

stratex international plc
annual report 2009



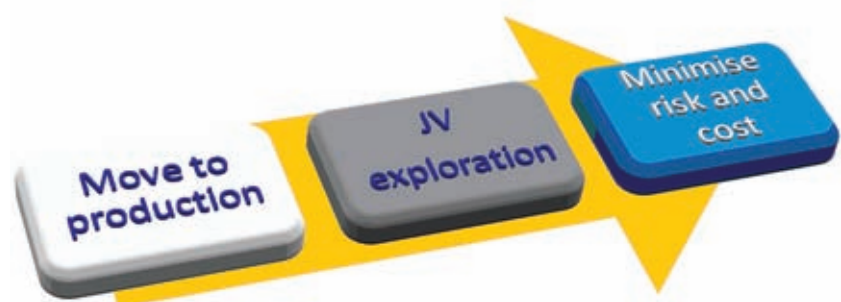
Stratex International plc is an international exploration and development company focused on the search for gold and high-value base metals in Turkey and Ethiopia.

Our objective is to be a leading-edge and innovative explorer whilst creating revenue from production via well-managed joint ventures.

2	Highlights	18	Statement of Consolidated Comprehensive Income
4	Chairman's Statement	19	Statement of Consolidated Financial Position
6	Business Review	20	Statement of Consolidated Changes in Equity
8	Review of Operations	21	Statement of Consolidated Cash Flows
12	Financial Review	22	Statement of Company Financial Position
13	Directors' & Management Biographies	23	Statement of Company Cash Flows
15	Directors' Report	24	Notes to the Financial Statements
17	Auditors' Report	39	Notice of Annual General Meeting

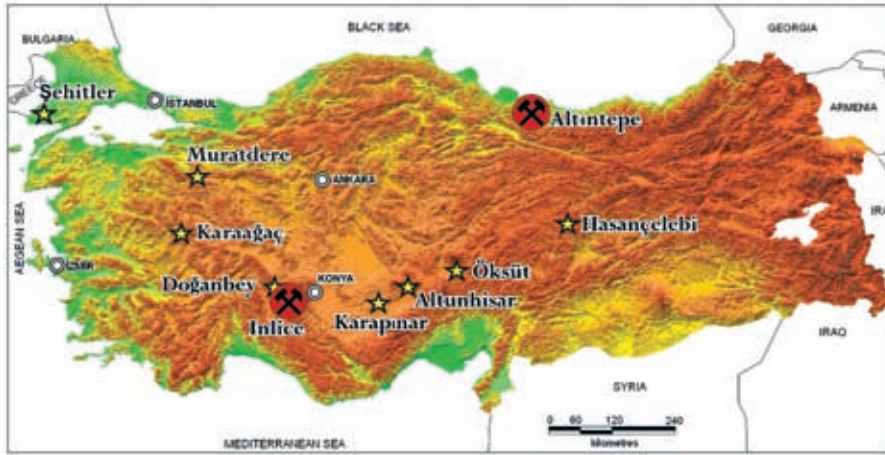
2009 Highlights

- three key alliances formed with a potential of \$15.5 million identified for further development of the four major projects in Turkey.
- expansion into Ethiopia via a fourth strategic alliance established for the advancement of the Shehagne gold project.
- the significant discovery of the first epithermal gold mineralisation in the Afar region of Ethiopia.
- Five high-sulphidation and two porphyry gold targets defined at Öksüt in Turkey, and major geophysical-geochemical anomaly coincident with one porphyry adjacent to Ortacam, Öksüt.
- buy-out of Teck Resources Limited's remaining earn-in rights under the Strategic Alliance Agreement, thereby giving flexibility to the Board over the future development of the projects in Turkey.



MAJOR PROJECTS

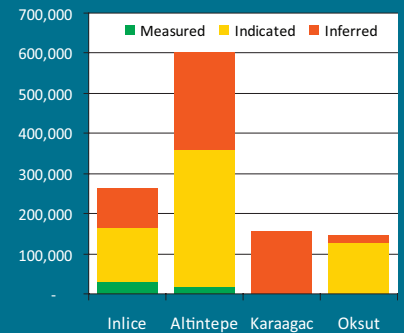
TURKEY



Total gold resources
= 1.17 million oz

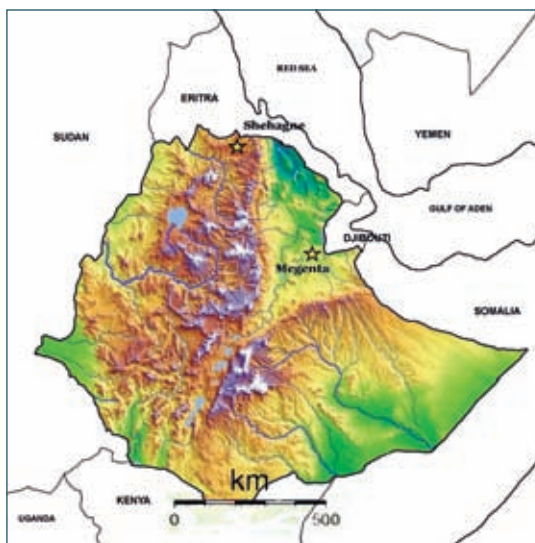
Major projects

Project	Type	Area (km ²)	Drilled (m)	Gold resource (oz)	JV Partner
Inlice	High-sulphidation – gold	43.0	10,886	262,300	NTF
Altıntepe	High-sulphidation – gold	16.5	4,753	602,500	NTF
Öksüt	High-sulphidation – gold	111.6	3,353	147,814	Centerra
Hasaңcelebi	High-sulphidation – gold	352.1	-	to be determined	Teck
Karaağaç	Thrust-hosted gold and laterite nickel	111.2	2,368	156,798	-
Konya	Porphyry – gold/molybdenum	367.0	3,140	to be determined	-
Muratdere	Porphyry – copper/gold/molybdenum	34.5	1,212	to be determined	-



gold resources at 28 February 2010 (ounces)

ETHIOPIA



Major projects

Projects	Type	Area (km ²)	JV Partner
Shehagne	High-sulphidation – gold	37	Sheba
Megenta	Low-sulphidation – gold	1,579	-

CHAIRMAN'S STATEMENT

Dear shareholders,

In the 2008 annual report I stated that we intended to bring your Company through the financial crisis stronger than when we entered it. I believe we have achieved this. We have a solid portfolio of gold assets in Turkey and Ethiopia with a total resource base of 1.17 million ounces of gold across all categories to JORC standard and a proven strategy of adding value by focused low-cost exploration prior to optioning/joint venturing projects on to dedicated mining companies. These provide Stratex with the foundations for measurable growth in the near future.

During the period under review, we secured joint venture partnerships with mining majors to fast-track project development, took our first steps towards moving into gold production, and expanded our geographic reach into Africa. Importantly, through the partnership agreements we have significantly de-risked our portfolio, having attracted a potential US\$15.5 million of partners' money to develop projects found by Stratex.

A priority of the Board at the start of the year was the conservation of cash, given the uncertainties resulting from the banking crisis. I am pleased to say that we have been successful in this aim, reducing our year-over-year cash spend by some 46%. Additionally, in January 2010 we raised £1.3 million via a share placement. As a result of these actions Stratex's balance sheet is very healthy, thus allowing for strong growth in this exciting sector.

In Turkey, we announced the signing of a memorandum of understanding ('MOU') on 15 June 2009 to form a Joint Venture Company ('JVC') with private Turkish company NTF Insaat Ticaret Ltd Sti ('NTF') to fast-track the Inlice and Altintepe gold projects into production. These two projects contain a current combined oxide-gold resource of approximately 570,000 ounces. Although the subsequent negotiation process has taken longer than initially envisaged, the Company announced signing of the Definitive Agreement with NTF on 27 January 2010. Final closure of the agreement will follow the completion of various administrative matters but the commercial terms of the JVC are agreed.

Proposals to manage the feasibility process, submitted by a number of major international consultancy groups, have been reviewed and, following site visits undertaken by the short-listed companies in late February/early March 2010, the selected consultancy team will be announced shortly. In the meantime the JVC has continued to work on scoping and pre-feasibility studies and, following final closure, which the Directors expect to happen within Q2 this year, the JVC aims to take Inlice into production within 18 months of that closure.

Subject to a positive outcome of initial scoping studies, funded by NTF to an amount of \$500,000 and anticipated to be completed by mid-2010, we anticipate Altintepe going into production within 36 months. We continue to be impressed by the professionalism shown by NTF's mining team and their commitment to maintaining the highest level of momentum with ongoing technical studies necessary to complete the full feasibility studies, and we are delighted to be working with them.

In August 2009, we attracted Centerra Exploration B.V., a wholly owned subsidiary of gold-miner Centerra Gold Inc., to option our Öksüt Project, a high-sulphidation gold discovery located in the Central Anatolia region of Turkey. This is an exciting development project with defined high-sulphidation gold and importantly two porphyry gold targets that have been identified after a project review by independent consultant Dr. Stewart Redwood. Post period end, we defined an in-house resource estimate for the first zone, Ortaçam, totalling 147,814 oz of oxide gold at a cut-off grade of 0.2 g/t for all categories. Results continue to support the view that Öksüt has potential to host significant epithermal and porphyry mineralisation.

In addition, Teck increased its equity stake in Stratex and this now stands at 12.5%, having relinquished its remaining earn-in on Stratex's projects under the original Strategic Alliance Agreement. This gave the Board total flexibility to either develop the remaining projects or choose to identify suitable and aggressive partners to fast-track selected projects in a shorter timeframe than would have otherwise been achievable.



David Hall

"We are very excited by the discovery of outcropping epithermal alteration and mineralisation in the Afar region of the Rift Valley."

CHAIRMAN'S STATEMENT continued

Teck continued to show its support in your Company with the signing of an option agreement over the exciting Hasançelebi high-sulphidation prospect in Turkey for US\$2 million to acquire up to 51% in the project. We believe that this system has considerable upside potential as a large-tonnage, low-grade deposit and with Teck's financial and technical resources we will be able to complete the comprehensive exploration programme that is required to prove-up this major mineralised system.

Whilst Turkey remains a key focus, we are confident that our skills can be transferred to expand our geographic reach and add value to shareholders. Our first step into new territories was announced in September 2009 when we acquired a 5.6% interest in PLUS-quoted Sheba Exploration (UK) Plc ('Sheba') for £40,000. In addition, we signed a Binding Letter of Intent with Sheba to earn-in to an initial 60% of the prospective 37km² Shehagne project and explore new prospective targets and licence areas in northern Ethiopia on a 70:30 joint venture basis.

Why Ethiopia? The Arabian-Nubian Shield is geologically an area with exciting economic potential as shown by Centamin Egypt's 10 million ounce Sukari gold deposit in Egypt, the Bisha copper-zinc-gold deposit in Eritrea, and the Jabal Sayid and Madh Adh Dhahab gold deposits in Saudi Arabia. We believe that Ethiopia offers similar exciting opportunities for rapid low-cost discovery and is not subject to many of the economic and political constraints that neighbouring countries are exposed to, such as product sharing agreements and security issues. Ethiopia is relatively unexplored, with few exploration companies active in the area, holds a transparent mining code, and is both logistically and financially an easy and cost-effective place to explore. Highlighting this, within three months of signing the agreement with Sheba, we established an office, a local team including an administration manager, secretary, GIS and support staff, and most importantly, an excellent relationship with the local authorities. Furthermore, securing Exclusive Exploration Licences ('EELs') has been a painless, rapid, and transparent process.

The continuing encouraging results at the Shehagne project include the recently reported channel-chip results:

- 84 metres grading 1.04 g/t gold
- 104 metres grading 0.77 g/t gold
 - including a higher-grade section of 11 metres grading 4.39 g/t gold

This broad zone extends more than 900 metres by length and 200 metres in width and is an encouraging indication of the potential of the licence area. As always our priority target is to discover a major high-value deposit of at least 1- 2 million ounces of gold and this early-stage target is evidence of the prospectivity of the area. Our work is ongoing and we are also in the process of securing a large licence over similar geology east of the Shehagne Project.

In addition to our agreement with Sheba, a large area of interesting yet under-explored geology in the Ethiopian Rift Valley appealed to us as earlier research identified this kind of 'continental splitting' setting as having considerable potential for the development of gold mineralisation. We therefore secured a three-year 1,579 km² Exclusive Exploration Licence in November 2009 around our first significant new gold discovery in the Afar Region - the Megenta prospect. Results compiled after grab rock outcrop sampling indicated high-level alteration with gold values up to 0.33 g/t gold. These results are significant as in such systems gold values are often negligible at this palaeosurface level.

We are very excited by the discovery of outcropping epithermal alteration and mineralisation in the Afar region of the Rift Valley. The current slowdown in discovery of new deposits, let alone discovery of new gold provinces, is severe. As highlighted by a special session at the forthcoming PDAC conference in Toronto "Exploration expenditures are increasing, but discovery rates are not. Why?", the importance of discovery to the mining industry has never been as important as it is now. The ability of your Company to come up with new concepts and move rapidly to secure a large land position ahead of competition places it at the forefront of exploration developments.

As a company, we continue to seek ways to raise market awareness as well as develop value-added drivers to our portfolio. All potential opportunities for growing your Company are constantly under review, both by the Board and through the input of our various financial advisers. Whilst Turkey continues to provide superb opportunities for Stratex, Ethiopia is also proving to be an exciting country to explore and there are also various projects across the African continent that we are currently reviewing.

We look forward to 2010 with real enthusiasm. We have quality partners, are moving towards production, have a healthy cash position, and have a number of projects that show potential for major gold discoveries.

It remains for me to thank the whole Stratex team - my fellow Board members, Bahri Yildiz and the Turkish staff, and Dan James and the Ethiopian staff for their tremendous efforts during the past year. We believe it is a credit to your Company that we achieved what we set out to do at the beginning of 2009 - that, despite the crisis, and even because of it, we would emerge a stronger and better positioned company.

David J. Hall
Executive Chairman

BUSINESS REVIEW

Introduction

Stratex was formed in 2004 with an initial focus on gold and high-value base-metals in Turkey and having entered into a Strategic Alliance Agreement with founder shareholder Teck Cominco Limited (now Teck Resources Limited).

The Company soon amassed a portfolio of high-potential exploration licences in western and central Turkey and now has 1,690 km² under licences in its own name, and gold resources of more than 1 million ounces. The Company has a further 1,579 km² under licence in Ethiopia.

Under the terms of the Strategic Alliance Agreement, Teck had options to buy back into certain projects. On 12 August 2009, Teck agreed to relinquish its remaining rights under the agreement in return for 15.2 million shares in the Company and a sliding scale royalty up to a maximum of 1.5% on certain defined projects. This was in the best interest of the Company as it has allowed the Board the flexibility to bring in new partners for the development of the existing projects. Teck continued to show its support for the Company by accepting the increase in shares, which now brings its total shareholding to 12.5%, and by entering into a new option agreement for the further development of the Hasançelebi project.

2009 Developments

As we moved into 2009 no-one knew just how long the world-wide banking crisis would last. Stratex was fortunate in possessing a healthy cash balance of £3.3 million at the start of the year but, with such uncertainties, the conservation of cash was seen by the Board as the key objective for the coming year. We therefore held back somewhat on exploration during the year but made sure we were in a strong position to recommence fully once the international financial crisis was brought under control. The efforts of the Board were fully focused on de-risking the operations in Turkey by seeking the right partners to extend exploration operations towards production without incurring high cost for the Company. In line with this strategy the Company was very successful in forming important alliances with three highly respectable partners for the further advancement of our four major gold projects in Turkey. Discussions are also under way with potential partners for a number of the remaining projects. Turkey remains an important exploration focus for us and the Company will continue to target new gold and base metal opportunities in the country during 2010.

With operations in Turkey now virtually fully funded by the Company's strategic partners the Board took the decision to expand operations into Ethiopia, a country that offers very favourable geology for gold and other major minerals and, like Turkey, has a mining code that is easy to understand and apply. The initial approach was to partner with PLUS-listed Sheba Exploration (UK) plc by entering into an option agreement for their Shehagne project. Shehagne had already been partially explored by Sheba, with extensive gold anomalism in soil identified and a limited programme of four shallow drill holes confirming the presence of sub-surface gold. Since then Stratex has, in its own right, taken out licences covering 1,579sq km in the Afar region of the country and has discovered outcropping epithermal gold mineralization – the Megenta project - a first for Ethiopia and the result of a two year conceptual programme that suggests the presence of a potentially important new metallogenic province in the Rift Valley.



Bob Foster

- US \$ 15.5 million has been identified by our strategic partners for further exploration and development in Turkey
- Stratex's financial exposure to Turkey now de-risked.
- First gold production provisionally scheduled for second half of 2011
- Drilling of key Öksüt and Hasançelebi gold projects funded by partners
- Ethiopia targeted for gold and base metal exploration
- Tsemmetti gold discovery in Shehagne licence to be targeted for drilling late 2010
- New epithermal gold discoveries in Rift Valley to be fast-tracked to drilling

BUSINESS REVIEW continued

Strategic Partners

As part of the Company's stated objective to explore and develop key projects into production via joint-venture agreements with companies having the appropriate technical and financial capability, the Company has now entered into agreements with three such companies. The companies are:

NTF İnsaat Ticaret Ltd Sti ('NTF')

On 15 June 2009, the Company signed a memorandum of understanding ("MOU") with NTF to develop and fast-track the Inlice and Altıntepe projects to production. NTF is a major Turkish construction and contract-mining company wishing to extend its activities into the field of gold mining. Under the terms of the MOU a 45:55 Stratex:NTF joint venture company would be formed to undertake the feasibility studies. The costs of the feasibility study on Inlice would be funded by NTF up to a level of US\$2 million. At the same time NTF would spend an initial US\$500,000 on a scoping study of Altıntepe, followed, subject to a positive outcome, by a further US\$2 million on a feasibility study. In addition, NTF would pay Stratex US\$1 million on closure following the signing of the definitive agreement and subsequent completion of certain administrative matters. The definitive agreement was signed on 27 January 2010, with final closure expected in April 2010. NTF has been paying US\$50,000 per month since the signing of the MOU to secure exclusivity and to facilitate early funding of the projects. This is deemed to be part of the agreed funding of the projects upon signing of the definitive agreement. US\$307,000 was received from NTF during 2009 and has been offset against costs incurred on the projects. Stratex will be an active partner in the JV and will provide technical expertise and advise on the sourcing of consultants and contractors where necessary. Inlice is provisionally scheduled to go into production in the second half of 2011 subject to the outcomes of the feasibility study.

Centerra Gold Inc. ('Centerra')

The Company signed a joint-venture agreement with Centerra on 13 August 2009 for the continued exploration and development of the Öksüt project. Centerra is a major North American gold mining company. Under the terms of the agreement Centerra can earn the right to a 50% interest in the project by funding US\$3 million over three years with a commitment of US\$500,000 in the first year. After three years they can increase their share to 70% by expending a further US\$3 million over the following two years. Stratex will initially be responsible for managing the exploration programme. During 2009, US\$555,700 was received from Centerra under the agreement and has been offset against costs incurred on the Öksüt project.

Teck Resources Limited ('Teck')

Our long standing partnership with Teck continues with the signing of an option agreement for the advancement of the Hasançelebi project in Turkey. Under the agreement Teck will fund US\$2 million to acquire a 51% interest in the project, of which a minimum of US\$500,000 is to be expended on exploration in 2010, including 2,000 metres of drilling. Thereafter, Teck can increase its interest to 70% by expending an additional US\$3 million by end-2015. Stratex will initially be responsible for managing the exploration programme.

In addition to the above, the Company has partnered with **Sheba Exploration (UK) plc** ('Sheba') to provide a footprint for the Company's initial move into Ethiopia; Sheba is a Plus-quoted company specialising in Ethiopia. As part of the agreement the Company injected £40,000 into Sheba for a 5.6% interest in the company, together with a similar number of warrants exercisable for a period of two years. At the same time the Company entered into a binding letter of intent with Sheba to earn into the Shehagne project by committing to initial expenditure of £100,000, and thereafter an option to expend a further £250,000 to acquire 60% of the project, followed by the option to move to 80% by taking the project to completion of feasibility. The agreement also included the exploration of new prospective licence areas in northern Ethiopia on a 70:30 basis, Stratex: Sheba.

Summary

This strategy of de-risking key projects, both financially and technically, will allow Stratex to move forward in 2010 confident that we are managing in the best way possible a portfolio that will take us towards gold production, provide the opportunity for sharing in the considerable upside potential of key exploration projects, and allow us the flexibility to continue developing new exploration concepts and projects in our own right.



Inlice - key facts:

- Greenfield gold project
- Joint venture with NTF
- 43.0 km² under licence
- 10,886 m drilled to date
- Total gold resource = 262,300 oz. 69,324 oz in situ oxide gold – 72% measured and indicated @ 2,45 g/t, plus 28,000 oz in talus oxide gold
- First production provisionally scheduled for second half 2011
- Excellent access and open-pit table.



Altintepe - key facts:

- Acquired from Teck in August 2008
- Joint venture with NTF
- 16.5 km² under licence
- 4,753 m drilled to date
- Total gold resource = 602,500 oz 472,318 oz oxide gold @ 1.12g/t – 59% measured and indicated
- First production expected within 36 months subject to feasibility studies

REVIEW OF OPERATIONS - Turkey

Inlice

Located 230 km south of Ankara, Inlice was the first of multiple hydrothermal alteration zones recognized by the Company in the Konya Volcanic Belt. A JORC – compliant resource of 262,300 oz gold has been defined of which 98,000 oz is in oxide material.

Work on the feasibility study has started, funded by NTF through the payment of monthly exclusivity fees of not less than \$50,000. Infill drilling of the Ana East Zone and the adjacent talus material is well advanced to provide an updated resource estimate and to generate suitable material for metallurgical test work. A number of major consultancy groups have been invited to submit proposals for managing the overall feasibility study and individual components of the study. These will be reviewed in early 2010 with the intention of establishing the most appropriate combination of consultants in terms of cost effectiveness and ability to fast-track the whole process.

2010 programme

It is anticipated that the feasibility study will have been largely completed towards the end of 2010, a successful outcome leading to early-stage production in the latter half of 2011. Key components of the feasibility study are:

- Completion of resource drilling and estimation of a revised resource with a high degree of confidence
- Extended metallurgical test work to establish the leach characteristics of the gold-bearing materials – rock and talus
- Completion of geotechnical evaluation studies of rock and soil samples to facilitate optimization of drill-and-blast and crushing specifications and pit design
- Characterization of the sub-surface water table and the distribution of aquifer horizons in the vicinity of the proposed pit
- Environmental impact assessment studies

Altintepe

The Altintepe project is located near the town of Fatsa, close to the Black Sea coast in the northern part of Turkey and was acquired from Teck in August 2008 under an option agreement. Teck retains a 1.5% Net Smelter Royalty ('NSR') in the project and a 2.5% NSR royalty is also payable to the former owner of one of the licences, with Stratex having the option to purchase 50% of the latter royalty for the sum of \$750,000.

2010 programme

A review of previous drilling and incorporating recommendations for further drilling was commissioned from SRK Consulting and was delivered in early 2010. Drilling is scheduled to commence in Q2 2010 to enable calculation of a new resource and to define which of the five zones should be prioritized for detailed feasibility studies. A baseline environmental study being undertaken by Golder Associates should be completed by Q3 2010. At that point NTF will make a decision as to whether to proceed to detailed pre-feasibility and feasibility studies.

REVIEW OF OPERATIONS – Turkey continued

Öksüt

Öksüt is a high-sulphidation gold project located in Central Anatolia in Turkey. The Company commenced drilling in the Ortaçam Zone in August 2008 and has completed 3,353 metres to date. The mineralisation in the Ortaçam Zone is largely confined to steeply inclined breccia zones, with outcropping silica representing more extensive upper parts of breccia zones that taper at depth. The results prove that partial to complete oxidation persists down to a vertical interval of more than 100 metres, dependent on the degree of pervasive fracturing present within the zone.

Highlights of drilling to date are the following oxide intersections:

- ODD-3: 62.45 metres grading 2.16 g/t gold
- ODD-8: 270.20 metres grading 1.22 g/t gold including 40.70 metres grading 2.77 g/t gold
- ODD-12: 93.60 metres grading 5.61 g/t gold
- ODD-16: 42.35 metres grading 2.03 g/t gold

Since the year end the Company has announced an in-house resource estimate for the Ortaçam Zone of 147,814 oz of oxide gold at a cut-off grade of 0.2 g/t. 86% of the oxide gold resource is Indicated, the remainder being Inferred.

2010 programme

Additionally, further detailed geological mapping, geochemical sampling, ground geophysics, and trenching has been undertaken since signing the agreement with Centerra. A significant coincident IP (high chargeability) and magnetic anomaly has been defined 400 metres south-west and down-dip of the Ortaçam Zone. The geophysical characteristics of this are similar to the silicified Ortaçam Zone and it constitutes a high-priority drill target for possible high-sulphidation/porphyry style mineralisation when drilling recommences after the winter break. An extended geophysical survey is anticipated and, subject to partner Centerra's agreement, it is also likely that a number of the other gold-bearing silica zones that have been identified in the project area will be drilled.

Hasançelebi

The Company commenced reconnaissance exploration in 2007. This led to the early-stage identification of a number of extensive areas of hydrothermal alteration in the volcanic rock sequence. Subsequent mapping, outcrop sampling, and stream sediment geochemical surveys resulted in the delineation of three significant zones of hydrothermal alteration, the largest of which proved to be almost 7,000 metres in length and contained multiple silica zones. In the western part of this major zone two, possibly three, discrete silica zones are exposed over a distance of 3,500 metres and dip between 20 degrees and 50 degrees northwards. The geological evidence points to the silica and contained gold being stratigraphically controlled, i.e. confined to discrete volcanic beds, a factor that is favourable for the development of a large-tonnage mineral resource. Our partner Teck has completed a combined magnetic and induced polarization study over a key part of the project area and interpretation of this data will be of considerable value in defining the 2010 exploration programme.

2010 programme

Teck is committed to funding a minimum drill programme of 2,000 metres during the year. This will focus on the outcropping mineralized zones already identified and may also target new areas identified from the 2009 geophysical survey.



Öksüt - key facts:

- Discovered in Q1 2008
- Joint venture with Centerra
- 111.6 km² under licence
- 3,353 m drilled to date
- Best intersection 93.60 metres grading 5.61 g/t gold
- Early gold resources estimate = 147,814 oz, 87% indicated.
- Aggressive drill campaign for 2010



Hasançelebi - key facts:

- Greenfield site
- Joint venture with Teck
- 352.1 km² under licence
- Minimum of 2,000 m of drilling planned for 2010

REVIEW OF OPERATIONS - Turkey continued

Other significant projects

Karaağaç:

- Gold resource of 156,798 oz
- 111.2 km² under licence
- 2,368 m drilled

Muratdere:

- Persistent copper mineralization
- 34.5 km² under licence
- 1,212 m drilled
- Best intersection 285 metres grading 0.30% Cu, 0.13 g/t Au, and 0.013% Mo

Konya:

- Comprises multiple gold targets
- 367.0 km² under licence
- 3,140 m drilled
- Three porphyry systems demonstrated to be gold enriched

Altunhisar:

- Gold- and molybdenum-rich zones identified
- 455.1 km² under licence

Other:

- Partners being sought for exploration of Karapınar and other projects

Karaağaç

Karaağaç is part of the Murat Dağı licence block situated 300 km south-west of Ankara. The block covers a thrust-faulted sequence of limestones and schists that have been intruded and overlain by volcanic rocks of Miocene age. A programme of diamond and RC drilling was completed in May 2007 which defined an inferred gold resource of 156,798 oz. There is a potential for additional gold resources hosted by steeply dipping fault zones. A possible laterite nickel potential has also been identified.

The Company is presently in advanced discussions with parties interested in acquiring the project.

Muratdere

The Muratdere project comprises two licences covering a substantial granodiorite-porphyry system located 250 km west of Ankara. A programme of 7 reconnaissance diamond drill holes was completed in 2007 and intersected typical porphyry-hosted quartz-vein-type stockwork mineralization, partially overprinted by silicification. Copper grades averaged 0.2-0.3% with a best value of 6.65 m @ 6.7% Cu. Gold contents were commonly of the order of 0.1 g/t. Best intersection was MDD-3, which returned 285 metres grading 0.30% Cu, 0.13 g/t Au, and 0.013% Mo.

The Company is presently seeking a partner to undertake further drilling of the westernmost part of the granodiorite-porphyry complex.

Konya

The Konya Volcanic Belt comprises a sequence of volcanic rocks extending over an area of 60 km x 40 km and hosts a considerable number of sizeable alteration zones, most of which exhibit anomalous gold values. At least four porphyry targets were identified and a reconnaissance programme of reverse circulation drilling was undertaken in 2007 and 2008 at the Doğanbey, Gölcük and Karacaören targets. The results of the drilling indicate the systems are gold bearing with values of 0.1 g/t gold or better being commonly reported.

The Company is now in discussion with a number of companies that have expressed interest in the projects.

Altunhisar

Altunhisar comprises a number of zones of alteration and mineralization within another Miocene volcanic belt in Central Turkey. Numerous gold anomalies have been identified, often accompanied by high molybdenum.

The Company is presently seeking a partner to undertake further exploration of this and other projects in Turkey.

REVIEW OF OPERATIONS - Ethiopia

Shehagne

The 37 sq km Shehagne project is located in a highly prospective area near the town of Adwa in northern Ethiopia. Shehagne has already been partially explored by Sheba and extensive gold anomalism in soil has been identified. Reconnaissance percussion drilling programme of three holes was carried out by Sheba.

The main target to date is the Tsemmetti prospect in the south-eastern part of the project area where a series of channel-chip samples have exposed veining and gold-associated sericitic alteration over a width of 284 metres, with gold values ranging from 23 ppb up to 5.68 g/t. Multiple quartz veins, 5-80 mm in width, were recorded, with higher gold grades being directly related to the abundance of veins. However, significant but lower grade gold values were evident throughout the full width of the zone. A prospect-wide regional stream sediment programme has also been completed using the 200 mesh size fraction. The biggest identified anomaly was 1,800 ppb Au from a zone south of the main Tsemmetti anomaly.

Under the Option Agreement with Sheba, Stratex had committed to spend £100,000 in the first three months; this has now been spent. Further channelling and rock sampling is planned for 2010 followed by a programme of exploratory drilling focusing on the already-identified gold mineralization. Upon completion of a further £250,000 of expenditure Stratex will have acquired 60% of the project.

Megenta

The Company announced on 30 November 2009 the first discovery of epithermal gold mineralization in Ethiopia. The discovery in the Afar Region of Ethiopia was identified during regional work undertaken in October 2009 by David Hall and senior geologist Dan James. An area of 1,579 km² has been secured under an exclusive exploration licence.

Stratex conceived the original programme in association with leading independent economic geologist Dr. Richard Sillitoe based on his experience of the rifting environment of western Nevada. The Main Ethiopian Rift shares many characteristics with this environment, including intracontinental rifting and bimodal (rhyolite and basalt) volcanism.

The prospect comprises high-level steam-heated sinter underlain by opaline and chalcedonic silica containing anomalous levels of gold (up to 57 ppb). A number of feeder structures comprising fine chalcedonic silica veins have been discovered and these contain highly significant gold values of 0.328 g/t Au, 0.218 g/t, 0.132 g/t Au, and 0.126 g/t. These numbers are significant as normally at this high level in such systems gold values are often negligible. Anomalous concentrations of arsenic, mercury, selenium and thallium were also identified and are typical of the trace element suite associated with this style of mineralisation.

This kind of low-sulphidation vein-type gold mineralization can be characterized by both bonanza gold grades at depth and low-grade bulk-tonnage mineralization near surface.

In 2010 the Company will be implementing a programme of geological mapping and rock channel sampling with the intention of prioritising targets for drilling as rapidly as possible whilst undertaking further regional exploration on other identified areas of alteration.



Shehagne - key facts:

- Greenfield site
- Joint venture with Sheba
- 37 km² under licence
- Drilling of Tsemmetti gold targeted for late 2010.



Megenta - key facts:

- First discovery in newly identified epithermal district
- 1,579 km² under licence
- Delineation of further low-sulphidation gold veins anticipated via fast-tracked field work
- Drilling of Megenta provisionally planned for second half 2010



Perry Ashwood

Loss for year:

	2009	2008
	£'000	£'000
Expenditure:		
Turkey	746	2,427
Ethiopia	225	-
Other exploration	52	101
Admin & other	718	640
Total	1,741	3,168
Capitalised	(447)	(1,898)
	1,294	1,270
Interest received	(43)	(275)
Teck share issue	402	-
Impairment loss	492	-
Loss for year	2,145	995

FINANCIAL REVIEW

Income statement

The main objective of the Company at the beginning of the year was the conservation of cash on the basis that no one knew how long the banking crisis would last. Exploration activities were cut back significantly and the Company reduced cash spend in the year by 46%, thereby maintaining a healthy cash balance.

Despite successfully reducing expenditure, the loss for the year to 31 December 2009 at £2.1 million was higher than 2008 by £1.2 million. The main contributing factors to the increased loss were driven by two exceptional non-cash items namely, 1) the cost of the shares issued to Teck Resources Limited in payment for the relinquishment of their remaining rights under the Strategic Alliance Agreement, valued at £401,474, and 2) an impairment charge on exploration and evaluation assets of £491,655. In addition the amount of interest received on bank deposits was £234,535 lower than 2008 due to significantly declining interest rates and lower overall bank balances.

The impairment charge followed a review by the Directors of all current projects and a decision was taken to write off a number of small projects totaling a carrying value of £250,700. The Company has no plans to continue exploration at any of these projects and will not be renewing the licences. Also, the Company is presently in negotiations with third parties for the sale of the Karaağaç project and the carrying value of the project has been written down by £240,955 to reflect its likely realisable value on sale.

Financial position

The cash balance at the start of 2009 was £3.3 million. During the year the Company funded the Turkish operations to a level of £746k, a significant reduction from the previous year's expenditure of £2,427k and spent £225k on operations in Ethiopia including the setting up of an office in Addis Ababa. A further £718k was spent on administration and support activities in the UK. The funds received during the year from our strategic partners for exploration at Inlice, Altıntepe, Öksüt and Hasançelebi under the terms of the agreements totaled £547,662. This has been offset against the exploration and evaluation costs on the underlying projects. The resulting total cash balance at 31 December 2009 was £1,727,643.

Since the end of the year the Company has raised £1.3 million through a share placing and is due to receive US\$1 million from NTF in accordance with the share purchase agreement outlined on page 7. With all major exploration projects in Turkey now funded by our partners, the main focus of expenditure in 2010 will be in evaluating new initiatives in the country and in developing Ethiopia. The Company's exploration activities for 2010 are set out in the Business Review and Review of Operations. The Directors have assessed the cash requirements for the near future and based on their assessment, the Directors have a reasonable expectation that the Company has sufficient cash to see it through the next 12 months and beyond.

Net Assets

Net assets for the Company at the end of 2009 were £6.5 million. This is a reduction of £1.9 million from the previous year and results from the lower cash balances and the impairment write-off, partially offset by additions to exploration and evaluation assets amounting to £0.5 million.

Directors' & Management Biographies

David Hall, BSc, MSc, EuroGeol
Executive Chairman (age 51)

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 50 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. David is founder and Vice - Chairman of GoldQuest Mining Corporation which has Gold Fields of South Africa as equity and joint venture partner. David is also founder and Non-Executive Chairman of Horizonte Minerals plc, an AIM-listed company focused in Brazil and Peru. David co-founded Stratex in 2004 and played a key role in assembling the Board and management team that has led to the successful discovery of new gold mineralization in Turkey in partnership with Teck Resources. David has authored a number of papers on the management of Exploration and Development companies and risk management of exploration.

Dr Bob Foster, BSc, PhD, FIMMM, CEng, FGS, CGeol
Chief Executive Officer (age 61)

Bob Foster has 36 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. Prior to joining Stratex, Bob was Minerals Manager for UK-based international consultancy group Exploration Consultants Limited.

Perry Ashwood, FCA,
Chief Financial Officer (aged 62)

Perry Ashwood qualified as a Chartered Accountant in 1971, training with Spain Brothers & Co. and KPMG. Shortly after qualifying he spent 5 years with British Oxygen Ltd in their Corporate Office before moving to Rank Xerox Ltd in 1978. Perry was with Xerox for 20 years and held various positions ranging from Group Chief Accountant to Finance Director, 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 as Manager, Xerox Business Arrangements where his major focus was on acquisitions, divestments and joint ventures. He joined Intermecc International Inc in 1998 as Finance Director, Europe, Middle East & Africa before becoming an independent consultant in 2000 taking on various interim roles with small to medium sized businesses.

Christopher Hall, BSc, MSc, MIMMM, CEng
Non-Executive Director (age 60)

Christopher Hall has over 36 years of wide-ranging experience in the mining sector. He is currently the inhouse mining adviser to Grant Thornton LLP, principally assisting the Capital Markets team with clients listed on London Stock Exchange and the AIM market.

After graduating in geology, Christopher worked in exploration and as a mine geologist with Consolidated Goldfields in Australia, before returning to the UK to take an M.Sc. in Mining and Exploration Geology. This was followed by periods as a mining analyst with stockbroker Messel & Co, in the investment and mining divisions of Anglo American associate Charter Consolidated where he was involved in the acquisition and management of tin, tungsten, coal and quarrying companies, and in specialist resources fund management with Touche Remnant. He helped to establish European Mining Finance, an international mining finance and investment company, which was the first resource company to list on AIM, serving as CEO from 1991-97. After leaving EMF he worked as a consultant, spending three years managing the UK office of international mining consultants Behre Dolbear, before joining Grant Thornton in 2005. He has been a director of numerous private and listed companies and his experience enables him to make a contribution across the whole spectrum of technical, financial and corporate aspects of the mining business.

**Peter Addison,
Non-Executive Director (aged 67)**

Peter Addison qualified as a solicitor in 1966 and practiced in the City of London, originally with Linklaters & Paines and subsequently with Norton Rose, specialising in company and commercial law. In 1982, he became a director of English Trust, a corporate advisory bank, and for some twenty years was involved in providing corporate finance advice to a wide range of public companies in the UK and Ireland on all aspects of their businesses. He was non-executive chairman of Qualceram Shires plc, a listed Irish company, until it sold its Irish business in 2009, and he was chairman of SiRVIS IT plc, a UK AIM listed company until it was taken over in 2009.

**Mr Bahri Yildiz, BSc
General Manager Turkey (age 54)**

Bahri Yildiz is a Turkish national with an industrial career spanning 30 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 Yurttaslar 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.

**Daniel James, BSc,
Country Manager, Ethiopia (age 34)**

Daniel James graduated from the University of Portsmouth in 1997. Following graduation he joined Ashanti Goldfields in East Africa, working on a wide variety of gold exploration projects in the Lake Victoria Goldfields. Following three years of field work, and collapse of the industry in 2000, he returned to the UK. He spent the following 5 years working in the City for Bloomberg and Yahoo, working on LSE initial public offerings, and was involved with many of the biggest IPO's at the time. Daniel returned to mineral exploration in 2005, joining independent consultants, ACA Howe. He worked on a variety of projects, including Competent Person's Reports, independent visits, and desktop research. Key long-term projects, involving extended field trips, included the Democratic Republic of Congo and Zambia, working in the Central African Copperbelt. Daniel joined Stratex in January 2007 working initially as a project geologist on the Inlice Project in Turkey.



Sampling in the Shehagne Project, Ethiopia.

Directors' Report

The Directors present their report for the year ended 31 December 2009.

Principal Activities

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

Business Review & Future Developments

A review of the activities of the Group, information on future developments and certain key performance indicators are provided in the Chairman's Statement, Business Review, Review of Operations and Financial Review.

Financial Review

The results of the Group are shown on pages 18 to 38. A review of the financial results is provided on page 12. The Directors do not recommend the payment of a dividend.

Corporate Governance & Responsibility

The Company's statement on Corporate Governance is available on the Company's web site.

Risk Management

Exploration Industry Risks

Mineral exploration is speculative in nature, involves many risks and is frequently unsuccessful. 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 rock and other natural resources and 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.

Government activity, which could include non-renewal of licences, may result in any income receivable by the Group being adversely affected. In particular, changes in the application or interpretation of mining and exploration laws and/or taxation provisions in the countries in which the Group operates could adversely affect the value of its interests.

Political Risks

All of the Group's operations are 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 areas in which these operations are conducted, as well as risks of loss due to civil strife, acts of war, guerrilla activities and insurrection.

Financial Risks

Details of the Group's financial risk management objectives are set out in note 3 to the financial statements.

Share Capital

A statement of the changes in the share capital of the Company is set out in note 20.

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 Reporting Standards (IFRS's) as adopted by the European Union.

Under company law the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and Group as at the end of the financial year and of the profit and loss account of the Group for that period. In preparing these Financial Statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting 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 will continue in business.

The Directors confirm that they have complied with the above requirements in preparing the Financial Statements.

The Directors are responsible for keeping adequate accounting records, that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the Financial Statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and 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 the 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.

Going concern

The financial position of the Group is described in the Financial Review on page 12. The Directors have assessed the situation of the Group and have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Directors and Director's interests

The current Directors and their biographies are set out on pages 13 and 14.

All the Directors of the Company were Directors throughout the year.

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

The remuneration of Directors' is set out in Note 8.

The beneficial interests of the Directors in the issued share capital and share options of the Company were as follows:

	31 December 2009	31 December 2008
D J Hall – shares	12,522,374	12,522,374
options	3,445,000	3,445,000
Dr. R Foster – shares	6,974,134	6,914,611
options	3,787,500	3,787,500
P C Ashwood – shares	1,477,342	1,450,021
options	3,472,500	3,472,500
C Hall – shares	50,000	50,000
options	1,500,000	1,500,000
P Addison – shares	–	–
options	1,500,000	1,500,000

Certain of the Directors subscribed for new shares as part of a share placing undertaken after the year end. The share holdings of these Directors post the share placing is: Dr. R Foster, 7,031,277; P C Ashwood, 1,534,485; C Hall 107,143 and P Addison, 142,857.

No Director sold shares in the Company during the year and no Director-held share options were exercised or lapsed during the year.

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 1 March 2010, in addition to those mentioned above, the Company was aware of the following holdings of 3% or more in the Company's issued share capital:

	Ordinary shares	% of issued share capital
Teck Resources Limited	35,727,486	12.5
Kairos Eurasia Fund	33,900,000	11.8
Mr N Graham	26,527,300	9.3
Forest Nominees Limited	26,074,300	9.1
Kenkos CI Nominees	9,844,956	3.4

Teck Resources Limited's interest includes 8,751,903 (3.5%) held by Teck Madencilik Sanayi Ticaret AŞ, a wholly owned subsidiary of Teck Resources Limited.

Group's policy on payment of creditors

The Group seeks to maintain good relations with all of its trading partners. In particular, it is the Group's policy to abide by the terms of payment agreed with each of its suppliers. As at 31 December 2009 the number of creditors days in respect of trade creditors was 28 (2008:28).

Charitable and political donations

The Company made no charitable or political donations during the year (2008: nil).

Post balance sheet events

Details of significant events affecting the Company and Group since the year end are disclosed in Note 29 on page 38.

Auditors

Our independent auditors, Littlejohn, have transferred their business to Littlejohn LLP, a limited liability partnership. In accordance with section 1216(5) of the Companies Act 2006, the Directors have consented to the extension of the audit appointment of Littlejohn to its successor firm, Littlejohn LLP.

Littlejohn LLP has signified its willingness to continue in office as auditors.

Approved by the Board and signed on its behalf.

P C Ashwood
Company Secretary
180 Piccadilly
London, W1J 9HF
5 March 2010

Independent Auditors Report to the Shareholders of Stratex International Plc

We have audited the Financial Statements of Stratex International Plc for the year ended 31 December 2009, which comprise the Statement of Consolidated Comprehensive Income, the Group and Parent Company Statement of Financial Position, the Group and Parent Company Statement of Cash Flows, the Statement of Consolidated Changes in Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the Parent Company Financial Statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members 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 members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and Auditors

As explained more fully in the Directors' Responsibilities Statement, the Directors are responsible for the preparation of the Financial Statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the Financial Statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the Financial Statements

An audit involves obtaining evidence about the amounts and disclosures in the Financial Statements sufficient to give reasonable assurance that the Financial Statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Group's and the Parent Company's circumstances, and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the Directors, and the overall presentation of the Financial Statements.

Opinion on Financial Statements

In our opinion:

- the Financial Statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2009 and of the Group's loss and Group's and Parent Company's cash flows for the year then ended;

- the Group Financial Statements have been properly prepared in accordance with IFRS's as adopted by the European Union;
- the Parent Company Financial Statements have been properly prepared in accordance with IFRS's as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the Financial Statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the Financial Statements are prepared is consistent with the Financial Statements.

Matters on which we are required to report by exception

The Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company Financial Statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of the above matters.

Mark Ling (Senior statutory auditor)

For and on behalf of Littlejohn LLP
 Statutory auditor

1 Westferry Circus
 Canary Wharf
 London E14 4HD

5 March 2010

Statement of Consolidated Comprehensive Income

	Notes	Year ended 31 December 2009 £	Year ended 31 December 2008 £
Continuing operations			
Revenue		–	29,102
Cost of sales		–	–
Gross profit		–	29,102
Administrative expenses		(1,292,469)	(1,287,774)
Project impairment	13	(491,655)	–
Issue of shares other than for cash	20	(401,474)	–
Exchange losses		(2,294)	(11,266)
Operating loss	6	(2,187,892)	(1,269,938)
Finance income		42,966	274,735
Loss before income tax		(2,144,926)	(995,203)
Income tax (expense)/credit	9	(3,253)	86,120
Loss for the year		(2,148,179)	(909,083)
Other comprehensive income			
Exchange differences on translating foreign operations		(404,148)	260,494
Other comprehensive income, net of tax		(404,148)	260,494
Total comprehensive income attributable to equity holders of the Company		(2,552,327)	(648,589)
Loss attributable to equity holders of the Company		(2,148,179)	(909,083)
Loss per share for losses from continuing operations attributable to the equity holders of the Company (expressed in pence per share)			
- basic and diluted	10	(0.90)	(0.39)

The notes on pages 24 to 38 form part of these financial statements.

Statement of Consolidated Financial Position

	Notes	As at 31 December	
		2009 £	2008 £
ASSETS			
Non-current assets			
Furniture, fittings and equipment	12	156,201	186,123
Investments	14	40,000	–
Intangible assets	13	3,607,182	4,044,363
Trade and other receivables	16	128,625	114,488
Deferred tax asset	17	126,101	150,320
		4,058,109	4,495,294
Current assets			
Trade and other receivables	16	726,266	667,226
Cash and cash equivalents	19	1,727,643	3,313,022
		2,453,909	3,980,248
Intangible assets held for sale	18	70,000	–
Total assets		6,582,018	8,475,542
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Ordinary shares	20	2,495,469	2,342,394
Share premium	20	8,443,778	8,192,829
Other reserves		282,253	514,931
Accumulated losses		(4,816,479)	(2,677,289)
Total equity		6,405,021	8,372,865
LIABILITIES			
Non-current liabilities			
Employee termination benefits		8,001	7,179
Deferred tax liabilities	17	1,097	10,566
		9,098	17,745
Current liabilities			
Trade and other payables	23	167,899	84,932
		167,899	84,932
Total equity and liabilities		6,582,018	8,475,542

The notes on pages 24 to 38 form part of these financial statements.

The financial statements were approved and authorised for issue by the Board of Directors on 5 March 2010 and were signed on its behalf by

David Hall
Chairman

Perry Ashwood
Chief Financial Officer

Statement of Consolidated Changes in Equity

	Notes	Share Capital £	Share Premium £	Merger Reserve £	Share Option Reserve £	Accumulated Loss £	Translation Reserve £	Total Equity £
Balance at 31 December 2007		2,340,669	8,185,929	(485,400)	350,277	(1,816,093)	276,855	8,852,237
Share-based payments	21	–	–	–	160,592	–	–	160,592
Share options exercised	21	1,725	6,900	–	(2,904)	2,904	–	8,625
Share options forfeited	21	–	–	–	(44,983)	44,983	–	–
Comprehensive income for the year		–	–	–	–	(909,083)	260,494	(648,589)
Balance at 31 December 2008		2,342,394	8,192,829	(485,400)	462,982	(2,677,289)	537,349	8,372,865
Issue of ordinary shares	20	152,225	249,249	–	–	–	–	401,474
Share-based payments	21	–	–	–	180,459	–	–	180,459
Share options exercised		850	1,700	–	(3,688)	3,688	–	2,550
Share options forfeited	21	–	–	–	(5,301)	5,301	–	–
Comprehensive income for the year		–	–	–	–	(2,148,179)	(404,148)	(2,552,327)
Balance at 31 December 2009		2,495,469	8,443,778	(485,400)	634,452	(4,816,479)	133,201	6,405,021

The notes on pages 24 to 38 form part of these financial statements.

Statement of Consolidated Cash Flows

	Notes	Year ended 31 December 2009 £	Year ended 31 December 2008 £
Cash flows from operating activities			
Net cash used in operating activities	26	(1,084,252)	(1,299,084)
Cash flows from investing activities			
Purchases of property, plant and equipment		(44,692)	(123,389)
Purchases of investments	14	(40,000)	–
Purchases of intangible assets	13	(1,009,613)	(2,218,232)
Interest received		42,966	274,735
Net cash used in investing activities		(1,051,339)	(2,066,886)
Cash flows from financing activities			
Net proceeds from issue of ordinary shares		2,550	8,625
Funds received from project partners	13	547,662	395,814
Net cash used in financing activities		550,212	404,439
Net decrease in cash and cash equivalents		(1,585,379)	(2,961,531)
Cash and cash equivalents at beginning of the year		3,313,022	6,274,553
Cash and equivalents at end of the year	19	1,727,643	3,313,022

Non-cash transaction

During the year 15,222,481 shares were issued to Teck Resources Limited with a value of £401,474 in consideration for the relinquishment of their rights under the Strategic Alliance Agreement.

The notes on pages 24 to 38 form part of these financial statements.

Statement of Company Financial Position

	Notes	As at 31 December	
		2009 £	2008 £
ASSETS			
Non-current assets			
Furniture, fittings and equipment	12	31,954	11,723
Investments	14	40,000	–
Intangible assets	13	100,769	–
Investment in subsidiaries	15	4,924,938	3,576,717
		5,097,661	3,588,440
Current assets			
Trade and other receivables	16	2,412,400	2,388,977
Cash and cash equivalents	19	1,686,211	3,279,570
		4,098,611	5,668,547
Total assets		9,196,272	9,256,987
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Ordinary shares	20	2,495,469	2,342,394
Share premium	20	8,443,778	8,192,829
Shares under option		634,455	462,982
Accumulated losses	28	(3,037,581)	(1,777,817)
Total equity		8,536,121	9,220,388
LIABILITIES			
Non-current liabilities			
Loan from subsidiary undertaking	24	539,213	–
		539,213	–
Current liabilities			
Trade and other payables	23	120,938	36,599
		120,938	36,599
Total equity and liabilities		9,196,272	9,256,987

The notes on pages 24 to 38 form part of these financial statements.

The financial statements were approved and authorised for issue by the Board of Directors on 5 March 2010 and were signed on its behalf by

David Hall
Chairman

Perry Ashwood
Chief Financial Officer

Statement of Company Cash Flows

	Notes	Year ended 31 December 2009 £	Year ended 31 December 2008 £
Cash flows from operating activities			
Net cash used in operating activities	26	(741,711)	(853,971)
Cash flows from investing activities			
Purchases of property, plant and equipment		(29,015)	(4,497)
Purchase of investment	14	(40,000)	–
Purchases of intangible assets	13	(100,769)	–
Acquisition of subsidiary net of cash acquired		(2,087)	–
Investment in subsidiary		(540,018)	–
Funding of subsidiary		(798,486)	(2,491,101)
Interest received		116,964	408,002
Net cash used in investing activities		(1,393,411)	(2,087,596)
Cash flows from financing activities			
Net proceeds from issue of ordinary shares		2,550	8,625
Borrowing from subsidiary	24	539,213	–
Net cash used in financing activities		541,763	8,625
Net decrease in cash and cash equivalents		(1,593,359)	(2,932,942)
Cash and cash equivalents at beginning of the year		3,279,570	6,212,512
Cash and equivalents at end of the year	19	1,686,211	3,279,570

Non-cash transaction

During the year 15,222,481 shares were issued to Teck Resources Limited with a value of £401,474 in consideration for the relinquishment of their rights under the Strategic Alliance Agreement.

The notes on pages 24 to 38 form part of these financial statements.

Notes to the Financial Statements

1. General information

The principal activity of Stratex International plc ('the Company') and its subsidiaries (together 'the Group') is the exploration and development of precious and high-value base metals. The Company's shares are listed on the Alternative Investment Market of the London Stock Exchange. The Company is incorporated and domiciled in the UK.

The address of its registered office is 180 Piccadilly, London, W1J 9HF.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these 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 2006 applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost convention. A summary of the more important group accounting policies is set out below.

The Group has adopted the following new and amended IFRS's as of 1 January 2009:

- IFRS 7 "Financial Instruments – Disclosures" (amendment) – effective 1 January 2009. The amendment requires the enhanced disclosures about fair value measurement and liquidity risk.
- IAS 1 (revised) "Presentation of Financial Statements" – effective 1 January 2009. The revised standard prohibits the presentation of items of income and expenses (that is 'non-owner changes in equity') in the Statement of Changes in Equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity in a Statement of Comprehensive Income. Comparative information has been re-presented so that it is in conformity with the revised standard. As the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.

The following standard was also effective for the year, although there were no implications for the Group:

- IFRS 2 (amendment), "Share-based payment" – effective 1 January 2009. The amendment deals with vesting conditions and cancellations. It clarifies that vesting conditions are service conditions and performance conditions only. All cancellations should receive the same accounting treatment. The Group and Company has adopted IFRS 2 (amendment) from 1 January 2009. The amendment does not have a material impact on the Group or Company's Financial Statements.

The following standards and amendments to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2010 or later periods, but the Group has not adopted them early:

- IFRIC 17 "Distributions of non-cash assets to owners" (effective for annual periods beginning on or after 1 July 2009).
- IAS 27 (revised) "Consolidated and separate financial statements" (effective from 1 July 2009).
- IFRS 3 (revised) "Business combinations" and IAS 27 (amended) "Consolidated and separate financial statements" (effective from 1 July 2009).
- IAS 38 (amendment) "Intangible Assets" (effective from 1 July 2009).
- IFRS 5 (amendment) "Non-current assets held for sale and discontinued operations" (effective 1 January 2010).
- IAS 1 (amendment) "Presentation of Financial Statements" (effective 1 January 2010).
- IFRS 2 (amendment) "Group cash-settled share-based payments" (effective for annual periods beginning on or after 1 January 2010).

The Directors anticipate that the future adoption of these standards and interpretations will have no material impact on the financial statements of the Group.

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.

2.2 Basis of consolidation (continued)

Subsidiaries are all entities over which the Group has power to govern the financial and operating policies accompanying a shareholding of more than one half of the voting rights. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. The purchase method is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured at fair value of the assets and equity instruments acquired, and the liabilities incurred or assumed at the date of exchange, plus directly attributable costs.

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 entities are eliminated on consolidation.

References to various joint venture arrangements in the Chairman's Statement, the Business Review and Review of Operations do not meet the definition of joint ventures under IAS 31 "Interests in Joint Ventures" and therefore these financial statements do not reflect the accounting treatments required under IAS 31.

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% - 33%
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.

2.5 Intangible assets (continued)

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 Group has decided to discontinue such activities at that unit, the associated expenditures will be written off to the Statement of Consolidated Comprehensive Income.

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). For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (i.e. cash-generating units). 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.

In assessing the carrying amounts of its exploration and evaluation assets, the Directors have used five year cash flow projections for each of the major individual projects based on JORC standard resource calculations, a market value for gold of \$950 per ounce, recovery rates 70%-80% and production costs appropriate to the territories in which the projects are located. The calculations have been tested for sensitivity to changes in the key assumptions. The Board does not believe that the key assumptions will change so as to cause the carrying values to exceed the recoverable amounts.

To date impairment losses recognised have followed the decision of the Board not to continue exploration and evaluation activity on a particular project licence area where it is no longer considered an economically viable project.

2.7 Cash and cash equivalents

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 statement of consolidated comprehensive income 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 initially at fair value and subsequently measured at amortised cost.

2.9 Available-for-sale assets

Available-for-sale assets comprise exploration and evaluation costs of exploration projects previously treated as non-current intangible assets where their carrying value is to be recovered principally through a sale transaction and a sale is considered highly probable. Available-for-sale assets are stated at fair value. Movements in fair values are taken directly to equity, with the exception of impairment losses which are recognised in profit or loss. When disposed, any cumulative gains and losses previously recognised in equity are recognised in profit or loss.

2.10 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.

2.11 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.

2.12 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. Risk management

The Group's operations exposed it to a number of risks. The Director's approach to the management of these risks is as follows:

3.1 Financial risk management

The main financial risks facing the Group are the availability of adequate funding, movements in interest rates and fluctuations in foreign exchange rates. Constant monitoring of these risks ensures that the Group is protected against any potential adverse effects of such risks so far as it is possible and foreseeable. The Group only deals with high-quality banks. It does not hold derivatives, does not trade in financial instruments and does not engage in hedging arrangements.

In keeping with similar sized mineral exploration groups, its continued future operations depend on the ability to raise sufficient working capital. The Group finances itself through the issue of equity share capital and has no borrowings. Management monitors its cash and future funding requirements through the use of ongoing cash flow forecasts. All cash, with the exception of that required for immediate working capital requirements, is held on short term deposit.

The Group's only exposure to interest rate fluctuations is restricted to the rates earned on its short term deposits. These deposits returned an average interest rate of between 0.92% and 3.4% during the past year.

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 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.

The Group's liquidity risk is considered to be insignificant. The Group does not enter into commitments for exploration expenditure. Other expenditure is monitored through cash flow forecasts.

3.2 Capital risk management

The Group's objective when managing capital is to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to fund exploration opportunities.

4. Critical 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. The most significant judgement for the Group is the assumption that exploration at the various sites will ultimately lead to a commercial mining operation. Failure to do so could lead to the write-off of the intangible assets relating to the particular site.

Estimates and judgements 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. Segmental reporting

The Company operates in three geographical areas and the Group's operations are managed on a project by project basis within each geographical area. The following segments are based on the management reports received by the Directors and used to make strategic decisions. The main segments are:

- Turkey – exploration for gold and other high-value metals. The licences for these projects are held in the name of the wholly owned subsidiary, Stratex Madencilik Sanayi Ve Ticaret Ltd. Sti and the majority of the costs are borne by Stratex Madencilik Sanayi Ve Ticaret Ltd. Sti.
- Ethiopia – exploration for gold and other high-value metals. The licences for these projects are held in the name of the Parent Company and all costs associated with activities in this country are borne by the Parent Company.
- UK – identification of new exploration opportunities and the provision of administration and support services to the Group.

Additions and the capitalised cost of the principal projects are as follows:

	Additions in year		Capitalised costs	
	2009 £	2008 £	2009 £	2008 £
Turkey				
Inlice	–	214,029	1,236,876	1,348,913
Altıntepe	198,514	692,675	1,060,030	940,448
Öksüt	–	589,095	586,593	639,802
Muratdere	26,206	30,175	334,399	336,228
Hasançelebi	44,418	75,522	133,119	96,936
Konya	64,883	50,278	82,688	123,983
Others	27,161	170,644	72,708	558,053
Total Turkey	361,182	1,822,418	3,506,413	4,044,363
Ethiopia total	100,769	–	100,769	–
Total intangible assets	461,951	1,822,418	3,607,182	4,044,363

Intangible assets are net of funds received from the Company's strategic partners under various joint venture agreements, amounting to £547,662 (2008: £385,814).

5. Segmental reporting (continued)

The allocation of assets, liabilities and losses by segment is as follows:

Assets and liabilities	Turkey		Ethiopia		UK Support		Total	
	2009 £	2008 £	2009 £	2008 £	2009 £	2008 £	2009 £	2008 £
Total assets	4,632,251	5,146,899	143,486	–	1,806,281	3,328,643	6,582,018	8,457,542
Total liabilities	(51,467)	(65,577)	(2,250)	–	(123,280)	(37,100)	(176,997)	(102,677)

Loss for the year	Exploration			Total £	Support & other £	Group Total £
	Turkey £	Ethiopia £	UK £			
2008						
Other income	502	–	–	502	28,600	29,102
Operational costs	(541,161)	–	(101,550)	(642,711)	(641,749)	(1,284,460)
Depreciation charge	(12,699)	–	–	(12,699)	(1,881)	(14,580)
Intercompany interest	(127,068)	–	–	(127,068)	127,068	–
Interest received	–	–	–	–	274,735	274,735
Income tax	86,120	–	–	86,120	–	86,120
At 31 December 2008	(594,306)	–	(101,550)	(695,856)	(213,227)	(909,083)
2009						
Operational costs	(404,993)	(96,791)	(52,436)	(554,220)	(716,514)	(1,270,734)
Impairment losses	(491,655)	–	–	(491,655)	–	(491,655)
Depreciation charge	(15,850)	(500)	–	(16,350)	(7,679)	(24,029)
Intercompany interest	(74,285)	–	–	(74,285)	74,285	–
Interest received	–	–	–	–	42,966	42,966
Shares issued other than for cash	–	–	–	–	(401,474)	(401,474)
Income tax	(3,153)	–	–	(3,153)	(100)	(3,253)
At 31 December 2009	(989,936)	(97,291)	(52,436)	(1,139,663)	(1,008,516)	(2,148,179)

Costs and liabilities are allocated based on the nature of the underlying transaction; assets are allocated based on where they are located.

6. Operating loss

The Group operating loss for the year is stated after the following:

	2009 £	2008 £
Auditors' remuneration		
Audit fees	16,776	9,842
Tax and other services	20,050	6,195
Depreciation of tangible fixed assets	60,276	47,843
Impairment losses on intangible assets	491,655	–
Interest received on short-term bank deposits	42,966	274,735
Shares issued other than for cash (note 20)	401,474	–

7. Staff costs

Staff costs, including Directors, comprise the following

	2009 £	2008 £
Wages and salaries	427,405	337,620
Social security costs	40,922	43,443
Share options granted to directors and employees (note 21)	180,459	160,592
Employee benefits in kind	3,729	3,140
Employee termination benefits	4,789	4,221
Total for year	657,304	549,016
Average number of employees including Directors	15	17

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

8. Directors remuneration

The remuneration of the Directors during the year was:

	2009 £	2008 £
Emoluments	304,458	245,597
Social security	27,022	33,675
Total	331,480	279,272

Remuneration of the highest paid director was £116,121 (2008: £93,856). The Company does not operate a pension scheme and no contributions were made to pension schemes during the year on behalf of Directors (2008: nil)

9. Income tax (expense)/credit

Analysis of income tax

	2009 £	2008 £
UK Corporation tax charge for the year	–	–
Foreign Tax		
Current tax charge for the year	(100)	(20,867)
Deferred tax (expense)/credit for the year	(3,153)	106,987
Tax on loss for the year - (expense)/credit	(3,253)	86,120

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 £810,665 in respect of UK losses amounting to £2,744,962 and losses in Turkey amounting to £210,373. These can be carried forward against future taxable income at a rate of 28% and 20% respectively.

9. Income tax (expenses)/credit (continued)

Reconciliation of current tax	2009 £	2008 £
Loss before income tax	(2,144,926)	(995,203)
Current tax credit at 28% (2008:28%)	(600,579)	(278,657)
Effects of:		
Expenses not deductible for tax purposes	231,745	124,199
Tax losses carried forward - Turkish	58,880	-
Tax losses carried forward - UK	310,054	133,591
Total current tax - expense/(credit)	100	(20,867)

10. Loss per share

The 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.

	2009 £	2008 £
Loss attributable to equity holders of the Company	2,148,179	909,083
Weighted average number of ordinary shares in issue	239,450,373	231,189,609
Basic loss per share (pence per share)	(0.90)	(0.39)

There is no difference between basic and diluted loss per share as the effect on the exercise of the options would be to decrease the loss per share.

At the year end there were 19,615,030 options outstanding that could potentially dilute the earnings per share in future. The Company issued 37,229,443 shares on 27 January 2010, which will dilute earnings per share in the future.

11. Expense by nature

	2009 £	2008 £
Employee benefit expense	657,304	549,016
Fees paid to related parties	24,426	23,770
Consultant geologist fees	24,770	98,526
Depreciation charges	60,276	14,579
Cost of share options	180,459	160,592
Other	345,234	441,291
Total administrative expenses	1,292,469	1,287,774

12. Furniture, fittings and equipment

	Field equipment £	Office, furniture and equipment £	Total £
Group			
Cost or valuation			
At 1 January 2008	1,979	124,669	126,648
Exchange movements	94	15,061	15,155
Additions	–	123,389	123,389
At 31 December 2008	2,073	263,119	265,192
Exchange movements	(172)	(19,584)	(19,756)
Additions	12,425	32,267	44,692
Disposals	–	(719)	(719)
At 31 December 2009	14,326	275,083	289,409
Depreciation			
At 1 January 2008	(241)	(26,679)	(26,920)
Exchange movements	(29)	(4,277)	(4,306)
Charge for year	(191)	(47,652)	(47,843)
At 31 December 2008	(461)	(78,608)	(79,069)
Exchange movements	39	5,379	5,418
Charge for year	(775)	(59,501)	(60,276)
Disposals	–	719	719
At 31 December 2009	(1,197)	(132,011)	(133,208)
Net Book Value			
At 1 January 2008	1,737	97,991	99,728
At 31 December 2008	1,612	184,511	186,123
At 31 December 2009	13,129	143,072	156,201
Company			
Cost or valuation			
At 1 January 2008	–	23,606	23,606
Additions	–	4,497	4,497
At 31 December 2008	–	28,103	28,103
Additions	12,425	16,590	29,015
Disposals	–	(719)	(719)
At 31 December 2009	12,425	43,974	56,399
Depreciation			
At 1 January 2008	–	(8,150)	(8,150)
Charge for year	–	(8,230)	(8,230)
At 31 December 2008	–	(16,380)	(16,380)
Charge for year	(584)	(8,200)	(8,784)
Disposals	–	719	719
At 31 December 2009	(584)	(23,861)	(24,445)
Net Book Value			
At 1 January 2008	–	15,456	15,456
At 31 December 2008	–	11,723	11,723
At 31 December 2009	11,841	20,113	31,954

13. Intangible Assets

Intangible assets represent internally generated exploration and evaluation costs. Additions are net of funds received from the Company's strategic partners under various joint venture agreements, amounting to £547,662 (2008: £395,814).

	Group £	Company £
Cost or valuation		
At 1 January 2008	1,970,931	–
Exchange movements	251,014	–
Additions	1,822,418	–
At 31 December 2008	4,044,363	–
Exchange movements	(337,477)	–
Additions	461,951	100,769
Impairment write-offs	(491,655)	–
Transfer to intangible assets held for sale	(70,000)	–
At 31 December 2009	3,607,182	100,769

The impairment write-offs represent, a) the writing down to nil carrying value for those projects where the Directors have decided that no further exploration or evaluation work will be undertaken as these projects are no longer considered economically viable, and b) the writing down to expected realisable values for projects available for sale.

14. Investments

Group and Company	2009 £	2008 £
Cost of shares in Sheba Exploration (UK) plc at 31 December	40,000	–

The shares in Sheba Exploration (UK) plc were acquired on 3 September 2009, together with 5,333,333 warrants entitling the Company to subscribe for ordinary shares in Sheba Exploration (UK) plc at 0.75 pence per share. The warrants are exercisable for a period of two years. As the market value of the shares was not significantly different to the exercise price at the end of the year, a financial asset has not been recognised in respect of the warrants.

15. Investments in subsidiaries

Company	2009 £	2008 £
Cost of shares in subsidiary companies:		
At 1 January	1,000,000	1,000,000
Additions - Stratex Gold AG	561,435	–
At 31 December	1,561,435	1,000,000
Loans to subsidiary company	3,363,503	2,576,717
Total	4,924,938	3,576,717

Investments in subsidiaries are stated at cost.

15. Investments in subsidiaries (continued)

Subsidiary companies of the Group at 31 December 2009 comprise:

	Country of incorporation	% owned by Company	% owned by subsidiary company	Nature of business
Stratex Exploration Ltd	UK	100	–	Holding company
Stratex Gold AG	Switzerland	100	–	Holding company
Stratex Madencilik Sanayi Ve Ticaret Ltd. Sti	Turkey	–	100	Exploration
NS Madencilik Sanayi ve Ticaret AŞ	Turkey	–	100	Holding company
Öksüt Madencilik Sanayi ve Ticaret AŞ	Turkey	–	100	Exploration
Inlice Madencilik Sanayi ve Ticaret AŞ	Turkey	–	100	Exploration
Altıntepe Madencilik Sanayi ve Ticaret AŞ	Turkey	–	100	Exploration

The Company acquired 100% of the share capital of Stratex Gold AG on 23 July 2009 for £21,417. The only asset of Stratex Gold AG at the time of acquisition was cash amounting to £19,330. The goodwill element has been fully written-off in the year.

16. Trade and other receivables

	Group		Company	
	2009 £	2008 £	2009 £	2008 £
Deposits and guarantees given	128,625	109,981	–	–
Amounts due from Group companies	–	–	2,359,215	2,351,845
VAT recoverable	630,573	587,041	7,880	6,837
Pre-payments and other current assets	95,693	84,692	45,305	30,295
	854,891	781,714	2,412,400	2,388,977
Less: non-current portion	128,625	114,488	–	–
Current portion	726,266	667,226	2,412,400	2,388,977

17. Deferred tax assets and liabilities

	Group		Company	
	2009 £	2008 £	2009 £	2008 £
Deferred tax assets:				
Temporary timing difference arising on:				
Intangible assets	118,681	132,393	–	–
Employee termination benefits	1,600	1,436	–	–
Non accrued financial expenses	5,820	16,491	–	–
	126,101	150,320	–	–
Deferred tax liabilities:				
Temporary timing difference arising on tangible and intangible assets	(1,097)	(10,566)	–	–
Net deferred tax asset	125,004	139,754	–	–

17. Deferred tax assets and liabilities (continued)

	Group		Company	
	£	£	£	£
At 1 January	139,754	22,484	–	–
Exchange movements (Charge)/credit for year	(11,597)	10,283	–	–
At 31 December	125,004	139,754	–	–

The deferred tax asset and liability arise in Stratex Madencilik Sanayi Ve Ticaret Ltd. Sti.

18. Intangible assets held for sale

The intangible assets held for sale relate to project licences previously included in non-current intangible assets. The Company has entered into advance negotiations with a third party for the sale of these licences and these negotiations are expected to be finalised in the first half of 2010. An impairment write-off of £240,955 has been recognised in revaluing the licences at the expected realisable value.

19. Cash and cash equivalents

	Group		Company	
	2009 £	2008 £	2009 £	2008 £
Cash at bank and on hand	528,351	51,865	486,919	18,414
Short term deposits	1,199,292	3,261,157	1,199,292	3,261,156
	1,727,643	3,313,022	1,686,211	3,279,570

20. Share Capital

Group and Company	Number of Shares	Ordinary Shares £	Share Premium £	Total £
At 31 December 2008	234,239,442	2,342,394	8,192,829	10,535,223
Exercise of share options	85,000	850	1,700	2,550
Issue of shares (see below)	15,222,481	152,225	249,249	401,474
At 31 December 2009	249,546,923	2,495,469	8,443,778	10,939,247

On 22 August 2009, 15,222,481 shares were issued to Teck Resources Limited at 2.64 pence per share, in consideration of their relinquishment of their remaining rights under the Strategic Alliance Agreement. The fair value of the consideration, which amounted to £401,474, was calculated in accordance with the Amendment of the Strategic Alliance Agreement. This represents the number of free trading shares of the Company and had a value at the close of 3 July 2009 of Cdn\$750,000 based on a twenty day weighted average price.

21. Share options

The Directors have discretion to grant options to Group employees to subscribe for Ordinary Shares up to a maximum of 10% of the Company's issued share capital. During the year the Company introduced a new employee share option scheme under the Enterprise Management Incentive regulations, to run alongside the existing unapproved Share Option scheme.

21. Share options (continued)

On 29 April 2009 the Company cancelled all options granted under the existing unapproved Share Options scheme and for UK tax resident employees, replaced them with options granted under the new Enterprise Management Incentive scheme, and for non-UK tax residents, replaced them with options granted under the unapproved scheme. The new options were issued at 3.0p, a premium of 50% to the mid-market price of the Company's shares on the date of grant. The incremental fair value of the share options as a result of these changes was £114,779.

As at 31 December 2009, the Company had in issue 10,570,000 (2008: nil) options to Group employees granted under the Enterprise Management Incentive scheme and 6,620,000 (2008: 16,155,000) to Group employees granted under the unapproved scheme. The options under both schemes 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. A further 2,425,030 options have been granted to third parties for the provision of services (2008: 4,372,000).

The total expenses recognised in the loss for the year arising from share-based payments was £180,459 (2008: £160,592). This all arose from transactions accounted for as equity settled share-based payment transactions. 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:

	2009		2008	
	Number of options	Weighted average exercise price pence	Number of options	Weighted average exercise price pence
Outstanding at beginning of period	19,670,500	8.3	18,527,000	8.3
Cancelled	(17,248,500)	8.4	–	–
Granted	17,593,030	3.0	3,816,000	7.7
Forfeited	(315,000)	3.0	(2,500,000)	9.5
Exercised	(85,000)	3.0	(172,500)	5.0
Outstanding at 31 December	19,615,030	3.3	19,670,500	8.0
Exercisable at 31 December	15,186,500	3.3	12,229,500	7.6

Details of share options outstanding at 31 December 2009 are as follows:

Outstanding 1 January 2009	Number of options		Outstanding 31 December 2009	Option Price (pence)	Exercisable period	
	Exercised	Granted/ (cancelled)			Start date	Expiry date
2,122,000	–	–	2,122,000	5.0	4 January 2007	8 February 2011
17,548,500	–	(17,548,500)	–	–	–	–
–	(85,000)	17,233,500	17,148,500	3.0	30 April 2009	30 April 2019
–	–	41,500	41,500	4.3	28 September 2009	28 September 2019
–	–	303,030	303,030	4.0	1 December 2009	1 December 2012
19,670,500	(85,000)	29,530	19,615,030	3.3		

The weighted average option life is 8 years and 4 months (2008: 8 years and 1 month).

21. Share options (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 over the last two years. The assumptions made in applying the Black-Scholes pricing model are as follows:

	2009 Options Granted	2008 Options Granted
Share price at date of grant	3.0p – 4.25p	5,25p – 8.625p
Expected volatility	53%	43%
Option life	10 years	10 years
Expected dividends	Nil	Nil
Risk-free interest rate	3.0%	3.0%

22. Other reserves

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.

23. Trade and other payables

	Group		Company	
	2009 £	2008 £	2009 £	2008 £
Trade payables	62,544	11,943	49,645	9,737
Amounts due to related parties and employees	59,699	8,117	44,495	8,117
Social security and other taxes	26,111	41,924	9,947	8,475
Accrued expenses	19,545	22,948	16,851	10,270
	167,899	84,932	120,938	36,599

24. Non - current liabilities

During the year the Company entered into a loan agreement with the subsidiary undertaking, Stratex Gold AG for the receipt of SwF900,000 (£539,213) for a period of 3 years at an annual interest rate of 3%. The loan is unsecured and repayable in US dollars.

25. 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 £24,426 (2008: £21,270) was charged for the provision of services to the Company. As at 31 December 2009 £2,855 (2008: £2,067) was owed to Bob Foster Associates Limited.

During the year Teck Madencilik Sanayi Ticaret AŞ has paid £24,520 (2008: £107,638) to Stratex Madencilik Sanayi Ve Ticaret Ltd Sti under the terms of the Hasaңcelebi - Turkey characters Property Agreement dated 23 September 2009. Teck Madencilik Sanayi Ticaret AŞ is a significant shareholder in the Company and is the wholly owned subsidiary of Teck Resources Limited, who is a significant shareholder in the Company.

26. Cash used in operations

	Group		Company	
	2009 £	2008 £	2009 £	2008 £
Loss before income tax	(2,144,926)	(995,203)	(1,268,750)	(641,753)
Adjustments for:				
— Issue of share options	180,459	160,592	180,459	160,592
— Depreciation	60,276	47,843	8,784	8,230
— Project impairment write-offs	491,655	—	—	—
— Interest income on short term deposits	(42,966)	(274,735)	(42,680)	(274,730)
— Interest income on intercompany indebtedness	—	—	(74,284)	(133,272)
— Intercompany management fees	—	—	(15,000)	—
— Foreign exchange movements on operating activities	(40,836)	9,855	—	—
— Issue of shares other than for cash (see note 20)	401,474	—	401,474	—
Changes in working capital (excluding the effects of exchange differences on consolidation)				
— Trade and other receivables	(73,177)	(220,685)	(16,053)	36,606
— Trade and other payables	83,789	(7,041)	84,339	(9,644)
Cash used in operations	(1,084,252)	(1,299,084)	(741,711)	(853,971)

27. Contingencies and capital commitments

The Group has no contingent liabilities or capital commitments.

28. Parent company Statement of Comprehensive Income

As permitted by section 408 of the Companies Act 2006, the statement of comprehensive income of the parent company is not presented as part of these financial statements.

Company	2009 £	2008 £
Balance at 1 January	(1,777,817)	(1,183,951)
Loss for year	(1,268,753)	(641,753)
Share options exercised and forfeited	8,989	47,887
Balance at 31 December	(3,037,581)	(1,777,817)

29. Post balance sheet events

The following significant events have taken place since 31 December 2009 and their financial impacts have not been reflected in these financial statements:

On 27 January 2010 the Company raised £1.3 million through a placing of 37,229,443 new ordinary shares of £0.01p per share.

On 27 January 2010 the Company signed a Definitive Agreement with NTF Insaat Ticaret Ltd Sti ('NTF') following the initial memorandum of understanding signed on 15 June 2009. Details of the agreement with NTF can be found on page 7.

Notice of Annual General Meeting

The Annual General Meeting of Stratex International plc will be held at the offices of Westhouse Securities Ltd, One, Angel Court, London, EC2R 7HJ on 29 April 2010 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's Report and Financial Statements for the year ended 31 December 2009.
- 2 To re-elect Dr. Robert Foster who has retired by rotation
- 3 To re-appoint Littlejohn LLP as auditors and to authorise the Directors to fix their remuneration.
- 4 THAT, in addition to the existing authorities, and in accordance with section 551 of the Act the Directors be and they are hereby generally and unconditionally authorised to allot shares in the Company or grant rights to subscribe for or convert any securities into rights ("Rights") up to an aggregate nominal amount of £1,000,000 and such power shall expire (unless previously revoked, varied or extended by the Company at a general meeting) five years after the passing of this resolution save that the Company may before such expiry make an offer or agreement which would or might require shares or Rights to be granted in pursuance of such offer or agreement as if the power conferred hereby had not expired.

Special resolution

- 5 THAT, in addition to the existing authorities, the Directors be and they are hereby empowered to allot equity securities (as defined in section 560 of the Act) for cash pursuant to the authority conferred by the previous resolution as if section 561(1) of the Act did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities up to an aggregate nominal amount of £1,000,000 and such power shall expire (unless previously revoked, varied or extended by the Company as a general meeting) five years after the passing of this resolution save that the Company may before such expiry make an offer or agreement which would or might require such equity securities to be granted in pursuance of such offer or agreement or agreement as if the power conferred hereby had not expired.
- 6 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
5 March 2010
180 Piccadilly
London, W1J 9HF

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 3:00pm on 27 April 2009.

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 and sent or delivered to the Company's registrars, Share Registrars Limited, Suite E, First Floor, 9 Lion & Lamb Yard, Farnham, Surrey GU9 7LL, to be 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 applies 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 methods:

By sending a signed hard copy notice clearly stating your intention to revoke your proxy appointment to Share Registrars Limited, Suite E, First Floor, 9 Lion & Lamb Yard, Farnham, Surrey GU9 7LL. 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 (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 29 April 2010 until the end of the meeting:
- the auditor's consolidated accounts of the Company for the financial period ended 31 December 2009;
 - the Register of Directors' interests in the capital of the Company and copies of the service contracts of the Directors of the Company; and
 - the proposed amended Articles of Association of the Company, proposed to be adopted pursuant to Special Resolution

Corporate Information

Directors

D J Hall
Dr R P Foster
P C Ashwood
C R J Hall
G P L Addison

Secretary

P C Ashwood

Registered Office

180 Piccadilly
London
W1J 9HF
United Kingdom

Company number

5601091

Turkey Office

Stratex Madencilik Sanayi ve Ticaret Ltd. Sti.

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

Ethiopia Office

Stratex International.

House 1060, Kebele 5
Sub city Bole
Addis Ababa
Ethiopia

Bankers

Lloyds TSB Bank plc

High Street
Slough
Berkshire, SL1 1DH

Registrars

Share Registrars Limited

Suite E, First Floor
9 Lion & Lamb Yard
Farnham
Surrey, GU9 7LL

Auditors

Littlejohn LLP

Statutory Auditors

1 Westferry Circus
Canary Wharf
London, E14 4HD

Joint Brokers:

Westhouse Securities LLP

One Angel Court
London, EC2R 7HJ

Fox-Davies Capital

Whitefriars House
6 Carmelite Street
London, EC4Y 0BS

Nominated advisor

Westhouse Securities LLP

One Angel Court
London, EC2R 7HJ

Solicitors

Edwin Coe

2 Stone Buildings
Lincolns Inn
London, WC2A 3TH

Stratex International plc

180 Piccadilly
London
W1J 9HF

Tel: +44 (0)207 830 9650

Fax: +44 (0)207 830 9651

Email: info@stratexplc.com

www.stratexinternational.com

