inlice accordingly.

The Inlice discovery was the catalyst for the definition of the Konya district. Your Company proved the concept that the Konya volcanics are host to large areas of lithocap (areas of altered rock commonly associated with porphyry and epithermal gold deposits). This was done at a cost of some US\$150,000. The work also convinced Teck Cominco to exercise back-in rights on 3 of the 4 allowed projects but at greater than the 2.5 times expenditure. The option to earn 51% by expending US\$3 million over three years

was a significant uplift on the value of our asset at such an early stage.

The Konya play has been aggressively pursued since the agreement with an airborne magnetic geophysical survey, detailed stream sediment sampling and soil grids and mapping of major silica zones as well as scout drill testing of the Doğanbey porphyry gold system. As you can imagine this is generating large volumes of data and we are working closely with Teck Cominco on integrating this data into a state-of-the-art Geographic Information System (GIS) and applying latest geological models to aid target definition.

Whilst Konya has been a key focus for us, Stratex is not a company to stand still and has a number of other very exciting projects underway at various stages of development. At the Altintepe project in north-eastern Turkey, we are getting encouraging results where a substantial resource of 311,543 oz gold already exists. The target is to increase this resource with focus on easily treatable oxide material whilst still exploring for the ultimate dream 2 million ounce, US\$1.9 billion in-situ blockbuster discovery!

We continue to gather ideas from current projects to aid development, which we are using in tandem with our in-house knowledge base to define new areas where Stratex can make discoveries and add value to the Company. We have been looking at other areas in Turkey with similar geology to that of Konya and we are using geological models for porphyry gold and high-sulphidation mineralization together with our in-house geochemical and



alteration databases to assist in prioritising these areas. The early stages of this work, something we are now calling "Proof of Concept", is not market news but you will hear a lot more through the coming year as we develop these targets and advance them to drill definition stage.

We are now extending this Proof of Concept exploration (PCE) to other metallogenic belts with the aim of defining new district plays. This is being done in consultation with Teck Cominco. The intimate link of a dynamic E&D company such as Stratex with leading mining companies, in this case Teck Cominco, enables focused work most likely to deliver genuine results.

In the past twelve months both Paul Foord and Andrew Malim stepped down from their roles as Non-Executive Directors. This no way reflects on the Company but Paul and Andrew felt new commitments would not allow them to devote as much time as they would like to their duties. We respect their decisions and wish them all the best in the future.

We are pleased to announce the appointment of Christopher Hall as a new Non-Executive Director. Christopher is currently the in-house mining advisor providing specialist support, principally with AIM listed resource companies, at Grant Thornton LLP, UK. I believe Christopher's wide ranging technical and financial experience will be of considerable value to the Company.

We are all extremely excited about the potential of the Company and the direction we are moving in. Results from our drilling campaigns aimed at proving the economic potential of our projects are increasingly encouraging and we expect the year ahead to be just as active with a steady flow of comprehensive news. We understand the importance of investor relations and to this end, last year we presented at the Mines and Money conference in London and hosted a site visit to Konya for institutional shareholders and selected press, both of which were highly successful. In order to maintain close links with our shareholders, we have recruited a dedicated Investor Relations/Corporate Development, manager, Claire Palmer, who will be happy to answer shareholder queries.

I would like to thank you for your continuing support and also add my sincere thanks to my Board and all at Stratex for their ongoing commitment to the success of the Company.

Yours sincerely

**David J. Hall**  
**Chairman**

# Business Review

## Introduction

Stratex International's second year of operating has seen significant progress on many fronts in Turkey:

- The Strategic Alliance Agreement with Teck Cominco Limited (TCL) has been expanded and TCL has committed to spending \$1 million to fast track exploration at certain of Stratex's sites and, subject to successful outcomes, this expenditure will be increased to \$3 million over a three year period.
- An institutional share placing in June was oversubscribed and raised £7 million.
- The portfolio of licenced projects in Turkey has been increased by 461 km<sup>2</sup>. This includes an option on Altintepe (a new and exciting project from TCL) and the identification of a number of new greenfield sites.
- Exploration has continued at an accelerated pace with 8,390 metres being drilled in 2007
- Total resources at 31 December 2007 stood at 841,312 oz gold.

## Strategic Alliance

The Strategic Alliance Agreement with TCL, under which Stratex collaborates with TCL to explore for resources throughout Europe, the Middle East and Africa, was significantly revised in July. The revision grants TCL's wholly owned Turkish subsidiary, Teck Cominco



*Winter drilling at Kayatepe*

Arama Madencilik (TCM), an option to earn 51% on all of the licences in the Konya belt, excluding the Inlice project, by expending US\$3 million on exploration over three years. US\$1 million of this has to be expended in the first year (ending 30 June 2008) and includes an airborne geophysical survey of the Konya area and a minimum of 1,000m of scout drilling at the Doğanbey porphyry gold project. This represents a significant advancement of the Strategic Alliance Agreement and has already led to fast-tracking of exploration work in the Konya area while allowing Stratex to devote attention to other high-potential projects in the portfolio.

TCL's option on the Konya Belt licences accounts for three of the four options allocated to TCM under the original Strategic Alliance Agreement.

In April, Stratex was granted an option to acquire 100% of TCL's wholly owned Altintepe gold project near Fatsa on the Black Sea coast of northern Turkey by meeting certain drilling requirements. Altintepe has a current (Canadian) National Instrument 43-101 resource estimate of 311,543 oz gold using a 0.4 g/t gold cut-off. However, the controls of the mineralization in the prospect are little understood and the Board believes it has considerable potential for the identification of additional resources. Further information is provided below.

The status of the other Options granted under the Strategic Alliance Agreement is as follows:

- The drilling programme at Karaağac within the Muratdağı licence block has been completed and the Company has declared a non-JORC inferred gold resource of 156,798oz. The Company has met all of its obligations under the Option Agreement and has exercised its right to acquire 100% ownership of the Muratdağı licences.
- The Company has decided not to exercise the option on the Biga licence block.

### Strategic Intent

The strategic intent of the Company is to maximize shareholder value through the continuing development of its focused portfolio. Revenues will be generated by developing the defined resources into mines in collaboration with strategic partner Teck Cominco Limited. However, should the mineral resource not meet TCL's operational criteria, then either a joint venture would be sought with another appropriate mining company or the resource would be sold to a third party whilst retaining a net smelter royalty.

The Directors believe that the lack of funding directed to exploration over the past decade has created a serious imbalance in the projected supply-demand equation for a number of commodities over the next few years. Adding to this imbalance is the high level of demand from the emerging economies of China and India. The outcome is a potentially serious shortage of new producers coming online, coupled with a shrinking pool of technical and scientific expertise. The high and rising gold price is another reason for the Company to be optimistic for 2008.

As a result of the £7m raised from the share placing and the additional funding committed by TCL, a strong pool of expertise and a highly prospective exploration portfolio, the Company is in a sound position to add to its resource base and consider opportunities for moving to production.

## Operational Review

### Key performance indicators for each project

Projects	Ownership	Balance Sheet value £	Licenced Area Km <sup>2</sup>	Holes drilled	Metres Drilled 2007	Total metres drilled	Resource Oz Gold
Inlice	Stratex	1,065,560	43	74	5,813	8,227	372,971
Konya District	Stratex	66,214	367	3	800	800	–
Muratdere	Stratex	289,621	34	7	1,212	1,212	–
Altintepe	TCL <sup>1</sup>	179,573	17	5	565	565	311,543
Karaağac	Stratex	295,754	145	46	–	2,363	156,798
Hasançelebi	Stratex	14,234	214	–	–	–	–
Other	Stratex	59,975	714	–	–	–	–
<b>Total</b>		<b>1,970,931</b>	<b>1,534</b>	<b>135</b>	<b>8,390</b>	<b>13,167</b>	<b>841,312</b>

<sup>1</sup> the Company has an option to acquire 100% on fulfilment of certain requirements

The majority of the Group's current mineral prospects are all located in central and western Turkey, a region in which a considerable number of volcanic-associated gold and gold-copper deposits have been discovered during the past decade. Gold and copper mineralization in this part of the country is mostly associated with former centres of volcanic activity of Miocene age (between 12 million years and 5 million years old).

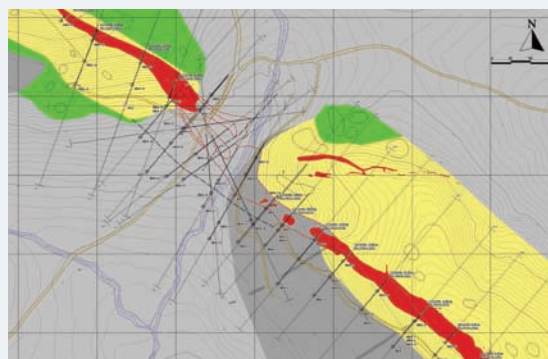
All activities in Turkey are undertaken by the Company's wholly-owned Turkish subsidiary Stratex Madencilik Sanayi ve Ticaret Ltd Şti. and are managed from a head office located in Ankara and regional offices in Beyşehir (south-west Turkey) and Fatsa in northern Turkey.

#### Inlice

The Inlice project is located 40 kilometres west-south-west of the city of Konya and 230 kilometres south of Ankara. The prospect

was the first of twenty-plus hydrothermal alteration zones recognised by Stratex in the Konya Volcanic Belt. The Inlice prospect was discovered in an area where, to the best of the Company's knowledge, no gold mineralization had previously been recognized and little or no exploration had been undertaken.

The mineralization at Inlice comprises a silica body up to 30 m in width (the Anna Zone) and a

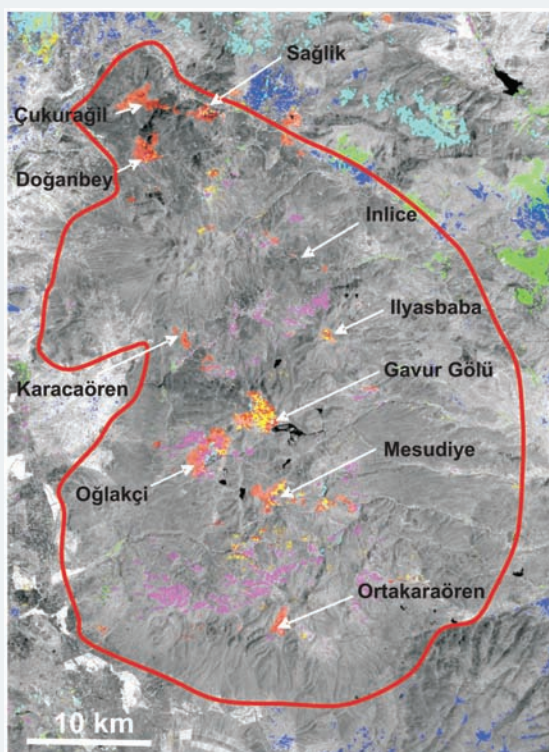


*Inlice geology and drill holes.*



number of other narrower silica zones that form prominent ridges in the area. Following detailed fieldwork, drilling commenced in April 2006 and a total of 21 drill holes were completed in 2006, with a further 53 holes having been drilled in 2007. A JORC-defined resource of 372,971 oz gold was announced in May 2007.

### Konya District Belt



Aster image of the Konya Volcanic Belt, highlighting areas of exploration potential.

The Konya Volcanic Belt extends over an area of 60 km x 40 km and includes the İnlice project mentioned above. A new agreement was entered into with TCL in June 2007, extending the original Strategic Alliance Agreement with a view to fast-tracking the exploration and development of other prospects within the Konya area. Under the new agreement, TCL

is committed to US\$1 million of exploration expenditure by 30 June 2008, with an option to undertake a further US\$ 2 million of exploration expenditures in order to acquire a 51% interest in all the licences in the Konya Volcanic Belt with the exception of İnlice. As part of the initial commitment TCL had to undertake a geophysical airborne survey of the area and complete at least 1,000 m of diamond drilling in the Doğanbey area of the Konya belt.

The airborne geophysical survey of the Konya Belt was completed in November 2007. A total of 9,145 line-kilometres of magnetic survey was flown and detailed interpretation is currently being undertaken by TCL's geophysical staff. The resulting data should contribute significantly to the understanding of the geology of the volcanic belt and lead to prioritization of new targets that might be brought to the drill stage in 2008.

International consultant Dr. Richard Sillitoe visited the Konya Volcanic Belt in late 2006 and confirmed the presence of porphyry-style gold mineralization exposed at surface in the Doğanbey prospect and drew comparisons between the Konya Volcanic Belt and the 40 million oz Maricunga Gold District in Chile.

A subsequent soil geochemistry survey of the Doğanbey area demonstrated that it was strongly anomalous in gold, molybdenum, and other elements. Follow-up ground-based geophysical surveys (induced polarisation [IP] and magnetic) were completed on a 200 m x 100 m grid in August and September 2007. A strong IP chargeability anomaly was identified, indicating the presence of a chargeable body, possibly representing sulphide minerals. The anomaly encompassed the outcrop of the porphyry mineralization and extended beneath a wide area of barren silica alteration.

Positive magnetic anomalies, indicating the possible presence of the mineral magnetite, combined with the strong IP chargeability, defined a high-priority target area of approximately 600 m x 800 m within the previously identified geochemically anomalous area. Following a review of all the data by a joint Stratex / Teck Cominco technical team, three diamond drill holes were prioritised to investigate the coincident geochemical and geophysical targets. Drilling commenced at Doğanbey on 20 September 2007.



*First drill hole at Doğanbey*

### **Muratdere**

The Muratdere property comprises two licences covering a substantial granodiorite-porphyry system located 250 km west of Ankara. The eastern part of the porphyry system was first identified by the Turkish government's Mineral Research and Exploration Institute (MTA) following work undertaken in the period 1999-2001. Systematic soil sampling over the property by MTA yielded up to 1,100 ppb (1.1 g/t) gold, 1,450 ppm copper, and 120 ppm molybdenum, and rock samples gave maxima of 1,200 ppm (1.2 g/t) gold, greater than 1% copper (the copper content exceeded the level



*Outcrop sampling of porphyry at Muratdere*

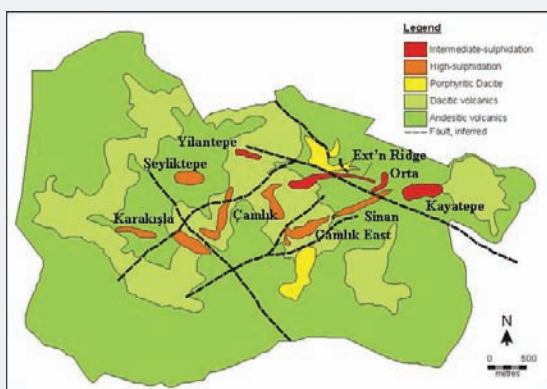
measurable by the analytical technique used), and 1,000 ppm molybdenum.

The Company undertook detailed mapping and soil sampling during 2006, which demonstrated that the porphyry system extends east-west for a distance of at least 4,000 m and has a width of approximately 500 m.

Subsequent geophysical surveys (induced polarisation and magnetic) during Q2 2007 generated targets coincident with the most strongly anomalous geochemical zones and these were the focus of a reconnaissance drill programme that commenced in May. Drilling proved to be slow but intersected typical porphyry-hosted quartz vein-type stockwork mineralization partially overprinted by faulting and associated silicification. The best intersection was drill hole MDD-3, which returned 0 to 284.70 m grading 0.30 % Cu, 0.13 g/t Au, and 0.013 % Mo including 26.75 m grading 0.39 % Cu, 0.20 g/t Au, and 0.013 % Mo starting at 36.0 m. The results of the programme are currently being reviewed in conjunction with TCL to determine the most appropriate way forward.

## Altintepe

The Altintepe ('Gold Hill') gold project is located near the town of Fatsa on the Black Sea coast of northern Turkey. In April 2007 Stratex entered into an option agreement to acquire 100 % of the Altintepe project from TCL.



Simplified map of Altintepe

Under the terms of the option, Stratex can acquire 100 % of the project by undertaking 2,000 m of drilling by July 2008 and a further 3,000 m by July 2009. Subsequent to Stratex acquiring 100 % of the project, Teck Cominco can earn-back 51% by completing 10,000 m of drilling within a 42 month period. If Teck Cominco chooses not to earn-back the interest, it will retain a 1.5 % Net Smelter Return ('NSR') royalty from any future production. A portion of the property is held by a third party that also holds a NSR royalty of 2.5 % that can be reduced to 1.25 % by a payment of US\$ 750,000.

Previous reconnaissance drill core logging from 30 drill holes throughout the prospect indicates that it is underlain by an advanced argillic lithocap (hydrothermal alteration) with a minimum size of 8 square kilometres. Inlice-like

high-sulphidation epithermal gold mineralization is an integral part of the lithocap and consists of wide zones dominated by silica alteration – Çamlık and Çamlık East. This is accompanied by intermediate-sulphidation epithermal gold mineralization (Extension Ridge and Kayatepe) that occurs as a series of linear, fault-controlled veins and related stockworks. The Company's geologists have demonstrated that the Kayatepe Zone extends over an area of approximately 400 metres x 50 metres and surface sampling has yielded good gold values over the full width, including a best value of 33.5 m @ 6.63 g/t Au released to the Stock Exchange in November.

The combined resources of Çamlık and Extension Ridge comprise 311,543 oz Au reported by previous owners in compliance with National Instrument 43-101 (Canadian) standards. This resource does not include any material from the Kayatepe Zone.

Two new mineralized zones were also identified following detailed mapping of the prospect. The 500 metre-long Orta Zone indicates some degree of linkage between the Extension Ridge and Kayatepe Zone, and the Sinan Zone appears to be an 800 metre-long extension of the Çamlık East Zone, albeit somewhat narrower.



David Hall inspects rock sample at Kayatepe



It is the Company's belief that the gold-enriched Kayatepe Zone and the discovery of the Orta and Sinan Zones have the potential to significantly increase the project's current known gold resource.

In addition, during a site visit in the later part of 2007, consultant Dr Sillitoe highlighted the presence of a wide zone (>350 metres) of pervasive quartz-pyrophyllite alteration in the western part of the licence area as being an integral part of the lithocap alteration and mineralization and he suggested that it might provide a vector towards a possible porphyry centre.

A combined programme of resource and exploration drilling commenced in December 2007.

#### **Karaağac and the Muratdağı licence block**

The Muratdağı licences were initially held on option from Teck Cominco Limited but, as a result of work completed during 2006, Stratex has exercised the option and now has 100% ownership of the licence block, including the Karaağac prospect. The licences cover a thrust-faulted sequence of limestones and schists that have been intruded by, and are now partly overlain by, volcanic rocks of Miocene age.

The Karaağac prospect comprises a partially exposed, gently dipping, gold-bearing zone extending over an area of approximately 3.5 km<sup>2</sup>. As a result of an extensive programme of diamond drilling and RC drilling an in-house resource of approximately 6,389,011 t @ 0.78 g/t gold for a total of 156,798 oz gold has been identified.



*Outcrop of silicified limestone at Karaağac*

A further program of drilling is planned for 2008 to investigate the potential for higher grade gold mineralisation.

#### **Biga**

Further exploration work had been undertaken during the first half of the year at Biga. The Biga Group of properties, comprising the licence blocks at Dikmen, Ergama and Belen, had been held on option from TCL. However the results of the work undertaken has not met expectations and the Board has informed TCL of its decision not to exercise the option. All work on these sites has now been halted and all costs previously held on the balance sheet have been written off to the income statement.

### Other prospects

Stratex has in place an excellent pipeline of new projects, mostly focusing on Inlice-type gold prospects in Miocene volcanic belts in central Turkey that should lead to drilling of new targets during 2008.

**Hasanelebi:** The Company has established a strong ground position in a Miocene volcanic belt approximately 90 km north-west of the city of Malatya in central Turkey. Clay alteration and silicification are observed over an area of 9 km x 0.5 km and includes several kilometres of strike length of Inlice-type silica zones up to 30 m in width within altered andesite. Licences have also been acquired over similar areas of alteration elsewhere in the volcanic belt and exploration of these commenced in the final quarter of 2007 with a programme of stream sediment sampling, geological mapping, and outcrop sampling.

**Karapınar and Altunhisar:** In addition to Hasanelebi, Stratex has also acquired land packages in Miocene volcanic belts east of Konya. Both packages encompass multiple areas of alteration similar to those found in the Konya Volcanic Belt and the Company is particularly encouraged by early investigations of the Altunhisar package, where at least six areas of alteration are to be targeted for investigation during the early part of 2008.

**Other:** The Company is constantly reviewing exploration opportunities in Turkey, and reporting of new acquisitions during 2008 is anticipated.

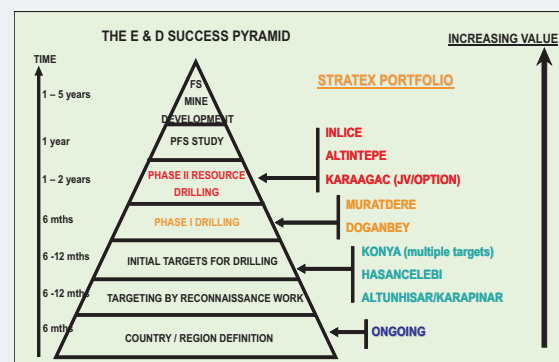
### Wider vision

In addition to identifying new projects with high potential in Turkey the Company is also

now considering opportunities in other low-risk countries within Europe, the Middle East and Africa, although the major focus will remain firmly on Turkey.

### The 2008 programme

We have a very busy year ahead with a well-balanced portfolio of resource-drilling programmes and high-priority new prospects that should lead to new reconnaissance and resource drilling programmes during the year.



Value added programme for 2008/9

- Inlice:** Following compilation of an updated resource estimate and a small amount of further exploration drilling in the early part of 2008, a decision will be made in conjunction with Teck Cominco Limited on whether to retain the property as part of the ongoing Konya-wide programme or whether to immediately seek a joint venture partner to undertake pre-feasibility and feasibility studies with a view to going into production.
- Konya:** The full database of geophysical studies and drilling of the Doğanbey property will be reviewed early during 2008 with a view to undertaking further drilling.



In the meantime the results of the stream-sediment and soil geochemical surveys will be integrated with the new aeromagnetic survey results, leading to prioritisation of the other alteration areas in the Konya Volcanic Belt for further exploration. It is likely that at least some of these will then be drilled.

- **Muratdere:** Subject to a full data review in conjunction with Teck Cominco Limited, either further drilling will be instigated or a joint venture partner will be sought to undertake additional drilling.
- **Altintepe:** An intensive drilling programme commenced in late 2007 and will continue through the first part of 2008 with the express intention of identifying a substantial oxide resource, whilst also meeting the option requirements to secure 100 % of the property from Teck Cominco Limited. The search for more deeply seated porphyry-style mineralization underlying Altintepe will continue and StrateX's nearby Fatsa regional office will be used as a technical and administrative base to identify new opportunities in the mineral-rich Pontide Belt of north-eastern Turkey.
- **Karaağac:** A further program of focused drilling is planned and the potential for nickel resources will be investigated.
- **Hasançelebi:** A substantial programme of stream sediment sampling accompanied by geological mapping and outcrop sampling that will very likely lead to reconnaissance drilling by mid-year.
- **Altunhisar and Karapınar:** Like Hasançelebi the emphasis will be on stream sediment sampling, mapping, and outcrop sampling during the first part of 2008, with the major focus on Altunhisar. Reconnaissance drilling is a likely outcome.
- **Other:** The Company already has specific Konya-type targets in view for acquisition during Q1 2008 and is also now considering new metalliferous targets (gold and base metals) elsewhere in Turkey.

### Risk Factors

Outlined below is a description of the principal risk factors that may affect the Group's business. Not all these factors are within the Group's control. Other factors besides those listed below may also adversely affect the Group. Actions being taken by management to mitigate some of these risks are identified where appropriate

### Exploration risks

The demand for and availability of a ready market for gold and other metals depends upon numerous factors beyond the Group's control, the exact effects of which cannot be accurately predicted.

Mineral exploration is speculative in nature, involves many risks and is frequently unsuccessful. There can be no assurance that any mineralization discovered will result in proven and probable reserves. Following any discovery, it can take a number of years from the initial phases of drilling and identification of mineralization until production is possible, during which time the economic feasibility of production may change.

Substantial expenditures are required to establish mineral reserves through drilling, to determine metallurgical processes to extract minerals from ore and, in the cases of new properties, to construct mining and processing facilities. As a result of these uncertainties, no assurance can be given that the exploration programmes undertaken by the Group will result in any new commercial mining operations being brought into operation.

The interests of the Group are subject to licence requirements, which include, inter alia, certain financial and other commitments which, if not fulfilled, could result in the suspension or ultimate forfeiture of the relevant licences. Government activity, which could include non-renewal of licences, may result in any income receivable by the Group or licences held by the Group being adversely affected. In particular, changes in the application or interpretation of mining and exploration laws and/or taxation provisions in Turkey could adversely affect the value of the Group's interests.

In accordance with the Strategic Agreement with Teck Cominco, all new opportunities must be brought before the Advisory Committee for consideration for further investment. The Advisory Committee comprises highly experienced representatives from both the Company and Teck Cominco and is chaired by an experienced third party consultant geologist.

#### **Political Risks**

All of the Group's properties and operations will be located in a foreign jurisdiction. As a result, the Group is subject to political, economic and other uncertainties, including but not limited to, changes in policies or the personnel administering them,

terrorism, nationalisation, appropriation of property without fair compensation, cancellation or modification of contract rights, foreign exchange restrictions, currency fluctuations, export quotas, royalty and tax increases and other risks arising out of foreign governmental sovereignty over the area in which these operations are conducted, as well as risks of loss due to civil strife, acts of war, guerrilla activities and insurrection.

The Company's main focus at present is Turkey. Turkey has a strong history of mining extending back to pre-Roman times. The mining and investment laws in Turkey have in the opinion of the Directors created a positive environment for exploration and mining as exemplified by a number of discoveries in recent years progressing to feasibility studies and new mines entering production. The country possesses an excellent and modern infrastructure and is generally politically stable.

#### **Dependence on Key Personnel**

The Company is dependent upon its executive management team. Whilst it has entered into contractual arrangements with the aim of securing the services of these personnel, the retention of their services cannot be guaranteed. The development and success of the Group depends on the Company's ability to recruit and retain high quality and experienced staff. The loss of the services of key personnel or the inability to attract additional qualified personnel as the Group grows could have an adverse effect on the Group's business, financial condition and trading results.

The Directors of the Company are covered by Directors and Officers insurance and the Company has taken out Key Man insurance where appropriate.

### Uninsured Risks

The Group, as a participant in exploration and development programmes, may become subject to liability for hazards that cannot be insured against or against which it may elect not to be so insured because of high premium costs or other reasons. The Group may incur a liability to third parties (in excess of any insurance cover) arising from pollution or other damage or injury. The occurrence of any of these hazards can delay activities of the Company and may result in liability. The operations of the Group may be disrupted by a variety of risks and hazards which are beyond the control of the Group, including geological, geotechnical and seismic factors, environmental hazards, industrial accidents, occupation and health hazards, technical failures, labour disputes, unusual or unexpected rock formations, flooding and extended interruptions due to inclement or hazardous weather conditions, explosions and other acts of God.

### Financing

Any additional equity financing may be dilutive to Shareholders and debt financing, if available, may involve restrictions on financing and operating activities. There is no assurance that additional financing will be available on terms acceptable to the Group or at all. If the Group is unable to obtain additional financing as needed, it may be required to reduce the scope of its operations, forfeit its interest in some or all of its properties and licences, incur financial penalties and reduce or terminate its operations.

## Financial Review

### Results

The results for the year to 31 December 2007 and to 31 December 2006 are as follows:

	2007 £	2006 Restated £
Turnover	–	–
Exploration costs capitalised as intangible assets	1,101,867	695,192
Exploration related costs expensed	428,788	237,548
Total exploration costs	1,530,655	932,740
Administration costs	485,634	317,683
Fair value of share options	243,909	88,531
Write off previously capitalised exploration cost	118,001	–
Total costs	2,378,199	1,338,954
% Administration costs	24.1%	25.4%
Operating loss	1,276,332	643,762
Less: interest received	247,014	66,351
Loss before taxation	1,029,318	577,411
Loss per share	51p	39p

The control of costs remains one of the principal tasks of the Board and one of the key ratios we constantly monitor is the percentage of administration costs to total exploration and administration costs. We are pleased to report a decline in the % to 24.1%

### Share Capital

During the year the Company issued the following share capital:

- 77.78 million shares were issued on 14 June 2007 at 9p by way of an institutional placing, raising a £6.7 million net of expenses.
- 2.67 million shares have been issued during the year from the exercise of share options, raising £151 k.

Total shares in issue at 31 December 2007 was 234.1 million.

### Cash Flow and working capital

A total of £6,963,052 was raised from financing activities including £107,637 from Teck Cominco under the Konya Option Agreement dated 30 June 2007. Interest received from bank accounts and deposits amounted to £247,014. The use of funds during the year was as follows:

- £1,209,505 was invested during the year in intangible assets being the Company's mining activities in Turkey.
- £80,586 was invested in furniture, fittings and equipment
- £1,208,593 was spent on operating activities.

This left a balance of cash at 31 December 2007 of £6,274,553. The Directors consider that the Group has sufficient funds to meet current and near future working capital requirements.

### Intangible Assets

At 31 December 2007, the Group had intangible fixed assets of £1,970,931, which is the carrying value of its investment in exploration projects in Turkey. The Directors believe that these investments are fully recoverable in the future based on current conditions and information presently available.



*Konya Volcanic Belt showing Ana East Zone in foreground.*

# Directors' & Management Biographies

**David Hall**, BSc, MSc (age 49)

**Executive Chairman**

David Hall is a graduate in geology from Trinity College Dublin and holds a Masters Degree in Mineral Exploration from Queens University, Kingston, Ontario. He has 27 years of 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. From 1992, he was Chief Geologist for Minorco responsible for Central and Eastern Europe, Central Asia and Middle East. He moved to South America in 1997 as Consultant Geologist for Minorco South America, subsequently becoming Exploration Manager for AngloGold South America in 1999. In April 2002 he became an Executive Director of MinMet plc and then Operations Director in September 2002. Subsequently David was instrumental in spinning off Minmet's assets in the Dominican Republic into TSX-V company GoldQuest Mining Corporation of which he is now Vice-Chairman. GoldQuest's major equity partners are two of the world's leading gold mining companies - Gold Fields of South Africa and Placer Dome.

**Dr Bob Foster**, BSc, PhD, FIMMM, CEng, FGS, CGeol (age 59)

**Chief Executive Officer**

Bob Foster has 33 years of experience as a professional economic geologist in exploration, mining, and applied academic posts and has particular expertise in the genesis of and exploration for gold deposits, having worked in Europe, Central Asia, North and South America, and throughout Africa. Following ten years in the mining industry in Rhodesia (now Zimbabwe) he joined Southampton University in 1984 where he subsequently devoted more than 15 years to lecturing and managing a large applied research group investigating ore-forming processes and mineral exploration strategies on regional and area scales and within operating mines. He has published numerous scientific and technical papers and has been an invited keynote speaker at very many international scientific and technical conferences around the world. During his time at Southampton University he also undertook numerous consultancy projects with major and junior mining companies and was a founding member of the management team of Pan-African Mining Pvt Ltd that developed the open pit Ayrshire gold mine in Zimbabwe in 1991-1996. He also directed a major gold exploration programme for associated company Pan-Reef Mining in Zimbabwe during 1994-1996. For six years prior to joining Stratex, Bob was Minerals Manager for UK-based international consultancy group Exploration Consultants Limited.

**Perry Ashwood**, FCA, (aged 60)

**Chief Financial Officer**

Perry Ashwood qualified as a Chartered Accountant in 1971, training with Spain Brothers & Co. and KPMG. Since 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, Central & Eastern Europe. During his time with Xerox, he held both technical accounting roles, including involvement in internal controls and audit, and operational roles with extensive involvement in: Turkey; Egypt; India and Russia. He also spent 3 years on assignment in the USA at corporate headquarters where his major focus was on acquisitions, divestments and joint ventures. He joined Intermec International Inc in 1998 as Finance Director, Europe, Middle East & Africa before becoming an independent consultant in 2000.

**Christopher Hall**, M.Sc., M.I.M.M.M., C.Eng (age 58)

**Non Executive Director**

Christopher is a geologist with a career spanning over 35 years in the mining industry. After graduating he worked for three years at various locations in Australia before returning to the UK to complete a Masters Degree in Mining Geology and Mineral Exploration. He then worked as a mining analyst in the head office of a major mining finance company and as a mining fund manager before helping to set up and ultimately manage a specialist mining finance company; the first resources company to list on the AIM market. He has since worked as a consultant and managed the UK office of a major US based resources consultancy. He is currently the in-house mining adviser to Grant Thornton LLP, a leading independent Nominated Adviser, and has recently been appointed as non-executive chairman of Western United Mines, which is seeking to reopen the South Crofty tin mine in Cornwall.

**Mr Bahri Yildiz**, BSc (age 51)

**General Manager Turkey**

Bahri Yildiz is a Turkish national with an industrial career spanning 27 years dedicated to mineral exploration and mining geology throughout Turkey. A geology graduate of the Middle East Technical University, Bahri commenced his career in 1980 with the government's General Directorate of Mineral Research and Exploration (MTA) where he spent ten years managing a wide range of projects relating to exploration for precious and base metals. This was followed by three years as Exploration Manager with Turkish company Yurttaşlar Madencilik before he joined Dardanel Madencilik, the Turkish subsidiary of major Canadian mining company 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. Following closure of the Turkish office in 2003 he became an independent consultant before joining Stratex in April 2005.



# Directors' Report

The Directors submit their report and the audited financial statements of Stratex International plc for the year ended 31 December 2007.

Certain matters that are required to be disclosed within the Directors' Report have been included within the Business Review. These matters include a review of operations in the past year, the current position and risks and opportunities.

## Principal Activities

The principal activity of the Group is the exploration and development of gold and other high value base metals.

## Business Review

A review of the activities of the Group is provided in the Chairman's Statement and the Business Review. The results of the Group are shown on pages 25 and 26.

The Directors do not recommend the payment of a dividend.

## Corporate Responsibility

We are committed to building a sustainable and profitable business in order to maximize returns to our shareholders. In doing so we will not knowingly overlook our Corporate Responsibilities and in all situations we will endeavour to behave responsibly.

## People

The health and safety of our employees is our first priority. We have well established policies on health and safety and these are set out in the Company's Health and Safety Booklet which is made available to all employees on joining the Group. Our philosophy is that safety must be considered in every task performed and every decision made.

We are committed to the development of our employees and we aim to provide an environment which will attract, retain and motivate people, to ensure they can maximise their potential and share in the Group's successes.

## Social

We aim to be a good corporate citizen in all communities in which we operate. We work as closely as possible with our host countries and communities, respecting their laws and customs. We employ local people at all levels and ensure fair and equitable transfer of benefits and enhancement of opportunities and support their communities where appropriate.

The Employee's Handbook sets out the boundaries of acceptable business practise and the manner in which the activities of the Group are to be conducted.

## Environment

We are totally committed to minimising any adverse impact of our activities on the natural environment and, as a minimum standard, to comply with any relevant legislation within the territories in which we operate.

## Share Capital

A statement of the changes in the share capital of the Company is set out in note 11.

## Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable law and regulations. Under that law the Directors have prepared the Group and Parent Company Financial Statements in accordance with International Financial Report Standards (IFRS) as adopted by the European Union.

United Kingdom company law requires that the Directors prepare financial statements for each financial year which give true and fair view of the state of affairs of the Company and the Group as at the end of the financial year, and of the profit and loss account of the Group for that period. In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether the Financial Statements comply with IFRS's as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Company and the Group will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and the Group and to enable them to ensure that the financial statements comply with the requirements of the Companies Act 1985 and Article 4 of the IAS Regulations. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The maintenance and integrity of the website is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the information contained in

the financial statements since they were initially presented on their website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements and other information included in annual reports may differ from legislation in other jurisdictions

The Company is compliant with AIM Rule 26 regarding the Company's website.

### Directors and Director's interests

The current Directors and their biographies are set out on page 16.

Gavin Burnell resigned from the Board of Directors on 31 January 2007. Andrew Malim was appointed as a Non Executive Director on 10 May 2007 and subsequently resigned on 31 December 2007. Christopher Hall was appointed as a Non Executive Director on 1 February 2008. Paul Foord resigned from the Board on 20 February 2008. With these exceptions all the directors of the Company were directors throughout the year.

In compliance with the Company's Articles of Association, Dr Bob Foster and Perry Ashwood will retire by rotation and, being eligible, offer themselves for re-election.

The interests in the issued share capital of the Company of the Directors who have been in office during the year were as follows:

	Number of shares held at 31 December 2007	Number of shares held at 31 December 2006
D J Hall	12,522,374	12,466,819
Dr. R Foster	6,914,611	6,859,056
P C Ashwood	1,450,021	443,172
P Foord	5,863,317	6,759,056
A Malim	55,555	—

The interests of the Directors who have been in office during the year in options to subscribe for ordinary shares of the Company were as follows:

	Exercise price	Vesting period after date of grant	Latest exercise date	As at 31 December 2006	Granted during the year	As at 31 December 2007
David Hall	5.0 p	1 year	4 January 2016	345,000	–	345,000
	8.5 p	1 year	8 August 2016	800,000	–	800,000
	8.75 p	1 year	12 March 2017	–	800,000	800,000
	10.0 p	3 years	6 June 2017	–	1,500,000	1,500,000
Dr. Bob Foster	5.0 p	1 year	4 January 2016	687,500	–	687,500
	8.5 p	1 year	8 August 2016	800,000	–	800,000
	8.75 p	1 year	12 March 2017	–	800,000	800,000
	10.0 p	3 years	6 June 2017	–	1,500,000	1,500,000
Perry Ashwood	5.0 p	1 year	4 January 2016	572,500	–	572,500
	8.5 p	1 year	8 August 2016	700,000	–	700,000
	8.75 p	1 year	12 March 2017	–	700,000	700,000
	10.0 p	3 years	6 June 2017	–	1,500,000	1,500,000
Paul Foord	5.0 p	1 year	4 January 2016	172,500	–	172,500
	8.5 p	1 year	8 August 2016	500,000	–	500,000
	8.75 p	1 year	12 March 2017	–	500,000	500,000
	10.0 p	3 years	6 June 2017	–	1,500,000	1,500,000

No options granted to the Directors in office at 31 December 2007 were exercised during the year. A total of 1,500,000 options were granted to Andrew Malim during the year and these lapsed on his resignation from the Board on 31 December 2007. The unexercised options granted to Paul Foord lapsed on his resignation from the Board on 20 February 2008.

The market price of the Company's shares as at 31 December 2007 was 9.0 pence per share and the range during the year was 7.5 pence per share to 11.75 pence per share.

#### Disclosure of information to Auditors

The Directors who held office at the date of approval of this Report of the Directors confirm that, so far as they are individually aware, there is no relevant audit information of which the Company's auditors are unaware and the Directors have taken all the steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

### Substantial shareholdings

As at the 29 February 2008, in addition to those mentioned above the Company was aware of the following holding of 3% or more in the Company's issued share capital:

	Number of shares in Stratex International plc	% of issued share capital
Kairos Investment Management Ltd	49,150,000	21.00%
Mr N Graham	23,000,000	9.83%
Teck Cominco Limited	20,505,006	8.76%
Brewin Nominees (Channel Islands) Limited	9,266,956	3.96%
Orion Trust Limited	9,000,000	3.85%

Teck Cominco Limited's interest includes 8,751,903 (5.7%) held by Teck Cominco Arama ve Madencilik Sanayi Ticaret A.S., a wholly owned subsidiary of Teck Cominco Limited.

### Group's policy on payment of creditors

The Company seeks to maintain good relations with all of its trading partners. In particular, it is the Company's policy to abide by the terms of payment agreed with each of its suppliers. As at 31 December 2007 the number of creditors days in respect of trade creditors was 29 (2006:30).

### Charitable and political donations

The Company made no charitable or political donations during the year (2006: nil)

### Auditors

CLB Littlejohn Frazer offer themselves for reappointment as auditors in accordance with section 385 of the Companies Act 1985.

By order of the Board

P C Ashwood  
Company Secretary  
212 Piccadilly  
London  
England  
W1J 9HG

25 March 2008

# Corporate Governance Report

## Introduction

The Board supports the principles set out in the Combined Code on Corporate Governance ("the Code") and intends to comply with the Code wherever possible, given both the size and resources available to the Group.

Details of the Group's compliance are provided below:

## The Board

The Board is responsible for providing strategic direction for the Company and guiding management in the execution of this strategy for the benefit of shareholders.

Changes to the members of the Board are detailed in the Directors' Report.

Composition of the Board is three Executive Directors, David Hall, Dr. Bob Foster and Perry Ashwood, and two Non-Executive Directors, Christopher Hall and a vacancy, which the Board believes provides an appropriate mix to conduct the Company's affairs.

Biographies of the Directors are provided on page 16.

The Board meets regularly during the year. Seven full meetings were held in 2007. Financial and operational performance of the Group is monitored on a monthly basis and results are reviewed against budgets and operational plans.

## The Audit Committee

The role of the Audit Committee is to provide a formal review of the effectiveness of the internal control systems; the Groups' financial reports and results announcements, and the external audit process.

During the year the Audit Committee comprised Paul Foord (Chairman), Perry Ashwood and Andrew Malim. The external auditors attend by invitation. Two meetings of the Audit Committee have been held during 2007.

## The Remuneration Committee

The role of the Remuneration Committee is to provide a formal and transparent review of the remuneration of the executive directors and senior employees and to make recommendations to the Board on individual remuneration packages.

During the year the Remuneration Committee comprised Paul Foord (Chairman), and Andrew Malim. No Director took part in discussions concerning the determination of his own remuneration. Two meetings of the Remuneration Committee have been held during 2007.

## Internal Control and Risk Management

The Board is responsible for the Group's system of internal control and for monitoring and reviewing its effectiveness. These systems are designed to manage and minimise the risk of failure rather than eliminate such risks and can only provide reasonable, and not absolute, assurance against material financial misstatement or loss. The Audit Committee reviews the effectiveness of these systems on behalf of the Board and reports its findings back to the Board.

The Board encourages a culture of integrity and openness and has established an organisation structure with clear lines of accountability and authority across its operations. The Group does not currently have an internal control function due to the small size of the administration function.

Comprehensive annual budgets are produced once a year and submitted to the Board for approval. Reviews of the annual budget are regularly undertaken in line with significant changes in the underlying operations and



conditions. Such revisions are put forward to the Board for approval. Actual results and forecasts are compared to budget and reported, along with key operational results, to the Board members on a monthly basis.

The Group and Teck Cominco Limited have established a joint Advisory Committee to formally screen all potential exploration site prospects before any significant financial commitment is made to proceed. This process ensures an unbiased and professional approach is adopted for all major project decisions. The Advisory Committee comprises D Hall and Dr R Foster and two of Teck Cominco Limited's senior managers, and is chaired by an independent internationally acknowledged consulting geologist.

The Group maintains appropriate insurance cover in respect of legal actions against the Directors as well as against material loss or claims against the Group.

### **Shareholder Relations**

The Directors are committed to maintaining good relations with the Company's shareholders and have a formal policy whereby disclosure of information that could have a material impact on the Company's share price is released to the market as soon as possible. This information is also made available on the Company's website and is delivered to all persons who have requested to be added to the distribution list.

### **Corporate and social responsibility**

All Directors, management and staff are expected to consistently apply the highest ethical standards to their conduct to ensure that the Company's affairs and reputation are at all times maintained at the uppermost level.

The Directors recognise the importance of building good relations with local communities situated close to the Group's operations and the Company readily contributes, where appropriate, to the development of the local infrastructure and community needs.

The Group adheres totally to all local environmental regulations.

# Independent Auditors Report to the Shareholders of Stratex International Plc

We have audited the Group and Parent Company Financial Statements of Stratex International plc for the period ended 31 December 2007 which comprise the Consolidated Income Statement, the Consolidated and Parent Company Balance Sheets, the Consolidated and Parent Company Cash Flow Statements, the Consolidated and Parent Company Statement of Changes in Equity, the accounting policies and the related notes 1 to 26. These Financial Statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's shareholders, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

## **Respective Responsibilities of Directors and Auditors**

The Directors' responsibilities for preparing the Annual Report and the Financial Statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the Financial Statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the Financial Statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985 and Article 4

of the IAS Regulation. We also report to you whether, in our opinion, information given in the Directors' Report is consistent with the Financial Statements. The information given in the Directors' Report includes specific information presented in the Chairman's statement and the Business Review that is cross referenced from the Business Review section of the Directors' Report.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited Financial Statements. This other information comprises only the Chairman's Statement, the Directors' Report, the Business Review and the Corporate Governance Statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Financial Statements. Our responsibilities do not extend to any other information.

## **Basis of Opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Financial Statements. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the Financial Statements, and of whether the accounting policies are appropriate to the Group's and the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Financial Statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the Financial Statements.

### Opinion

In our opinion:

- the Group Financial Statements give a true and fairly view, in accordance with IFRS's as adopted by the European Union, of the state of the Group's affairs as at 31 December 2007 and its loss for the year then ended;
- the Parent Company Financial Statements give a true and fair view in accordance with IFRS's as adopted by the European Union as applied in accordance with the provisions of the Companies Act 1985 of the state of the Parent Company's affairs as at 31 December 2007;

- the Financial Statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation; and
- the information given in the Directors' Report is consistent with the Financial Statements.

**CLB Littlejohn Frazer**

Chartered Accountants and Registered Auditors

1 Park Place  
Canary Wharf  
London E14 4HJ  
25 March 2008

# Consolidated Income Statement – by function of expense

		Year ended 31 December 2007	Year ended 31 December 2006 Restated
	Notes	£	£
<b>Revenue</b>		–	–
Cost of sales		–	–
<b>Gross profit</b>		–	–
Administrative expenses	15	(1,270,654)	(645,106)
Exchange gain/(loss) – net		(5,678)	1,344
<b>Operating loss</b>		(1,276,332)	(643,762)
Finance income	18	247,014	66,351
<b>Loss before income tax</b>		(1,029,318)	(577,411)
Income tax credit	19	3,559	16,158
<b>Loss for the year attributable to equity holders of the Company</b>		(1,025,759)	(561,253)
Loss per share for losses attributable to the equity holders of the Company during the year (expressed in pence per share) - basic and diluted	20	(0.51)	(0.39)

## Consolidated Balance Sheet

		As at 31 December 2007	2006 Restated
	Notes	£	£
<b>ASSETS</b>			
<b>Non-current assets</b>			
Tangible assets	7	99,728	27,961
Intangible assets	8	1,970,931	731,701
Trade and other receivables	9	79,813	41,457
Deferred tax assets	13	56,327	16,151
		2,206,799	817,270
<b>Current assets</b>			
Trade and other receivables	9	481,216	140,550
Cash and cash equivalents	10	6,274,553	1,563,170
		6,755,769	1,703,720
<b>Total Assets</b>		<b>8,962,568</b>	<b>2,520,990</b>
<b>EQUITY</b>			
<b>Capital and reserves attributable to equity holders of the Company</b>			
Ordinary shares	11	2,340,669	1,536,167
Share premium	11	8,185,929	2,101,342
Other reserves	12	141,732	(376,724)
Accumulated losses		(1,816,093)	(808,224)
<b>Total equity</b>		<b>8,852,237</b>	<b>2,452,561</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Employee termination benefits		2,477	1,152
Deferred tax liabilities	13	33,843	593
		36,320	1,745
<b>Current liabilities</b>			
Trade and other payables	14	74,011	66,684
		74,011	66,684
<b>Total equity and liabilities</b>		<b>8,962,568</b>	<b>2,520,990</b>

Approved and authorised for issue by the Board of Directors on 25 March 2008 and were signed on its behalf by

David Hall  
Chairman

Perry Ashwood  
Chief Financial Officer



# Consolidated Statement of Changes in Equity

	Note	Share Capital £	Share Premium £	Merger Reserve £	Share Option Reserve £	Accumulated Loss £	Translation Reserve £	Total Equity £
<b>Balance at 31 December 2005</b>		1,000,000	–	(485,400)	–	(246,971)	1,262	268,891
Issue of ordinary shares		536,167	2,559,433	–	–	–	–	3,095,600
Share Options – value of employee services	17	–	–	–	14,304	–	–	14,304
Costs of share issue		–	(388,690)	–	–	–	–	(388,690)
Consolidated loss for the period		–	–	–	–	(487,026)	–	(487,026)
Movement on translation reserve	12	–	–	–	–	–	(50,518)	(50,518)
<b>Balance at 31 December 2006 as previously stated</b>		1,536,167	2,170,743	(485,400)	14,304	(733,997)	(49,256)	2,452,561
Share Options – value of employee services	12	–	–	–	74,227	(74,227)	–	–
Share Options – value of services received	12	–	(69,401)	–	69,401	–	–	–
<b>Balance at 31 December 2006 as restated</b>		1,536,167	2,101,342	(485,400)	157,932	(808,224)	(49,256)	2,452,561
Issue of ordinary shares	11	804,502	6,346,622	–	–	–	–	7,151,124
Share Options – value of employee services	12	–	–	–	243,909	–	–	243,909
Share Options – exercise of options		–	33,674	–	(51,564)	17,890	–	–
Costs of share issue	11	–	(295,709)	–	–	–	–	(295,709)
Consolidated loss for the year		–	–	–	–	(1,025,759)	–	(1,025,759)
Movement on translation reserve	12	–	–	–	–	–	326,111	326,111
<b>Balance as 31 December 2007</b>		2,340,669	8,185,929	(485,400)	350,277	(1,816,093)	276,855	8,852,237

# Consolidated Cash Flow Statement

		Year ended 31 December 2007 £	Year ended 31 December 2006 Restated £
	Note		
<b>Cash flows from operating activities</b>			
Net cash used in operating activities	21	(1,208,592)	(662,264)
<b>Cash flows from investing activities</b>			
Purchases of property, plant and equipment		(80,586)	(30,612)
Purchases of intangible assets		(1,209,505)	(644,592)
Interest received		247,014	66,351
Net cash used in investing activities		(1,043,077)	(608,853)
<b>Cash flows from financing activities</b>			
Net proceeds from issue of ordinary shares		6,855,415	2,656,310
Funds received from related party		107,637	–
Net cash used in financing activities		6,963,052	2,656,310
<b>Net increase in cash and cash equivalents</b>		4,711,383	1,385,193
Cash and cash equivalents at beginning of the period		1,563,170	177,977
<b>Cash and cash equivalents at end of the year</b>	10	6,274,553	1,563,170

# Company Balance Sheet

		As at 31 December 2007	2006 Restated
	Notes	£	£
<b>ASSETS</b>			
<b>Non-current assets</b>			
Tangible fixed assets	7	15,456	4,083
Investment in subsidiaries	23	2,376,545	1,957,090
		2,392,001	1,961,173
<b>Current assets</b>			
Trade and other receivables	9	1,134,654	24,187
Cash and cash equivalents	10	6,212,512	1,495,050
		7,347,166	1,519,237
<b>Total Assets</b>		9,739,167	3,480,410
<b>EQUITY</b>			
<b>Capital and reserves attributable to equity holders of the Company</b>			
Ordinary shares	11	2,340,669	1,536,167
Share premium	11	8,185,929	2,101,342
Shares under option	12	350,277	157,932
Accumulated losses		(1,183,951)	(493,557)
<b>Total equity</b>		9,692,924	3,301,884
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Deferred income tax liabilities	13	–	–
<b>Current liabilities</b>			
Trade and other payables	14	46,243	178,526
<b>Total liabilities</b>		46,243	178,526
<b>Total equity and liabilities</b>		9,739,167	3,480,410

Approved and authorised for issue by the Board of Directors on 25 March 2008 and were signed on its behalf by

**David Hall**  
Chairman

**Perry Ashwood**  
Chief Financial Officer

## Company Cash Flow Statement

	Note	Year ended 31 December 2007 £	Year ended 31 December 2006 Restated £
<b>Cash flows from operating activities</b>			
Net cash used in operating activities	21	(843,005)	(448,525)
<b>Cash flows from investing activities</b>			
Purchases of property, plant and equipment		(17,783)	(5,823)
Funding of subsidiary operations		(1,599,674)	(787,185)
Interest received		322,509	80,273
Net cash used in investing activities		(1,294,948)	(712,735)
<b>Cash flows from financing activities</b>			
Net proceeds from issue of ordinary shares		6,855,415	2,656,310
Net cash used in financing activities		6,855,415	2,656,310
<b>Net increase in cash and cash equivalents</b>		4,717,462	1,495,050
Cash and cash equivalents at beginning of the year		1,495,050	–
<b>Cash and cash equivalents at end of the year</b>	10	6,212,512	1,495,050

# Notes to the Financial Statements

## 1. General information

The principal activity of Stratex International plc ('the Company') and its subsidiaries (together 'the Group') is exploration for and development of precious and base metal deposits. The Company completed a listing on AIM on 4 January 2006.

The address of its registered office is 212 Piccadilly, London, W1J 9HG.

These group consolidated financial statements were authorised for issue by the Board of Directors on 25 March 2008.

## 2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented.

### 2.1 Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU), IFRIC interpretations and those parts of the Companies Act, 1985 applicable to companies reporting under IFRS. The financial statements have been prepared under historical cost convention. A summary of the more important group accounting policies is set out below.

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates.

At the date of approval of these consolidated financial statements the following standards and interpretations were in issue but not yet effective:

IFRS 8	Operating segments
IFRIC 11	IFRS 2 — Group and treasury share transactions
IFRIC 12	Service concession arrangements
IFRIC 13	Customer loyalty programmes
IFRIC 14, IAS 19	The limit on a defined benefit asset, minimum funding requirements and their interaction

The Directors anticipate that the adoption of these standards and interpretations in future periods will have no material impact on the financial statements of the Group, except for additional disclosures on segregated results, when the relevant standards come into effect for periods commencing on or after 1 January 2008.



## **2.2 Basis of consolidation**

Stratex International plc was incorporated on 24 October 2005. On 21 November 2005 Stratex International plc acquired the entire issued share capital of Stratex Exploration Ltd by way of a share for share exchange. The transaction has been treated as a Group reconstruction, and has been accounted for using the merger accounting method.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the Group.

All significant intercompany transactions and balances between group enterprises are eliminated on consolidation.

## **2.3 Foreign currency translation**

### **(a) Functional and presentation currency**

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). The consolidated financial statements are presented in sterling, which is the Group's presentation currency.

### **(b) Transactions and balances**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

### **(c) Group companies**

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- (ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- (iii) all resulting exchange differences are recognised as a separate component of equity. On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of monetary items receivable from foreign subsidiaries for which settlement is neither planned nor likely to occur in the foreseeable future are taken to shareholders' equity. When a foreign operation is sold, such exchange differences are recognised in the income statement as part of the gain or loss on sale.

## 2.4 Property, plant and equipment

Fixtures and equipment are stated at cost less accumulated depreciation.

Depreciation is charged so as to write off the cost or valuation of assets over their estimated useful lives, using the straight-line method, on the following bases:

Furniture & Fittings	20%
Office and computer equipment	25% - 33%
Software	33%

## 2.5 Intangible assets

The Group recognises expenditure as exploration and evaluation assets when it determines that those assets will be successful in finding specific mineral resources. Expenditure included in the initial measurement of exploration and evaluation assets and which are classified as intangible assets relate to the acquisition of rights to undertake topographical, geological, geochemical and geophysical studies, exploratory drilling, trenching, sampling and other activities to evaluate the technical feasibility and commercial viability of extracting a mineral resource.

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of any asset may exceed its recoverable amount. The assessment is carried out by allocating exploration and evaluation assets to cash generating units which are based on geographical areas.

Where the exploration for and evaluation of mineral resources in cash generating units does not lead to the discovery of commercially viable quantities of mineral resources and the Company has decided to discontinue such activities at that unit, the associated expenditures will be written off to the Income Statement.

## 2.6 Impairment

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately, unless the relevant asset is land or buildings at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

## **2.7 Cash and cash equivalent**

Cash and cash equivalents comprise cash at bank and in hand, demand deposits with banks and other financial institutions, and short term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

## **2.8 Financial instruments**

Financial assets are recognised in the balance sheet at the lower of cost and net realisable value. Provision is made for diminution in value where appropriate. Interest receivable and payable is accrued and credited/charged to the income statement in the period to which it relates.

Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

Trade payables are recognised at initially at fair value and subsequently measured at amortised cost.

## **2.9 Deferred income tax**

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability settled. Deferred tax is charged or credited in the income statement, except when it relates to items credited or charged directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis. No liability to UK corporation tax arose on ordinary activities for the current period or prior periods. The Group has losses to be carried forward on which no deferred tax asset is recognised.

## **2.10 Share based payments**

The fair value of the services received from employees and third parties in exchange for the grant of share options is recognised as an expense. The fair value of the options granted is calculated using the Black-Scholes pricing model and is expensed over the vesting period. At each balance sheet date the Group revises its estimate of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the income statement, and a corresponding adjustment to equity over the remaining vesting period.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

## **2.11 Share capital**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from the proceeds.

### 3. Financial risk management

The main financial risks that the Group's activity exposes it to are liquidity and currency fluctuations on foreign currency.

#### (a) Liquidity:

In keeping with similar sized mineral exploration groups, the continued future operations depend on the ability to raise sufficient working capital. The Group has no borrowings, and finances itself through the issue of equity share capital.

All cash, with the exception of that required for immediate working capital requirements, is held on short term deposit. These deposits returned an average interest rate of between 5.3% and 6.4% during the year.

#### (b) Foreign currency risks:

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Turkish Lira and the UK pound. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

The Group does not hedge its exposure to foreign currencies and recognises the profits and losses resulting from currency fluctuations as and when they arise.

#### (c) Interest rate risk:

As the Group has no borrowings, the Group is not exposed to interest rate risk on financial liabilities. The Group's interest rate risk arises from its cash held on short-term deposit.

### 4. Accounting estimates and judgments

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the balance sheet. Actual results may vary from the estimates used to produce these financial statements.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

### 5. Segment Reporting

At 31 December 2007 the Group operated in two geographical areas. The home country of the company is the UK. The area of principal operation is Turkey.

	Operating loss		Total assets		Total liabilities	
	2007	2006	2007	2006	2007	2006
	£	Restated £	£	£	£	£
Exploration related costs:						
- Turkey	(654,656)	(242,759)	2,660,070	996,912	79,222	6,208
- Non Turkey	(7,980)	(9,456)	19,331	–	–	–
Administration costs - UK	(613,696)	(391,547)	6,283,167	1,524,078	31,109	62,221
	(1,276,332)	(643,762)	8,962,568	2,520,990	110,331	68,429

Total assets are allocated based on where the assets are located.

## 6. Operating Loss

The operating loss before taxation is stated after charging:

	2007 £	2006 £
Auditors remuneration		
Audit fees	9,000	11,632
Other services	4,100	3,000
Depreciation of tangible fixed assets	18,908	4,600

In addition the auditors were paid £27,169 for services provided during the year ended 31 December 2006 in connection with the Company's admission to AIM on 4 January 2006, which has been charged to the share premium account.

## 7. Tangible assets

Group	Cost £	Accumulated Depreciation £	Net Book Value £
<b>Furniture, fittings and equipment</b>			
<b>Cost or valuation</b>			
<b>At 1 January 2006</b>	5,116	(1,546)	3,570
Exchange movements	(1,913)	292	(1,621)
Additions	30,612	–	30,612
Depreciation charge for the year	–	(4,600)	(4,600)
<b>At 31 December 2006</b>	33,815	(5,854)	27,961
Exchange movements	12,247	(2,158)	10,089
Additions	80,586	–	80,586
Depreciation charge for the year	–	(18,908)	(18,908)
<b>At 31 December 2007</b>	126,648	(26,920)	99,728



Company	Cost £	Accumulated Depreciation £	Net Book Value £
<b>Furniture, fittings and equipment</b>			
<b>Cost or valuation</b>			
<b>At 1 January 2006</b>			
Additions	5,823	–	5,823
Depreciation charge for the year	–	(1,740)	(1,740)
<b>At 31 December 2006</b>	5,823	(1,740)	4,083
Additions	17,783	–	17,783
Depreciation charge for the year	–	(6,410)	(6,410)
<b>At 31 December 2007</b>	23,606	(8,150)	15,456

## 8. Intangible assets

Group	Cost £
<b>Exploration and evaluation costs</b>	
<b>Cost</b>	
<b>At 1 January 2006</b>	79,302
Exchange movements	(42,793)
Additions	695,192
<b>At 31 December 2006</b>	731,701
Exchange movements	255,364
Additions	1,101,867
Write offs	(118,001)
<b>At 31 December 2007</b>	1,970,931

Intangible assets represent internally generated exploration and evaluation assets. Additions are net of funds received from Teck Cominco Arama ve Madencilik San. Tic. under the Konya Option Agreement dated 30 June 2007 and amounting to £107,637 (2006: nil). No amortisation has been charged on the intangible assets in 2007 (2006: nil).

## 9. Trade and other receivables

	Group		Company	
	2007 £	2006 £	2007 £	2006 £
Deposits and guarantees given	79,813	41,457	–	–
Amounts due from subsidiary company	–	–	1,060,916	–
Prepayments and other current assets	481,216	140,550	73,738	24,187
	561,029	182,007	1,134,654	24,187
<b>Less: non current portion</b>	79,813	41,457	–	–
<b>Current portion</b>	481,216	140,550	1,134,654	24,187

All non-current receivables are due within five years from the balance sheet date.

## 10. Cash and cash equivalents

	Group		Company	
	2007 £	2006 £	2007 £	2006 £
Cash at bank and on hand	93,847	111,354	31,806	43,233
Short term deposits	6,180,706	1,451,816	6,180,706	1,451,817
	6,274,553	1,563,170	6,212,512	1,495,050

## 11. Share capital

	Number of shares	Nominal Value £		
a) Authorised share capital				
At 31 December 2006 and 31 December 2007 — Ordinary shares of £0.01 each	300,000,000	3,000,000		
b) Issued share capital and share premium				
Group and Company	Number of shares	Ordinary Shares £	Share Premium £	Total £
Changes for the year ended 31 December 2007				
At 31 December 2006, as restated	153,616,667	1,536,167	2,101,342	3,637,509
Exercise of share options on 22 May 2007	2,000,000	20,000	80,000	100,000
Proceeds from share issue on 14 June 2007	77,777,775	777,778	6,222,222	7,000,000
Exercise of share options on 30 June 2007	172,500	1,724	6,900	8,624
Exercise of share options on 8 August 2007	500,000	5,000	37,500	42,500
Transfer from share option reserve on exercise of options	–	–	33,674	33,674
Share issue costs	–	–	(295,709)	(295,709)
At 31 December 2007	234,066,942	2,340,669	8,185,929	10,526,598

## 12. Other reserves

Group	Merger Reserve £	Share Option Reserve £	Translation Reserve £	Total £
<b>At December 2005</b>	(485,400)	—	1,262	(484,138)
Share options — value of employee services	—	14,304	—	14,304
Movement on translation reserve	—	—	(50,518)	(50,518)
<b>At 31 December 2006 as previously stated</b>	(485,400)	14,304	(49,256)	(520,352)
Prior year adjustments: (note a)				
Share options — fair value of options granted	—	74,227	—	74,227
Share options — value of services received (note b)	—	69,401	—	69,401
<b>At 31 December 2006 restated</b>	(485,400)	157,932	(49,256)	(376,724)
Share options — fair value of options granted	—	243,909	—	243,909
Share options — exercise of options	—	(51,564)	—	(51,564)
Movement on translation reserve	—	—	326,111	326,111
<b>At 31 December 2007</b>	(485,400)	350,277	276,855	141,732

## 12. Other reserves (continued)

### Notes:

a). The amounts previously reported as at 31 December 2006 have been restated in respect of share based payments to employees and third parties.

b). Share options were granted to HB Corporate plc for services in connection with the float of the Company on the AIM Stock Market on 4 January 2006. The value of these options has been charged to the Share Premium Account.

### Merger Reserve

The merger reserve arose on consolidation as a result of the merger accounting for the acquisition of the entire issued share capital of Stratex Exploration Limited during 2005 and represents the difference between the nominal value of shares issued for the acquisition and that of the share capital and share premium account of Stratex Exploration Limited.

### Share options

The Company operates an unapproved Share Option scheme for its employees. Under the scheme the Directors have discretion to grant options to subscribe for Ordinary Shares up to a maximum of 10% of the Company's issued share capital. The exercise price of the granted options is equal to the market price on the date of the grant. As at 31 December 2007, the Company had issued 16,155,000 (2006: 6,520,000) options to employees. In addition, the Company issued 4,372,000 options to third parties for the provision of services, of which 2,372,000 were outstanding at 31 December 2007. The options are exercisable from one to three years from the grant date and lapse on the tenth anniversary of the grant date or on the holder ceasing to be an employee of the Company. The Group has no legal or constructive obligation to repurchase or settle the options in cash. Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	2007		2006	
	Number of options	Weighted average exercise price pence	Number of options	Weighted average exercise price pence
Outstanding at beginning of period	10,642,000	6.3	–	–
Granted during the year	12,057,500	8.6	10,642,000	6.3
Forfeited during the year	(1,500,000)	10.6	–	–
Exercised during the year	(2,672,500)	5.7	–	–
<b>Outstanding at 31 December</b>	<b>18,527,000</b>	<b>8.3</b>	<b>10,642,000</b>	<b>6.3</b>
Exercisable at 31 <sup>st</sup> December	7,969,500	6.5	–	–

## 12. Other reserves (continued)

The fair value of the share options has been measured by use of the Black-Scholes pricing model. The expected volatility was determined by calculating the historical volatility of the Company's share price since its admission to the AIM stock Market on 4 January 2006. The other inputs used to measure the fair value of the options are as follows:

Date of Grant	4 January 2006	1 March 2006	8 August 2006	8 February 2007	12 March 2007	6 June 2007	6 June 2007	6 June 2007
Number outstanding at 31 December 2007	4,449,500	20,000	3,500,000	57,500	3,500,000	2,375,000	2,375,000	2,250,000
Exercise price (pence)	5.0	7.0	8.5	8.25	8.75	10.0	10.0	10.0
Exercisable from (years)	1	1	1	1	1	1	2	3
Option life (years)	10	10	10	10	10	10	10	10
Risk free interest rate	4.86%	4.86%	4.86%	5.0%	5.0%	5.0%	5.0%	5.0%
Expected volatility	20%	20%	20%	25%	25%	25%	25%	25%
Expected dividend yield	0%	0%	0%	0%	0%	0%	0%	0%
Expected departures	0%	0%	0%	0%	0%	0%	0%	0%
Bid price discount	10%	10%	10%	15%	15%	15%	15%	15%
Fair value per share (pence)	1.68	2.39	3.00	2.98	3.01	3.50	3.50	3.50
Fair value at 31 December 2007 (£)	74,915	477	104,901	1,518	83,379	46,681	23,665	14,741

## 13. Deferred tax assets and liabilities

	Group		Company	
	2007 £	2006 £	2007 £	2006 £
<b>Deferred tax assets:</b>				
Temporary timing difference arising on:				
Intangible assets	55,881	219	–	–
Employee Termination Benefits	446	230	–	–
Non accrued financial expenses	–	15,702		
	56,327	16,151	–	–
<b>Deferred tax liabilities:</b>				
Temporary timing difference arising on tangible and intangible assets	(33,843)	(593)	–	–
<b>Net Deferred tax asset</b>	22,484	15,558	–	–

The deferred tax asset and liability arise in Stratex Madencilik Sanayi Ve Ticaret LTD. STI.



#### 14. Trade and other payables

	Group		Company	
	2007 £	2006 £	2007 £	2006 £
Trade payables	29,342	39,477	19,160	36,182
Amounts due to related parties	14,677	7,322	11,855	10,210
Amounts due to Group companies	–	–	–	119,303
Social security and other taxes	18,728	8,254	6,963	4,207
Accrued expenses	11,264	11,631	8,265	8,624
	74,011	66,684	46,243	178,526

#### 15. Expenses by nature

	2007 £	2006 Restated £
Employee benefit expense (note 17)	509,739	257,152
Fees paid to related parties (note 22)	60,303	49,260
Consultant geologist services	93,465	76,519
Depreciation, amortisation and impairment charges (see note)	125,643	3,064
Other expenses	481,504	259,111
<b>Total cost of sales, distribution costs and administrative expenses</b>	<b>1,270,654</b>	<b>645,106</b>

Note: Depreciation charge for the year is £18,908 (2006:£4,600) of which £4,994 (2006: £1,536) has been treated as exploration and evaluation costs and has been capitalised.

#### 16. Directors remuneration

	2007 £	2006 £
Emoluments	196,328	128,162
Social security	17,440	12,930
	213,768	141,092

Remuneration of the highest paid director was £77,273 (2006: 62,250). The Company does not operate a pension scheme and no contributions were made to pension schemes during the year (2006: nil) on behalf of the directors.

### 17. Employee benefit expense (including directors)

	2007 £	2006 Restated £
Wages and salaries	240,237	152,584
Social security costs	21,490	14,885
Share options granted to directors and employees	243,909	88,531
Employee benefits in kind	3,107	–
Employee termination benefits	996	1,152
	509,739	257,152
Number of employees including directors	15	12

Employee termination benefit relates to the Group company Stratex Madencilik Sanayi Ve Ticaret Ltd Sti and has been calculated using the projected unit credit method.

### 18. Finance income

	2007 £	2006 £
Interest income on short-term bank deposits	247,014	66,351

### 19. Income tax expense

Analysis of tax charge	2007 £	2006 £
UK Corporation tax charge for the year	–	–
Foreign Tax		
Current tax charge for the year	–	–
Deferred tax credit for the year	3,559	16,158
<b>Tax on profits for the year</b>	<b>3,559</b>	<b>16,158</b>

## 19. Income tax expense (continued)

The Group does not anticipate a corporation tax charge for the year due to the availability of tax losses. The Group did not recognise deferred income tax assets of £308,000 in respect of losses amounting to £1,100,000 that can be carried forward against future taxable income.

Reconciliation of current tax	2007 £	2006 £
Loss before income tax	(1,029,318)	(577,411)
Current tax credit at 30% (2005:30%)	(308,795)	(173,223)
Effects of:		
Expenses not deductible for tax purposes, timing differences	72,142	(352)
Tax losses carried forward - Turkish	68,957	30,689
Tax losses carried forward - UK	167,696	143,823
Tax rate for Turkish subsidiary being 20% (2005:30%)	–	15,345
Foreign exchange adjustments on consolidation	–	(16,282)
<b>Total current tax</b>	<b>–</b>	<b>–</b>

## 20. Loss per share

Undiluted loss per share is calculated by dividing the loss attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	2007 £	2006 Restated £
Loss attributable to equity holders of the Company	1,025,759	561,253
Weighted average number of ordinary shares in issue	200,490,050	142,811,781
Basic loss per share (pence per share)	(0.51)	(0.39)

No diluted loss per share is presented as the effect on the exercise of the options would be to decrease the loss per share.

During the year 12,057,500 options were issued that could potentially dilute the earnings per share in future.

## 21. Cash generated from operations

	Group		Company	
	2007 £	2006 £	2007 £	2006 £
Loss before income tax	(1,029,318)	(577,411)	(708,286)	(493,557)
Adjustments for :				
— Services for issue of share options	243,909	88,531	243,909	88,531
— Depreciation	18,908	4,600	6,410	1,740
— Write off exploration projects	118,001	—	—	—
— Interest income on short term deposits	(247,014)	(66,351)	(246,949)	(65,545)
— Interest income on intercompany indebtedness	—	—	(75,561)	(14,729)
— Foreign exchange movements on operating activities	57,292	(5,504)	—	—
Changes in working capital (excluding the effects of exchange differences on consolidation)				
— Trade and other receivables	(379,022)	(139,297)	(49,551)	(24,188)
— Trade and other payables	8,652	33,168	(12,977)	59,223
<b>Net cash used in operating activities</b>	<b>(1,208,592)</b>	<b>(662,264)</b>	<b>(843,005)</b>	<b>(448,525)</b>

## 22. Related party transactions

The Company had the following transactions with related parties other than Directors.

Bob Foster Associates Limited provides certain administration services to the Company and Dr. Bob Foster is a director and shareholder of both companies. During the year £26,124 (2006: £25,886) was charged for the provision of services to the Company. As at 31 December 2007 £2,351 (2006: 1,692) was owed to Bob Foster Associates Limited.

The Company has a consultancy services agreement with Jamesford Management Consulting Limited. Paul Foord is a director and shareholder in Jamesford Management Consulting Limited and a non executive director in the Company up until 20 February 2008 and shareholder in the Company. During the year £24,131 (2006: £13,585) was charged for the provision of services to the Company. As at 31 December 2007 £5,833 (2006: 3,892) was owed to Jamesford Management Consulting Limited.

Just Imagine Limited provides certain administration services to the Company. Mr Andrew Malim is a director and shareholder in Just Imagine Limited and was a non executive director and shareholder in the Company up until 31 December 2007. During the year £10,048 (2006: nil) was charged for the provision of services to the Company. Nothing was owed to Just Imagine Limited at 31 December 2007 (2006: nil).

During the year Teck Cominco Arama Ve Madencilik Sanayi Ticaret A.S. (TCAM) has paid £107,637 (2006: nil) to Stratex Madencilik Sanayi Ve Ticaret Ltd Sti under the terms of the Konya Option Agreement dated 30 June 2007. The agreement entitles TCAM to earn into 51% of the licences in the Konya belt, with the exception of Inlice, by expending US \$3 million on exploration over three years. TCAM is a significant shareholder in the Company and is the wholly owned subsidiary of Teck Cominco Ltd which is a significant shareholder in the Company and party to the Strategic Alliance Agreement.

## 23. Subsidiary companies

	Country of incorporation	Class of share	% held
Stratex Exploration Ltd	UK	Ordinary	100
Stratex Madencilik Sanayi Ve Ticaret LTD. STI.	Turkey	Ordinary	100

## Investments

	2007 £	Company 2006 £
Cost of shares in subsidiary company	1,000,000	1,000,000
Loans to subsidiary company	1,376,545	957,090
<b>Total</b>	<b>2,376,545</b>	<b>1,957,090</b>

Investment in Group undertakings are stated at cost.

## 24. Contingencies and capital commitments

The Group has no contingent liabilities or capital commitments.

## 25. Post balance sheet events

No material events have occurred after the balance sheet date.

## 26. Parent company profit and loss account

As permitted by section 230 of the Companies Act 1985, the profit and loss account of the parent company is not presented as part of these financial statements. The parent company loss for the year was £708,286 (2006 restated: £493,558).



# Notice of Annual General Meeting

The Annual General Meeting of Stratex International plc will be held at the offices of the Institute of Directors, 116 Pall Mall, London, SW1Y 5ED on 28 April 2008 at 3.00pm. The business of the meeting will be to consider and, if thought fit, pass the following Resolutions:

## Ordinary resolutions

- 1 To receive the Director' Report and Financial Statements for the year ended 31 December 2007.
- 2 To re-elect Dr. Bob Foster who has retired by rotation
- 3 To re-elect Mr Perry Ashwood who has retired by rotation
- 4 To re-appoint CLB Littlejohn Frazer as auditors and to authorise the Directors to fix their remuneration.
- 5 THAT the Directors of the Company be and hereby generally and unconditionally authorised and empowered in accordance with section 80 of the Companies Act 1985 ("the Act") to allot any relevant securities (as defined in section 80(2) of the Act) of the Company up to an aggregate nominal amount of the authorised but unissued share capital of the Company to such persons at such times and on such terms as they think proper, such authority to expire (unless previously renewed, varied or revoked by the Company in General Meeting) at the conclusion of the next Annual General Meeting of the Company following the passing of this resolution or if sooner 15 months after the date of this resolution, save that the Company may prior to such expiry make any offer or such agreement which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities pursuant to any such offer or agreement notwithstanding the expiry of the authority given by this resolution and so that all previous authorities of the Directors pursuant to Section 80 of the Act be and they are hereby revoked.

## Special resolutions

6. THAT, subject to and conditional upon the passing of resolution (5), the Directors be and they are hereby empowered pursuant to Section 95 of the Companies Act 1985 ("the Act") to allot equity securities (within the meaning of Section 94 of the Act) in the capital of the Company for cash pursuant to the authority conferred on them in accordance with Section 80 of the Act by resolution 5 as if Section 89(1) of the Act did not apply to such allotment provided that this power shall be limited to the allotment of equity securities up to an aggregate nominal value of £1,000,000 and shall expire at the conclusion of the next Annual General Meeting of the Company following the passing of this resolution (or if sooner 15 months after the date of this resolution), save that the Company may prior to such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the board may allot equity securities in pursuance of such offer or agreement as if the power conferred hereby had not expired.
7. THAT with effect from the passing of this resolution the Articles of Association contained in the document produced to the meeting and signed by the Chairman for the purposes of identification be and are approved and adopted as the Articles of Association of the Company in substitution for and to the exclusion of the existing Articles of Association of the Company.

By order of the Board

**P C Ashwood**  
Company Secretary  
25 March 2008  
212 Piccadilly  
London, W1J 9HG

## Notes:

### Eligibility to attend and vote

1. To be entitled to attend and vote at the Annual General Meeting (and for the purpose of determining the number of votes a member may cast), members must be entered on the Register of Members of the Company by 10am on 28 April 2008.

### Appointment of proxies

2. As a member of the Company, you are entitled to appoint a proxy to exercise all or any of your rights to attend, speak and vote at the Meeting and you should have received a proxy form with this notice of meeting. You can only appoint a proxy using the procedures set out in these notes and the notes to the proxy form.
3. A proxy does not need to be a member of the Company but must attend the Meeting to represent you. Details of how to appoint the Chairman of the Meeting or another person as your proxy using the proxy form are set out in the notes to the proxy form. If you wish your proxy to speak on your behalf at the Meeting you will need to appoint your own choice of proxy (not the Chairman) and give your instructions directly to them.
4. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share.
5. If you do not give your proxy an indication of how to vote on any resolution, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the Meeting.

#### **Appointment of proxy using hard copy proxy form**

6. The notes to the proxy form explain how to direct your proxy how to vote on each resolution or withhold their vote.

To appoint a proxy using the proxy form, the form must be:

- completed and signed;
  - sent or delivered to the Company's registrars, Share Registrars Limited, Craven House, West Street, Farnham, Surrey GU9 7EN; and
  - received by Share Registrars Limited no later than 48 hours before the time of the Annual General Meeting.
7. In the case of a member which is a company, the proxy form must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company.

Any power of attorney or any other authority under which the proxy form is signed (or a duly certified copy of such power or authority) must be included with the proxy form.

#### **Appointment of proxy by joint members**

8. In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first-named being the most senior).

#### **Changing proxy instructions**

9. To change your proxy instructions simply submit a new proxy appointment using the methods set out above. Note that the cut-off time for receipt of proxy appointments (see above) also apply in relation to amended instructions; any amended proxy appointment received after the relevant cut-off time will be disregarded.

Where you have appointed a proxy using the hard-copy proxy form and would like to change the instructions using another hard-copy proxy form, please contact Share Registrars Limited.

If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.

#### **Termination of proxy appointments**

10. In order to revoke a proxy instruction you will need to inform the Company using one of the following method:

By sending a signed hard copy notice clearly stating your intention to revoke your proxy appointment to Share Registrars Limited, Craven House, West Street, Farnham, Surrey GU9 7EN. In the case of a member which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice.

In either case, the revocation notice must be received by Share Registrars Limited no later than 48 hours before the time of the Annual General Meeting.

If you attempt to revoke your proxy appointment but the revocation is received after the time specified then, subject to the paragraph directly below, your proxy appointment will remain valid.

Appointment of a proxy does not preclude you from attending the Meeting and voting in person. If you have appointed a proxy and attend the Meeting in person, your proxy appointment will automatically be terminated.

#### **Communication**

11. Except as provided above, members who have general queries about the Meeting should contact Share Registrars Limited on 01252 821390 or by email to [enquiries@shareregistrars.uk.com](mailto:enquiries@shareregistrars.uk.com) (no other methods of communication will be accepted).
12. You may not use any electronic address provided either in this notice of annual general meeting or any related documents (including the proxy form) to communicate with the Company for any purposes other than those expressly stated.

#### **Documents available for inspection**

13. The following documents will be available for inspection during normal business hours at the Company's registered office up until the date of the Annual General Meeting and at the place of the meeting from 9.30am on 23 April 2008 until the end of the meeting:
- a. the auditor's consolidated accounts of the Company for the financial period ended 31 December 2007;
  - b. the Register of Directors' interests in the capital of the Company and copies of the service contracts of the Directors of the Company; and
  - c. the proposed new Articles of Association of the Company, proposed to be adopted pursuant to Special Resolution 7.

# Corporate Information

## Directors

D J Hall  
 Dr R P Foster  
 P C Ashwood  
 CRJ Hall

## Secretary

P C Ashwood

## Registered Office

212 Piccadilly  
 London  
 W1J 9HG  
 United Kingdom

## Company number

5601091

## Turkey Office

**Stratex Madencilik Sanayi ve Ticaret Ltd. Sti.**

Iran caddesi No 53/6  
 G.O.P. Ankara  
 Turkey

## Bankers

**Lloyds TSB Bank plc**

High Street  
 Slough  
 Berkshire  
 SL1 1DH

## Solicitors

**Edwin Coe**

2 Stone Buildings  
 Lincolns Inn  
 London  
 WC2A 3TH

## Nominated advisor and broker

**Hanson Westhouse LLP**

One Angel Court  
 London  
 EC2R 7HJ

## Registrar

**Share Registrars Limited**

Craven House  
 West Street  
 Farnham  
 Surrey  
 GU9 7 EN

## Auditors

**CLB Littejohn Frazer**

1 Park Place  
 Canary Wharf  
 London  
 E14 4HJ

## COMPANY DIARY

30 June 2008	Half year end
August 2008	Interim results
31 December 2008	Financial year end
March 2009	Preliminary results
April 2009	Annual General Meeting

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