

STRATEX

I n t e r n a t i o n a l



STRATEX International plc

Placing and Admission to AIM
by HB Corporate

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Application has been made for all of the Ordinary Shares in issue and to be issued pursuant to the Placing to be admitted to trading on AIM. It is expected that Admission will become effective and dealings in the Ordinary Shares will commence on AIM on 14 December 2005. AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached, than to larger or more established companies. AIM securities are not admitted to the Official List of the United Kingdom Listing Authority.

A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. The London Stock Exchange has not itself examined or approved the contents of this document. Apart from the application for admission to AIM, the Ordinary Shares are not dealt in on any other recognised investment exchange and no other such applications are being made. The rules of AIM are less demanding than those of the Official List of the UK Listing Authority.

The Placing is not underwritten and is conditional, *inter alia*, on Admission taking place no later than 04 January 2006 (or such later date as the Company and HB Corporate may agree).

STRATEX INTERNATIONAL PLC

(incorporated in England and Wales under the Companies Act 1985 with registered number 5601091)

Placing of 37,400,000 new Ordinary Shares of 1p each at 5p per share and

Admission to trading on AIM

Nominated Adviser and Broker

HB Corporate

Share capital immediately following Admission

<i>Authorised</i>			<i>Issued and fully paid</i>	
<i>Amount</i>	<i>Number</i>		<i>Amount</i>	<i>Number</i>
£3,000,000	300,000,000	Ordinary Shares of 1p each	£1,374,000	137,400,000

The Directors of Stratex International plc (“the Company”), whose names appear on page 3 of this document, accept responsibility for the information contained in this document including individual and collective responsibility for compliance with the AIM Rules of the London Stock Exchange (“AIM Rules”). To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information. In connection with this document, no person is authorised to give any information or make any representation other than as contained in this document. Under no circumstances should the information contained in this document be relied upon as being accurate at any time after Admission. This document, which comprises an AIM admission document, has been prepared in accordance with the AIM Rules. This document does not constitute a prospectus and a copy of this document has not been filed with the FSA under Article 3.2, Prospectus Rules Instrument 2005.

HB Corporate, which is a member of the London Stock Exchange and is regulated by the FSA, has agreed to act as Nominated Adviser and Broker to the Company. Persons receiving this document should note that, in connection with the Placing and Admission, HB Corporate is acting exclusively for Stratex International plc and for no one else in connection with the matters described herein and will not be responsible to anyone other than Stratex International plc for providing the protections afforded to customers of HB Corporate or for advising any other person on the contents of this document or any matter referred to herein. HB Corporate’s responsibilities as the Nominated Adviser and Broker to the Company are owed solely to the London Stock Exchange and are not owed to the Company or to any Director or to any other person, whether in respect of any decision to acquire Ordinary Shares in reliance on any part of this document or otherwise. No representation or warranty, express or implied, is made by HB Corporate as to the contents of this document (without limiting the statutory rights of any person to whom this document is issued).

The Placing Shares will, following allotment, rank *pari passu* in all respects with the Ordinary Shares of the Company now in issue and will have the right to receive all dividends and other distributions hereafter declared made or paid on the Ordinary Shares.

This document does not constitute an offer to sell, or the solicitation of an offer to buy, shares in any jurisdiction in which such offer or solicitation is unlawful and, in particular, is not for distribution into the United States, Canada, Australia, the Republic of South Africa, the Republic of Ireland or Japan. The issue of the Ordinary Shares has not been and will not be registered under the applicable securities laws of the United States, Canada, Australia, the Republic of South Africa, the Republic of Ireland or Japan or to any national, resident or citizen of the United States, Canada, Australia, the Republic of South Africa, the Republic of Ireland or Japan. The distribution of this document in other jurisdictions may be restricted by law and therefore persons into whose possession this document comes should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities law of any such jurisdictions.

In making any investment decision in respect of the Placing, no information or representation should be relied upon in relation to the Placing or in relation to the Placing Shares other than as contained in this document. No person has been authorised to give any information or make any representation other than that contained in this document and, if given or made, such information or representation must not be relied upon as having been authorised.

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PLACING STATISTICS

Placing Price	5p
Number of Placing Shares being issued pursuant to the Placing	37,400,000
Number of Ordinary Shares in issue immediately following the Placing	137,400,000
Market capitalisation of the Company on Admission at the Placing Price	£6.87 million
Estimated net proceeds receivable by the Company pursuant to the Placing	£1.54 million
ISIN Number	GBOOBOT29327

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Publication date of admission document	22 December 2005
Admission and expected commencement of dealings in the Ordinary Shares on AIM	04 January 2006
Placing Shares credited to CREST accounts	04 January 2006
Despatch of definitive share certificates (where applicable)	11 January 2006

DIRECTORS, SECRETARY AND ADVISERS

Directors

David John Hall	<i>Executive Chairman</i>
Robert Peter Foster	<i>Chief Executive Officer</i>
Perry Colin Ashwood	<i>Chief Financial Officer</i>
Paul James Foord	<i>Non-Executive Director</i>
Gavin John Burnell	<i>Non-Executive Director</i>

Each of:

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Perry Colin Ashwood

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Auditors

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DEFINITIONS

The following definitions shall apply throughout this document unless the context otherwise requires:

“ACA Howe”	ACA Howe International Limited
“Act”	the Companies Act 1985, as amended
“Admission”	admission of the Enlarged Share Capital to trading on AIM becoming effective in accordance with the AIM Rules
“AIM”	a market operated by the London Stock Exchange
“AIM Rules”	the rules for AIM companies and their nominated advisers as issued by the London Stock Exchange, as amended from time to time
“Board” or “the Directors”	the directors of the Company listed on page 3 of this document
“Combined Code”	the Combined Code on corporate governance published in July 2003 by the Financial Reporting Council
“Company” or “Stratex”	Stratex International plc
“Competent Person’s Report”	the independent report from ACA Howe which appears in Part 4 of this document
“CREST”	the relevant system (as defined in the CREST Regulations) in respect of which CRESTCo is the Operator (as defined in the CREST Regulations) in accordance with which securities may be held and transferred in uncertificated form
“CRESTCo”	CRESTCo Limited
“CREST Regulations”	the Uncertificated Securities Regulations 2001 (SI 2001 No. 3755)
“Enlarged Share Capital”	all of the issued Ordinary Shares following the issue of the Placing Shares
“FSA”	Financial Services Authority
“FSMA”	Financial Services and Markets Act 2000
“Group”	the Company and its subsidiaries as at the date of this document
“HB Corporate”	a division of Hoodless Brennan & Partners plc, which is regulated by the FSA
“London Stock Exchange”	London Stock Exchange plc
“Nominated Adviser and Broker Agreement”	the conditional agreement relating to Admission dated 21 December 2005 as described in paragraph 13.1 of Part 5 of this document
“NSR”	Net Smelter Return - a payment that is a fixed or variable percentage of the sales price, or gross revenue that the mining operator receives from the sale of mineral product from a property
“Official List”	the Official List of the UKLA
“Ordinary Shares”	ordinary shares of 1p each in the share capital of the Company

“Placing”	the conditional placing of the Placing Shares on behalf of the Company at the Placing Price pursuant to the terms and conditions of the Placing Agreement
“Placing Agreement”	the conditional agreement dated 21 December 2005 between the Company (1), the Directors (2) and HB Corporate (3), relating to the Placing, details of which are set out in paragraph 13.3 of Part 5 of this document
“Placing Price”	5p per Placing Share
“Placing Shares” the Placing	37,400,000 new Ordinary Shares to be allotted and issued pursuant to
“Shareholders”	the persons who are registered as holders of the Ordinary Shares from time to time
“Share Option Agreement”	the agreement entered into with HB Corporate as detailed in paragraph 13.2 of Part 5 of this document
“Share Option Scheme”	the unapproved employee share option scheme adopted by the Company as set out in paragraph 12 of Part 5 of this document
“Strategic Alliance Agreement”	an agreement entered into between Stratex Exploration Ltd and Teck Cominco Ltd for the purposes of identifying projects for acquisition by Stratex within specific geographic regions, in order to discover and develop mineral deposits that meet the economic criteria of Teck Cominco taken from the agreement
“Stratex Exploration” or “SEL”	Stratex Exploration Limited, a wholly-owned subsidiary of the Company
“Stratex Madencilik”	Stratex Madencilik Sanayi Ticaret A.S., a company incorporated in Turkey and a subsidiary of the Company (also referred to as Stratex Madencilik Sanayi Ticaret Limited STI)
“Teck Cominco”	Teck Cominco Limited of 600-200 Burrard Street, Vancouver, British Columbia
“Teck Cominco Arama”	Teck Cominco Arama ve Madencilik Sanayi Ticaret A.S. a company incorporated in Turkey and a subsidiary of Teck Cominco
“Teck Cominco – Stratex Advisory Committee”	a committee comprising two representatives of Stratex International plc, two representatives of Teck Cominco, and one independent advisor
“UKLA”	UK Listing Authority
“US” or “United States”	the United States of America, its territories and possessions, any State of the United States of America and the District of Columbia

PART 1

INFORMATION ON THE GROUP

Introduction

Stratex is an international exploration group currently focusing on gold and base metal opportunities in Turkey and directed by a highly experienced management team. The Company has, in its own right, and through formal agreements with major Canadian exploration and mining company, Teck Cominco, identified a number of precious and base metal occurrences that now require drilling to identify their magnitude and characteristics.

Teck Cominco, a founding shareholder of Stratex Exploration, is a diversified mining, smelting and refining group. It is also a major producer of copper and gold and is listed on the Toronto Stock Exchange (TEK.MV.A and TEK.SV.B). In 2004, Teck Cominco had revenues of CDN\$3.4 billion.

Stratex is seeking admission to AIM in order to raise funds for the following:

- Drilling of a high-sulphidation epithermal gold occurrence (Inlice) within a newly discovered gold district (the Konya area)
- Drilling at Karaagac, a partially exposed gold-bearing zone extending over an area of approximately 3.5 square kilometres
- Drilling at Dikmen, a porphyry-hosted molybdenum-copper-gold occurrence
- Field mapping and sampling on the Muratdere porphyry-hosted copper-gold-molybdenum prospect.

Strategy

It is the Directors' intention that the activities of Stratex be directed exclusively to the search for and delineation of high-value mineral resources, primarily gold, silver, copper, molybdenum, zinc, and nickel. The Directors believe that the lack of funding directed to exploration over the past decade has created a serious imbalance in the projected supply-demand equation for a number of commodities over the next few years.

Stratex has entered into the Strategic Alliance Agreement with Teck Cominco to explore for resources throughout Europe, the Middle East, and Africa. The Directors believe that the licence holdings and supporting databases held by Teck Cominco in these regions combined with the extensive personal knowledge, exploration experience and track records of the Stratex management team will enable the Company to identify priority precious and base metal deposits.

Under the Strategic Alliance Agreement Teck Cominco is entitled to exercise an option granted to it by the Company to take a property forward to pre-feasibility and, where appropriate, feasibility studies and ultimately production. The Directors aim to minimise financial and risk exposure to Stratex through joint funding and utilisation of the technical expertise and mining capabilities possessed by Teck Cominco. In the event that Teck Cominco does not elect to exercise its option on a property Stratex would have the right to negotiate financing and production agreements with other parties.

Group Location

Stratex's registered office and administrative centre is located at 212 Piccadilly, London, and its UK-based exploration hub is located in Wessex House, Eastleigh, Hampshire. The current focus of the Company's exploration activities is Turkey and this is managed through its wholly-owned Turkish subsidiary Stratex Madencilik Sanayi ve Ticaret Ltd Sti. with an office at Iran Caddesi 53/6 in Ankara.

Mineral Exploration in Turkey

Throughout central and western Turkey mineral exploration can be undertaken for at least ten months of the year and this increases to twelve months in the western and south-western coastal areas. The country has a history of mining that extends back to gold mining in pre-Roman times and has been actively engaged in base metal mining during the past century. Recent changes in mining and investment law in Turkey have in the opinion of the Directors created a positive environment for exploration and mining.

Mineral rights are vested in the State and are assigned by the Ministry of Energy and Natural Resources through the Mining Bureau. Exploration Licences are acquired by a simple process of identification of licence area (up to 2,000 hectares), payment of a deposit, and then, subject to confirmation of no other tenure, the licence is awarded

on payment of the registration fee and a deposit of 1.05 Turkish liras (currently approximately US\$0.77) per hectare. The deposit is payable annually but is repayable to the licensee at the termination of the exploration programme subject to completion of a satisfactory work programme. Ground becoming available for licensing as a result of relinquishment of, or defaulting on, an earlier licence has to be acquired via a sealed bid procedure. Exploration licences are valid for three years and, for “Group IV mines” that includes all metals, can be renewed for a further two years subject to submission of approved exploration reports as and when required. Transition to an operation licence is dependent only on submission of an appropriate application that includes a feasibility study incorporating an environmental impact study. The duration of the licence is determined by the declared reserves and proposed production rate and is usually granted for not less than ten years and no longer than sixty years. A royalty of 2% is payable to the Turkish government on all production.

Recent discoveries by other companies in central and western Turkey include Eldorado Gold’s Kisladağ gold deposit (7.8 million ounces) and Anatolia Mineral’s Cöpler gold deposit (3.8 million ounce resource) and a number of other smaller discoveries. In the opinion of the Directors, these discoveries, together with the development of Kisladağ (projected to commence production in February 2006), demonstrate both the prospectivity of the region and the supportive mining code and public-sector sentiment prevailing in Turkey.

Regional geology

The Group’s current mineral prospects are all located in central and western Turkey, a region in which a number of volcanic-associated gold and gold-copper deposits have been discovered during the past decade.

Gold and copper mineralization in central and western Turkey is associated with the former centres of volcanic activity, where up-welling aqueous fluids, driven by the heat of the volcanic activity, precipitated gold, copper, and other metals before erupting at the surface as either hot springs or volcanic fumaroles. Under geologically favourable conditions, such volcanic-driven fluid activity can generate epithermal gold-silver deposits that extend downwards to depths of up to 1,000 metres beneath the ancient land surface. In some cases such mineralized systems are rooted in hot intrusive granitic or dioritic (porphyry) bodies that have the potential to form large-tonnage, low-grade porphyry copper-gold deposits.

This exploration model is well recognised in central and western Turkey where deep porphyry systems are represented by Kisladağ (7.8 million ounces) and associated low-sulphidation gold mineralization is present at Efemcukuru (1.6 million ounces). The general setting of the volcanic activity and the types of epithermal and porphyry gold and copper deposits currently being discovered in the region are closely analogous to the important intrusion-related precious and base-metal deposits of the Andean metallogenic belt of South America.

The presence of mineralization at a shallow level below the former land surface and characterised as “high-sulphidation” gold mineralization has been identified by Stratex at its Inlice property. This style of mineralization is prevalent in three of the largest gold discoveries in the last 15 years, namely Yanacocha, Pierina and Alto Chicama in Peru.

Projects

The Group has rapidly developed a portfolio of high-priority prospects that require drilling in the near future to evaluate the resource potential and, where deemed appropriate, to define JORC-classified resources.

1. Konya

1.1 Inlice

The Inlice prospect is the first of at least twenty one hydrothermal alteration systems discovered by Stratex in an area of volcanic rocks situated 30 kilometres west-south-west of the city of Konya and 230 kilometres south of Ankara. The prospect comprises at least three north-west trending silica-rich zones known as “ledges” that form a zone, up to 900 metres wide, that has been traced over a distance of 3,500 metres. The central part of the zone is occupied by highly brecciated (fragmented) volcanic rocks that exhibit intense hydrothermal alteration.

Sampling of roadside outcrops of the two western zones (the “discovery outcrop”) yielded gold values of 0.45 g/t and 1.39 g/t gold over 1.2 metres and 0.8 metres and matching silver contents of 5.2 g/t and 0.9 g/t silver respectively. The easternmost zone, known as the Main Zone, forms a low but prominent hill of silica, and initial sampling of the north-western end of the hill yielded gold values of 4.1 g/t over 13 metres and 3.7 g/t over 8 metres. Subsequently, systematic sampling of the Main Zone with continuous chip samples across the full width of the silica-rich zone, where exposed, at distances of 40-80 metres along the zone yielded an average of 2.12 g/t gold over 19.6 metres for the 400 metres-long north-western sector. The silica zone is exposed at the surface for

a further 500 metres towards the south-east and sampling revealed persistently anomalous gold values (0.01-0.16 g/t) along 400 metres of this distance, together with elevated silver values (averaging 1.7 to 6.2 g/t) over the exposed width of between 7 metres and 32 metres.

The physical and mineralogical characteristics of the Inlice prospect indicate that it is a high-sulphidation gold system, an interpretation that has been endorsed by an independent consultant, Dr Stewart Redwood, a leading expert on epithermal gold-silver deposits who has evaluated a large number of such systems throughout South America. The Directors believe that these characteristics strongly suggest that very little of the system has been eroded and that the major part of the gold-bearing zones will be identified at relatively shallow depths (possibly within 100 metres) by drilling.

The Directors believe that Inlice is a very significant gold discovery and one that can be easily evaluated by drilling of the Main Zone. Furthermore, the Main Zone is only one part of a much larger and complex system that underlies an area of at least 3,500 metres x 900 metres and that has the potential to host a large gold resource. Given that the various occurrences of gold-bearing and hydrothermally altered rocks are exposed at the surface and that there are indications of oxidation down to a depth of some tens of metres, the Directors believe that any gold-bearing material could be extracted by open-pit mining techniques, thus minimising capital expenditure.

During 2006 a programme of diamond drilling will be directed at the Main Zone and will entail ten inclined holes each approximately 100 metres in length, to confirm the encouraging gold grades encountered at the surface and to define the geometry of the mineralized zone. The results of this work will then be utilized to direct a programme of reverse circulation drilling during the first part of 2007 (3,000 metres comprising about 30 vertical holes) to facilitate preliminary estimation of a mineral resource.

1.2 General Konya area

As a direct result of the discovery and importance of Inlice, Stratex undertook a study of the full Konya volcanic belt that extends over an area of approximately 2,000 square kilometres. Using a combination of satellite image studies and field visits to selected sites, the Company has now identified twenty further occurrences within a corridor measuring approximately 50 kilometres x 20 kilometres that exhibit many of the physical and mineralogical characteristics evident at Inlice. All of these sites are regarded by the Directors as important exploration prospects and they have now been secured by the Company through the registration of a total of nineteen exploration licences (including Inlice) with a total area of 264 square kilometres.

In the Directors' opinion the Konya volcanic belt is an important new exploration opportunity. As an independent consultant, Dr Redwood has drawn the Directors' attention to the many similarities, in terms of the geological setting, styles of mineralization, and multiplicity of potential prospects, between the Inlice-Konya occurrences and the multiple gold zones that comprise the Yanacocha gold deposit in northern Peru owned collectively by Newmont Mining Corporation, Compania de Minas Buenaventura S.A.A. and the International Finance Corporation (World Bank Group). Yanacocha is one of the largest known high-sulphidation gold deposits in the world. As at the year 2000, the reserves, resource and past production amounted to approximately 50 million ounces of gold and 356 million ounces of silver. There are at least eight individual prospects that contribute to this resource with head grades of 0.8 to 1.6 g/t gold.

The main points of comparison with the Konya occurrences are the high-potassium calc-alkaline andesite-dacite volcanic rocks; the host flow-dome complex, which at Yanacocha has given rise to a variety of deposit styles and morphologies controlled by lithological, breccia and structural permeability; multiple centres of mineralization; and the association of gold with silicification, albeit in very large volumes at Yanacocha.

Dr Redwood has also commented that Inlice bears a striking similarity to the Goldfield high-sulphidation deposit in Nevada from which 4.2 million ounces of gold, 1.5 million ounces of silver and 7.7 million pounds of copper were produced from 7.0 million tonnes of ore between 1903 and 1947.

2. Karaagac

Karaagac is one of a number of prospects identified within a licence block covering an area of 121 square kilometres situated 32 kilometres north-east of the town of Usak and 300 kilometres west-south-west of Ankara. The licence block, Muratdagi, optioned to Stratex by Teck Cominco, covers a thrust-faulted sequence of limestones and schists that have been intruded by, and now partly overlain by, volcanic rocks. Utilizing an extensive database of stream-sediment, soil, and rock geochemistry provided by Teck Cominco, Stratex undertook a programme of satellite image studies and reconnaissance visits followed by geological mapping of what were

perceived to be areas of significant interest, leading to identification of the Karaagac prospect as being of greatest potential within the licence area.

Detailed geological mapping of outcropping rocks in this hilly terrain has led to identification of a gently undulating blanket-like thrust (fault) zone and underlying altered limestone unit that extend over an area of approximately 3.5 square kilometres. Systematic chip sampling of the outcropping thrust zone and altered limestone has yielded numerous values in excess of 0.5 g/t gold, including high values of 9.71 g/t gold and 6.92 g/t gold over 2 metres and 1 metre respectively, along approximately 6 kilometres of the exposed zone. Continuous sampling over the full vertical width of the mineralized zone, estimated by the Directors to be up to 60 metres in places, was not possible due to the limited extent of the outcropping rocks but the Directors are of the firm opinion that Karaagac has considerable potential to be developed as a large-tonnage low-medium-grade oxide gold deposit.

A programme of core and percussion drilling is planned to determine the dimensions and gold content of the mineralized zone. During 2006 an initial programme of 12 steeply inclined diamond drillholes will be drilled, totalling 850 metres in length, to define the grade and thickness of the mineralized zone. This will be followed in the second half of the year by drilling 50 vertical RC holes for a total of 4,000 metres of drilling to provide the basis for a preliminary estimate of the mineral resource.

3. Dikmen

The Dikmen licence block (approximately 14 square kilometres) is one of three prospective licence blocks in the Miocene volcanic terrain of western Turkey that are held by Stratex under option from Teck Cominco. The other two blocks are Ergama and Belen. Following a review of geological and geochemical databases provided by Teck Cominco for each licence block, Stratex identified the porphyry-hosted copper-gold-molybdenum occurrence of the Dikmen licence as a key target for further evaluation. The prospect is located in the Biga Peninsula, approximately 480 kilometres west of Ankara and 2 kilometres east of the village of Dikmen.

Previous exploration work identified a porphyry-granite complex that extends for a distance of at least 4,400 metres and ranges in width from 50 metres to 1,000 metres. Disseminated, stockwork, and veinlet-style mineralization has been identified intermittently along 3,000 metres of the porphyry-granite complex, with the largest area of such mineralization estimated by the Directors to be 800 metres x 200 metres. The extent of the mineralization is also defined by anomalous values of gold, copper, and molybdenum in stream sediments and soils across the length and breadth of the porphyry-granite complex.

Stratex has confirmed the presence of a well-developed stockwork of narrow quartz veins containing molybdenite and minor chalcopyrite in the porphyry along a stream section extending for approximately 400 metres. Collection of seven check samples by chipping of outcropping material yielded maximum values of 0.43 g/t gold, 3.2 g/t silver, 1,875 parts per million molybdenum, and 479 parts per million copper.

One diamond drillhole was drilled on the property in 1990 as part of a Japanese-Turkey joint project. MJTC-15 hole was drilled on an area of disseminated pyrite mineralization near the south-west limit of the porphyry-granite system where it intersected altered rock and quartz veins containing molybdenite and pyrite over almost the full length (150 metres) of what appears to have been a vertical hole. Gold and silver values were low but copper was moderately elevated in the upper part (150 – 2400 parts per million) and molybdenum also elevated (100 – 300 parts per million) in various parts of the hole. Mercury was strongly enriched throughout and both arsenic and antimony were moderately to highly enriched.

The Directors are of the opinion that this prospect has the potential to be a substantial molybdenum-copper-gold porphyry occurrence that is exposed at surface and that could readily be exploited by open-pit mining methods.

Funds will be used to undertake geological mapping and sampling of the prospect to provide focus for an early campaign of exploratory drilling to determine the extent and grade of the mineralization. A programme of ten steeply inclined diamond drillholes is planned for the second half of 2006 and will provide a total of 850 metres of core to facilitate evaluation of the grade and variation with depth of the mineralized material.

4. Muratdere

The Muratdere property comprises two licences, held under option by Stratex, covering another substantial porphyry copper-gold-molybdenum system located 250 kilometres west of Ankara and 12 kilometres west of the town of Bozuyuk. The occurrence was first identified by the Turkish government's Mineral Research and Exploration Institute (MTA) following work undertaken in the period 1999-2001. Systematic soil sampling over

the property yielded up to 1,100 parts per billion (1.1 g/t) gold, 1,450 parts per million copper, and 120 parts per million molybdenum, and rock samples gave maximum values of 1,200 parts per billion (1.2 g/t) gold, greater than 10,000 parts per million (1%) copper, and 1,000 parts per million molybdenum.

MTA drilled two holes, on what Stratex has recognised on the basis of subsequent geological mapping, to be the edge of the main mineralized part of the porphyry body. The Directors interpret that first hole MDS-1 intersected faulted sedimentary rocks on the margin of the porphyry body. MDS-2, however, gave an intersection of 2000 parts per million copper and 200 parts per million molybdenum over 194 metres, and the upper 10 metres of the hole is reported to have averaged 5000 parts per million copper. No gold values were reported and to the understanding of the Directors full results of the drilling still remain confidential to MTA. Stratex has been advised that the data and a full report will be released before the end of 2005.

Geological mapping by Stratex has demonstrated that the porphyry system extends east-west for a distance of at least 4,000 metres and has a width of between 500m and 1,700m. Mineralization consists of narrow sulphide-bearing quartz veins and disseminated sulphide minerals in the rock. Collection of 22 samples by Stratex across the eastern end of the porphyry wherever rocks were exposed yielded 12 samples with copper exceeding 500 parts per million and maximum values of 6,520 parts per million and 4,560 parts per million in samples containing visible copper oxides. Gold was anomalous, with values up to 0.16 g/t, and molybdenum to 419 parts per million.

The Directors believe that Muratdere represents a significant porphyry copper-gold-molybdenum prospect that can be rapidly and cost effectively evaluated by a short programme of geological mapping and sampling, leading to exploration drilling should the initial exploratory campaign confirm its potential. Like Dikmen, the prospect would likely prove to be an open-pittable resource with commensurate low-capital investment required to take it to production.

Agreements

Stratex has entered into the Strategic Alliance Agreement with Teck Cominco. The agreement covers activities in Europe, the Middle East, and Africa, with certain exceptions, and requires that all potential prospects identified by either party are formally screened by the Teck Cominco - Stratex Advisory Committee and either approved or rejected. Stratex can achieve a 100% interest in a property introduced by Teck Cominco on the basis of negotiated exploration expenditure by Stratex. Subject to agreed further expenditure by Teck Cominco, Teck Cominco can earn back in to a project to a level of 60%.

Teck Cominco has the right to earn in up to 51 % of Stratex's interest in any approved property introduced by Stratex by funding two times the exploration expenditure incurred by Stratex. Teck Cominco has the right to select up to four such opportunities for earn back or earn in prior to termination of the Strategic Alliance Agreement on 31 December 2007.

The Inlice IV licence, although owned by Stratex, is subject to a 2.5 % net profit share agreement with Stratex's general manager in Turkey Mr Bahri Yildiz or a share of net proceeds should the property be sold; Mr Yildiz will receive 3 % of net proceeds should the property be sold for a value equal to or greater than US\$5 million, and 6% of net proceeds for a realised sale value of between US\$5 million and US\$2 million, and proportionally higher net proceeds for sales at lower values. The remaining 18 licences in the Konya area are owned by Stratex and are free from encumbrances. In addition, NSR agreements are currently being negotiated with holders of three licence blocks registered for the production of the clay mineral kaolinite in the same area.

The Karaagac prospect in the Muratdagi licence block is subject to an earn-back right of 60 % in favour of Teck Cominco subject to a sliding cash payment by Teck Cominco to Stratex of up to US\$2 million, depending on the level of expenditure by Stratex, and by Teck Cominco funding exploration expenditure of one and a half times the expenditure incurred on the property by Stratex.

The Muratdere property is covered by two licences held respectively by Mr Yildiz and a Turkish company Teknik Arastima Ticaret Serketi (TEKAR). Stratex has been granted an option to acquire these licences on the basis of a 1.5 % NSR payable to both licencees, plus a one-off cash payment of US\$10,000 to TEKAR upon admission of Stratex to a recognized stock exchange.

In line with the Strategic Alliance Agreement signed with Teck Cominco, the Inlice and Konya licences, the Muratdere property, and any future acquired properties approved by the joint Teck Cominco – Stratex Advisory Committee, up to a total of four, are subject to an earn-in right of 51 % by Teck Cominco. The option to earn in would be triggered by Stratex incurring US\$2.5 million expenditure on any one property and will be subject to Teck Cominco subsequently funding two times the expenditure incurred by Stratex.

Licences**Konya area** (licence held by Stratex)

<i>Licence name</i>	<i>Licence no.</i>	<i>Acquisition date</i>	<i>Due date</i>	<i>Area (ha)</i>	<i>Owner</i>
Inlice I	20055356	23.08.2005	25.08.2008	1,975.01	Stratex
Inlice II	20055357	23.08.2005	25.08.2008	1,650.00	Stratex
Inlice III	20055271	18.08.2005	18.08.2008	1,200.00	Stratex
Inlice IV	20055214	17.08.2005	18.08.2008	1,925.00	Stratex
Inlice V	20055275	18.08.2005	18.08.2008	400.00	Stratex
Doganbey	20055988	15.09.2005	15.09.2008	1,116.42	Stratex
Yunuslar	20056646	03.10.2005	03.10.2008	750.00	Stratex
Saglik	20056650	03.10.2005	03.10.2008	585.92	Stratex
Yatagan	20056647	03.10.2005	03.10.2008	1,175.00	Stratex
Ilyasbaba Tepe	20056649	03.10.2005	03.10.2008	1,650.00	Stratex
Gokyurt	20056648	03.10.2005	03.10.2008	1,076.96	Stratex
Oglakçi	20056789	10.10.2005	10.10.2008	1,712.16	Stratex
Dikilitas	20056790	10.10.2005	10.10.2008	1,535.40	Stratex
Çukuragil	20057092	19.10.2005	20.10.2008	1,398.79	Stratex
Gavur Gölü	20057095	19.10.2005	20.10.2008	1,875.00	Stratex
Karacaören	20057090	19.10.2005	20.10.2008	1,812.50	Stratex
Kozlu	20057091	19.10.2005	20.10.2008	1,918.75	Stratex
Mesudiye	20057089	19.10.2005	20.10.2008	1,387.50	Stratex
Orta Karaören	20057094	19.10.2005	20.10.2008	1,300.00	Stratex

Total**26,444.41****Muratdagi** (option held by Stratex)

<i>Licence name</i>	<i>Licence No</i>	<i>Acquisition date</i>	<i>Due Date</i>	<i>Area (ha)</i>	<i>Owner</i>
Muratdagi	AR-82337	15.07.2002	15.07.2007	882.26	Teck Cominco
Muratdagi	AR-82421	03.07.2002	03.07.2007	1,253.02	Teck Cominco
Muratdagi	AR-84291	19.11.2002	19.11.2007	180.06	Teck Cominco
Muratdagi	AR-87310	29.05.2003	29.05.2008	2,956.09	Teck Cominco
Muratdagi	AR-87316	29.05.2003	29.05.2008	61.55	Teck Cominco
Muratdagi	AR-87317	29.05.2003	29.05.2008	1,009.21	Teck Cominco
Muratdagi	AR-87634	02.06.2003	02.06.2008	259.84	Teck Cominco
Muratdagi	AR-87635	30.05.2003	30.05.2008	1,095.37	Teck Cominco
Muratdagi	AR-87650	02.06.2003	02.06.2008	1,399.09	Teck Cominco
Muratdagi	AR-92139	01.04.2004	01.10.2007	439.29	Teck Cominco
Muratdagi	AR-92321	12.04.2004	12.10.2007	193.22	Teck Cominco
Muratdagi	AR-92977	12.05.2004	12.11.2007	438.78	Teck Cominco
Muratdagi	AR-93128	14.05.2004	14.11.2007	390.98	Teck Cominco
Muratdagi	AR-93756	15.06.2004	17.12.2007	1,572.23	Teck Cominco

Total**12,130.99****Dikmen** (option held by Stratex)

<i>Project</i>	<i>Licence No</i>	<i>Acquisition date</i>	<i>Due date</i>	<i>Area (ha)</i>	<i>Owner</i>
Dikmen	AR-84444	20.11.2002	20.11.2007	908.60	Teck Cominco
Dikmen	AR-84162	30.09.2002	01.10.2007	190.30	Teck Cominco
Dikmen	AR-82475	29.07.2003	29.07.2007	295.23	Teck Cominco

Total**1,394.13****Muratdere** (option held by Stratex)

<i>Project</i>	<i>Licence No</i>	<i>Acquisition date</i>	<i>Due date</i>	<i>Area (ha)</i>	<i>Owner</i>
Muratdere	AR-87468	05.05.2003	05.05.2008	153.08	Bahri Yildiz
Muratdere	IR-7470	09.02.2005	09.02.2015	1,923.27	TEKAR

Total**2,076.35**

Ergama (option held by Stratex)

<i>Project</i>	<i>Licence No</i>	<i>Acquisition date</i>	<i>Due date</i>	<i>Area (ha)</i>	<i>Owner</i>
Ergama	20050066	08.04.2005	08.04.2008	864.25	Teck Cominco
Ergama	10799	18.12.2003	18.12.2006	2,168.91	Teck Cominco
Total				3,033.16	

Belen (option held by Stratex)

<i>Project</i>	<i>Licence No</i>	<i>Acquisition date</i>	<i>Due date</i>	<i>Area (ha)</i>	<i>Owner</i>
Belen	84160	26.09.2002	26.09.2007	1,597.58	Teck Cominco
Belen	82432	22.07.2002	22.07.2007	654.46	Teck Cominco
Belen	20054261	08.07.2005	08.07.2008	244.48	Teck Cominco
Total				2,496.52	

Directors & Senior Management**David Hall**, aged 46, *Executive Chairman*

David Hall is a graduate in geology from Trinity College Dublin and holds a Masters Degree in Mineral Exploration from Queens University, Kingston, Ontario. He has 24 years of experience in the exploration sector and has worked on and assessed exploration projects and mines in over 40 countries including Turkey where he worked for over four years. From 1992, he was Chief Geologist for Minorco SA 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 and subsequently became Exploration Manager for AngloGold South America in 1999. In this last role he was responsible for exploration in Argentina around the Cerro Vanguardia gold mine in Brazil and establishing the programme that resulted in the discovery of the La Rescantada gold deposit in Peru as well as joint ventures in Ecuador and Colombia. He has been responsible for numerous new discoveries in his career including the Gumushane porphyry gold in north eastern Turkey, and a significant sediment gold hosted system in Iran.

In April 2002 he became an Executive Director of MinMet plc and then Operations Director in September 2002. Subsequently David was instrumental in spinning off Minmet's assets in the Dominican Republic into TSX-V company GoldQuest Mining Corporation which is listed on the Toronto Stock Exchange and of which he is now President and Chief Executive Officer. GoldQuest's major equity partners are two of the world's leading gold mining companies – Gold Fields of South Africa and Placer Dome.

Dr Robert Foster, aged 57, *Chief Executive Officer*

Bob Foster has 32 years of experience as a professional economic geologist in exploration, mining, and applied academic posts, having worked in Europe, Central Asia, Australia, 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 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 and exploration companies and was a founding member of the management team of Pan-African Mining Pvt Ltd that developed the open pit Ayrshire gold mine in Zimbabwe in 1991-1996. He also directed a major gold exploration programme for associated company Pan-Reef Mining in Zimbabwe during 1994-1996. For six years prior to joining Stratex Bob was Minerals Manager for UK-based international consultancy group Exploration Consultants Limited.

As a Fellow of the IMMM and Chartered Engineer, Bob is recognized as a competent person by regulatory authorities within the mining sector.

Perry Ashwood, FCA, aged 57, *Chief Financial Officer*

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 Intermec International Inc in 1998 as Finance Director, Europe, Middle East & Africa before becoming an independent consultant in 2000. Since then he has undertaken various interim roles with small to medium sized businesses including start ups.

Paul Foord, B.Sc (Hons), MBA, aged 52, Non Executive Director

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

Gavin Burnell, aged 28, Non-Executive Director

Gavin has specialised in the small-cap equities market for the last five years. He joined Ruegg & Co Limited, an AIM Nominated Adviser and Ofex Corporate Adviser, on September 11, 2001 and is now responsible for equity sales and maintaining client relationships with a number of AIM and Ofex corporate clients. He is the Managing Director of Woodland Capital Limited, a private investment company, which he founded in December 2001.

Gavin served as a Non-Executive Director of Agricola Resources plc, an Ofex-traded company between October 2003 and October 2005. He is a founder and Non-Executive Director of Israeli Acquisitor I plc, also an Ofex-traded company. Gavin holds a degree in Accounting and Finance from the Business School of the University of the West of England, Bristol.

Bahri Yildiz, aged 50, General Manager Turkey

Bahri Yildiz is a Turkish national with an industrial career spanning 26 years dedicated to mineral exploration and mining geology throughout Turkey. A geology graduate of the Middle Eastern Technical University, Bahri commenced his career in 1980 with the government's General Directorate of Mineral Research and Exploration (MTA) where he spent ten years managing a wide range of projects relating to exploration for precious and base metals. This was followed by three years as Exploration Manager with Turkish company Yurttaşlar Madencilik before he joined Dardanel Madencilik, the Turkish subsidiary of major Canadian mining company Inco Ltd in 1992 as Senior Geologist. During his final four years with Dardanel he was Exploration Manager and responsible for generating and supervising a wide range of exploration programmes throughout Turkey. Following closure of the Turkish office in 2003 he became an independent consultant before joining Stratex Exploration in April 2005.

Staff

In addition to the Directors and senior management, the Group currently utilises the services of Hilal Sevindik, who gained a BSc in Geological Engineering from the Middle East Technical University, Ankara. Hilal provides computing and administrative support to Mr Yildiz.

The Placing

The Company is proposing to raise £1.87 million by the issue of 37,400,000 Placing Shares at the Placing Price. Under the Placing Agreement, HB Corporate has agreed to use reasonable endeavours to place the Placing Shares at the Placing Price. The Placing is not being underwritten. The expenses of the Placing and Admission are expected to be £325,000 (exclusive of VAT) and are payable by the Company. The net proceeds of the Placing are expected to be £1.54 million.

The Placing is conditional, *inter alia*, on:

1. The Placing Agreement becoming unconditional in all respects and not having been terminated in accordance with its terms prior to Admission; and
2. Admission.

The Placing Shares will, when issued and fully paid, rank *pari passu* in all respects with the existing Ordinary Shares and application will be made for the Ordinary Shares to be traded on AIM.

Placees are required to remit their subscription monies by 3 pm on 03 January 2006.

A summary of the principal terms and conditions of the Placing Agreement is set out in paragraph 13.3 of Part 5 of this document.

Reasons for Admission and Use of Proceeds

The Directors are seeking to list the Company's shares on AIM both to provide access to capital via a broader investor base and to enhance the Company's international visibility and reputation. The Directors believe that the profile of the Company will be enhanced through the success of the Placing and Admission.

The Company will raise approximately £1.87 million before commissions and expenses to enable it to undertake drilling and supporting fieldwork on the Inlice, Karaagac, and Dikmen properties. A programme of geological mapping and sampling on the Muratdere property will also be undertaken to provide a basis for a future drill campaign.

Admission to AIM and Dealings in Ordinary Shares

Application has been made for the Ordinary Shares to be admitted to trading on AIM. Dealings in the Ordinary Shares are expected to commence on 04 January 2006.

HB Corporate has been appointed as the Company's Nominated Adviser and broker in relation to Admission.

CREST

CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by a certificate and transferred otherwise than by written instrument. The Company's Articles of Association contain certain provisions concerning the transfer of shares which are consistent with the transfer of shares in dematerialised form in CREST under the CREST Regulations. The existing Ordinary Shares are currently enabled for settlement through CREST and application has been made to CRESTCo to issue the New Ordinary Shares in uncertificated form. Accordingly, settlement of transactions in the Ordinary Shares following Admission may take place within the CREST system if relevant Shareholders so wish. CREST is a voluntary system and holders of Ordinary Shares who wish to receive and retain share certificates will be able to do so.

Corporate Governance

The Directors intend that the Company will comply with the main provisions of the guidelines set out in the Combined Code in so far as is appropriate having regard to the size and nature of the Company. The Company has appointed two non-executive directors with relevant experience to complement the executive directors and to provide an independent view to the Board.

An Audit Committee comprising Paul Foord, Gavin Burnell and Perry Ashwood, has been established by the Company to operate from Admission. The Audit Committee will be chaired by Paul Foord and will meet at least twice each year. The Audit Committee will be responsible for ensuring that appropriate financial reporting procedures are properly maintained and reported on and for meeting with the Group's auditors and reviewing their reports on the accounts and the Group's internal controls.

The Company has, in addition, established a Remuneration Committee, comprising Paul Foord, Gavin Burnell and David Hall, to operate from Admission. The Remuneration Committee will be chaired by Paul Foord. The Remuneration Committee will be responsible for reviewing the performance of the executive directors, setting their remuneration, considering the grant of options under any share option scheme and, in particular, the price per share and the application of performance standards which may apply to any such grant.

Share Dealing Code

The Company has adopted and will operate a share dealing code governing the share dealings of the Directors and applicable employees during close periods in accordance with Rule 21 of the AIM Rules.

Lock-ins

Upon Admission becoming effective the Directors and persons connected with them will own 34,295,281 Ordinary Shares representing 25 per cent of the issued share capital and in addition will have options over 1,950,000 Ordinary Shares representing 1.4 per cent of the enlarged share capital. The Directors and persons connected with them have undertaken to the Company and to HB Corporate that they will not sell or dispose of, except in certain circumstances (as permitted by the AIM Rules), any of their respective interests in Ordinary Shares at any time before the first anniversary of Admission.

Dividend Policy

It is the intention of the Directors to achieve capital growth by maximising the Group's exploration projects and not to pay dividends until such time that the Group's assets have been brought into profitable production or sold.

Considering the anticipated capital expenditure requirements for the Group's exploration projects, payment of a dividend in the near future is unlikely.

Trends

Save as set out in this document, there are no known trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the Group's prospects for at least the current financial year.

Working Capital

The Directors are of the opinion that, having made due and careful enquiry, the working capital available to the Company will be sufficient for its present requirements, that is for at least 18 months from the date of Admission.

Environmental Issues

Realising value from mineral resource assets in the future could ultimately require mining activity. The Group recognises the importance of environmental issues and observes environmental requirements in accordance with Turkish law.

Options

The Company will, on Admission, issue 4,122,000 options to HB Corporate under the Share Option Agreement. These options are exercisable at the Placing Price at any time up to the fifth anniversary of Admission. Further details of the options can be found in paragraph 13.2 of Part 5.

The Company has adopted an unapproved employee share option scheme. The Directors have granted options under this scheme as set out in paragraph 4.2 of Part 5.

Taxation

The attention of prospective investors is drawn to paragraph 7 of part 5 of this document.

Shareholders who are in any doubt as to their tax position should consult their professional advisers immediately.

PART 2

RISK FACTORS

The exploration for and development of natural resources is a speculative activity which involves a high degree of financial risk. Furthermore, the Directors believe that an investment in the Ordinary Shares may be subject to a number of risks. Prospective investors should consider carefully all of the information set out in this document attaching to an investment in the Company, including in particular the risks described below before making any investment decisions. The information below does not purport to be an exhaustive list. Prospective investors should consider carefully whether investment in Ordinary Shares is suitable for them in the light of information in this document and their personal circumstances. If any of the following risks actually occur, the Company's business, financial condition and/or results of operations could be materially and adversely affected. In such case, an investor may lose all or part of his or her investment. Additional risks and uncertainties not currently known to the Directors may also have an adverse effect on the Group's business.

Exploration and Mining Risks

All exploration is inherently speculative. The techniques presently available to geophysicists, geologists, and other technical specialists to identify the existence and location of minerals are indirect, and therefore, a considerable amount of personal judgement is involved in the selection of any prospect for drilling or identifying potentially profitable producing sites.

The demand for and availability of a ready market for gold depends upon numerous factors beyond the Group's control, the exact effects of which cannot be accurately predicted. These factors (the list of which is not exhaustive) include: general economic activity, world metal prices, the availability of transportation capacity, the availability and pricing of other precious metals, geological, geotechnical and seismic factors, industrial and mechanical accidents, unscheduled plant shutdowns or other processing problems, technical failures, labour disputes, power supply failure, environmental hazards, governmental regulation and taxation.

Mineral exploration is speculative in nature, involves many risks and is frequently unsuccessful. There can be no assurance that any mineralization discovered will result in proven and probable reserves. If reserves are developed, 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 ore reserves through drilling, to determine metallurgical processes to extract minerals from ore and, in the cases of new properties, to construct mining and processing facilities. As a result of these uncertainties, no assurance can be given that the exploration programmes undertaken by the Group will result in any new commercial mining operations being brought into operation.

Mineral drilling activities are subject to numerous risks, many of which are beyond the Company's control. The Group's operation may be curtailed, delayed or cancelled as a result of weather conditions, mechanical difficulties, shortage or delays in the delivery of rigs and/or other equipment and compliance with governmental requirements. Drilling may involve unprofitable efforts if they are not sufficiently productive to justify commercial development or cover operating and other costs.

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

The Placing will raise £1.54 million after expenses. The Company will need to raise additional funds to undertake work beyond that disclosed in Part 1 for which the Company is securing funding under the Placing. There is no certainty that this will be possible at all or on acceptable terms. In some cases, the Company could be required to finance development by farming out or otherwise reduce its level of participation in interests in which it holds. This could substantially dilute the Company's interest in its projects.

Political Risks

All of the Group's properties and operations will be located in a foreign jurisdiction. As a result, the Group is

subject to political, economic and other uncertainties, including but not limited to, changes in policies or the personnel administering them, terrorism, nationalisation, appropriation of property without fair compensation, cancellation or modification of contract rights, foreign exchange restrictions, currency fluctuations, export quotas, royalty and tax increases and other risks arising out of foreign governmental sovereignty over the area in which these operations are conducted, as well as risks of loss due to civil strife, acts of war, guerrilla activities and insurrection.

Although political conditions in Turkey are generally stable, changes may occur in its political, fiscal and legal systems which might affect the ownership or operation of the Company's interests, including inter alia, changes in exchange control regulations, expropriation of mining rights, changes in government and in legislative and regulatory regimes.

There are no restrictions on the foreign ownership of mining companies in Turkey. However, there can be no assurance that the requirements of the Turkish Government as to the foreign ownership and control of mining companies will not change.

Uninsured Risks

The Group, as a participant in exploration and development programmes, may become subject to liability for hazards that cannot be insured against or against which it may elect not to be so insured because of high premium costs or other reasons. The Group may incur a liability to third parties (in excess of any insurance cover) arising from pollution or other damage or injury.

The occurrence of any of these hazards can delay activities of the Company and may result in liability. The Company may become subject to pollution or other hazards against which it has not insured or cannot insure, including those in respect of past mining activities for which it was not responsible.

The operations of the Group may be disrupted by a variety of risks and hazards which are beyond the control of the Group, including geological, geotechnical and seismic factors, environmental hazards, industrial accidents, occupation and health hazards, technical failures, labour disputes, unusual or unexpected rock formations, flooding and extended interruptions due to inclement or hazardous weather conditions, explosions and other acts of God. These risks and hazards could also result in damage to, or destruction of, production facilities, personal injury, environmental damage, business interruption, monetary losses and possible legal liability. No assurance can be given that the Group will be able to obtain insurance coverage at reasonable rates (or at all), or that any coverage it obtains will be adequate and available to cover any such claims.

Dependence on Key Personnel

The Company is dependent upon its executive management team. Whilst it has entered into contractual arrangements with the aim of securing the services of these personnel, the retention of their services cannot be guaranteed. The development and success of the Group depends on the Company's ability to recruit and retain high quality and experienced staff. The loss of the services of key personnel or the inability to attract additional qualified personnel as the Group grows could have an adverse effect on the Group's business, financial condition and trading results. The Group competes with numerous other mineral companies (many of which have greater resources) and individuals in the search for and acquisition of gold and base metal rights as well as for the recruitment and retention of qualified employees and contractors.

Financing

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

The successful extraction of any precious and base metals may require very significant capital investment. In addition, delays in the construction and commissioning of any of the Group's future drilling or mining projects or technical difficulties may result in projected target dates for related production being delayed and/or further capital expenditure being required. The Group's ability to raise further funds will depend on the success of existing and acquired operations.

Limited Operating History

The Company does not have an established track record. The Group's operations are at an early stage of development and success will depend upon the Director's ability to manage the current projects and to identify and take advantage of further opportunities which may arise.

The Group has no properties producing cash flow and its ultimate success will depend upon its ability to generate cash flow from properties in the future. The Group has not earned profits to date and there is no assurance that it will do so in future. A portion of the Group's activities will be directed to the search for and the development of new mineral deposits.

Historical facts, information gained from historic experience, present facts, circumstances and information, and assumptions from all or any of these are not a guide to the future. Aims, targets, plans and intentions referred to herein are no more than that and do not imply forecasts.

The Ordinary Shares should be regarded as a highly speculative investment and an investment in Ordinary Shares should only be made by those with the necessary expertise to fully evaluate the investment. Prospective investors are advised to consult an independent adviser authorised under the Financial Services and Markets Act 2000.

Title Matters

Whilst the Group has diligently investigated title to all mineral claims and, to the best of the Directors' knowledge, title to all properties is in good standing, this should not be construed as a guarantee of title. The properties may be subject to undetected title defects. If a title defect does exist it is possible that the Group may lose part or all of its interest in properties to which the title defect relates.

Market Perception

Market perception of mining and exploration companies may change which could impact on the value of investors' holdings and impact on the ability of the Company to raise further funds by the issue of further shares in the Company.

Areas of Investment Risk

The value of an investment in the Group is dependent upon the Group achieving its strategic aim. Whilst the Directors are optimistic about the prospects for the Group there is no certainty that the Group will be capable of achieving the anticipated future revenues or growth.

Potential investors should be aware that the value of shares and income from them can go down as well as up, that Admission of the Ordinary Shares to trading on AIM should not be taken as implying that there will be a liquid market in the Ordinary Shares and that the market price of the Ordinary Shares may not reflect the underlying value of the Company. An investment in the Ordinary Shares may therefore be difficult to realise.

An investment in the Ordinary Shares may not be suitable for all readers of this document. Investors are accordingly advised to consult an appropriate person authorised under the Financial Services and Markets Act 2000 before making their decision.

There can be no assurance as to the level of future dividends. The declaration, payment and amount of any future dividends of the Company are subject to the discretion of the shareholders of the Company or, in the case of interim dividends to the discretion of the Directors, and will depend upon, among other things, the Company's earnings, financial position, cash requirements, availability of profits, as well as provisions for relevant laws or generally accepted accounting principles from time to time.

The prices of publicly quoted securities can be volatile. The price of securities is dependent upon a number of factors, some of which are general or market or sector specific and others that are specific to the Company.

The Ordinary Shares will not be listed on the Official List of the UK Listing Authority and although the Ordinary Shares will be traded on AIM, this should not be taken as implying that there will always be a liquid market in the Ordinary Shares. In addition, the market for shares in smaller public companies is less liquid than for larger public companies. Therefore an investment in the Ordinary Shares may be difficult to realise and the price of the Ordinary Shares may be subject to greater fluctuations than might otherwise be the case.

An investment in shares quoted on AIM may carry a higher risk than an investment in shares quoted on the Official List. AIM has been in existence since June 1995 but its future success and liquidity in the market for the Ordinary Shares cannot be guaranteed. Investors should be aware that the value of the Ordinary Shares may be volatile and may go down as well as up and investors may therefore not recover their original investment.

The market price of the Ordinary Shares may not reflect the underlying value of the Company's net assets. The price at which investors may dispose of their Ordinary Shares may be influenced by a number of factors, some of which may pertain to the Company and others which are extraneous. On any disposal of their Ordinary Shares, investors may realise less than the original amount invested.

The risks noted above do not necessarily comprise all those faced by the Company and are not intended to be presented in any assumed order of priority.

The investment described in this document is speculative and may not be suitable for all recipients of this document. Potential investors are accordingly advised to consult a person authorised under the Financial Services and Markets Act 2000 who specialises in advising in investments of this kind before making any investment decisions. A prospective investor should consider carefully whether an investment in the Company is suitable in the light of his personal circumstances and the financial resources available to him.

PART 3
FINANCIAL INFORMATION
SECTION A
ACCOUNTANT’S REPORT ON STRATEX INTERNATIONAL PLC

The following is the text of a report received from CLB Littlejohn Frazer, reporting accountants:

The Directors
Stratex International plc
212 Piccadilly
London
W1J 9HG

The Directors
HB Corporate
Hoodless Brennan & Partners Plc
40 Marsh Wall
London E14 9TP

22 December 2005

Dear Sirs

STRATEX INTERNATIONAL PLC

Introduction

We report on the financial information set out below relating to Stratex International plc (the “Company”). This information has been prepared for inclusion in the AIM admission document dated 22 December 2005 (the “Admission Document”) relating to the proposed admission to AIM of the Company and is given for the purposes of complying with Schedule Two of the AIM rules and for no other purpose.

The Company was incorporated on 24 October 2005. Since incorporation the Company has not traded, has not prepared any financial statements, has incurred neither profit nor loss, and has neither declared nor paid dividends or made any other distributions. There have been no transactions other than the allotment of shares described in note 2 below. Accordingly, no profit and loss information is presented in this report.

Responsibility

The financial records are the responsibility of the directors of the Company (the “Directors”). The Directors are responsible for the contents of the Admission Document in which this report is included.

It is our responsibility to compile the financial information set out in our report from the Company’s financial records, to form an opinion on the financial information and to report our opinion to you.

Basis of opinion

We conducted our work in accordance with the Statements of Investment Circular Reporting Standards issued by the Auditing Practices Board. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgements made by those responsible for the preparation of the financial statements underlying the financial information and whether the accounting policies are appropriate to the Company, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement, whether caused by fraud, other irregularity or error.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in the United States of America or other jurisdictions and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Opinion

In our opinion, the financial information contained in this report gives, for the purposes of the Admission Document dated 22 December 2005, a true and fair view of the state of affairs of the Company as at 31 October 2005 in accordance with the basis of preparation set out in note 1 and in accordance with the applicable financial reporting framework.

Declaration

For the purposes of Paragraph (a) of Schedule Two of the AIM Rules we are responsible for this report as part of the Admission Document and declare we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Admission Document in compliance with Schedule Two of the AIM Rules.

Yours faithfully

CLB Littlejohn Frazer
Chartered Accountants
Registered Auditors

Balance sheet as at 31 October 2005

	<i>Note</i>	<i>As at 31 October 2005 £</i>
Current assets		
Bank balances and cash		<u>0.02</u>
Capital and reserves		
Called up share capital	2	<u>0.02</u>

Notes to the financial statements

1 Basis of preparation

Stratex International plc's financial information has been prepared in accordance with International Accounting Standards (IAS). The financial information in this Part 3 section A does not constitute statutory accounts within the meaning of section 240 of the Companies Act 1985.

2 Share capital

	<i>31 October 2005 £</i>
<i>Authorised:</i>	
300,000,000 Ordinary Shares of £0.01 each	<u>3,000,000.00</u>
<i>Allotted, called up and fully paid:</i>	
2 Ordinary Shares of £0.01 each	<u>0.02</u>

The Company issued 2 Ordinary Shares of £0.01 each on 24 October 2005.

3 Related Party Transactions

The Company is not under the control of any one controlling party or connected persons that would comprise a controlling party.

4 Subsequent Events

On 21 November 2005 the Company acquired the entire issued share capital of Stratex Exploration Limited in consideration for the issue of 99,999,998 Ordinary Shares of £0.01 each.

5 Presentation of financial information

The Company has not yet passed its first accounting reference date. The financial information displayed within this document is therefore unaudited.

PART 3

SECTION B

ACCOUNTANT'S REPORT ON STRATEX EXPLORATION LIMITED

The following is the text of a report received from CLB Littlejohn Frazer, reporting accountants:

The Directors
Stratex International plc
212 Piccadilly
London
W1J 9HG

The Directors
HB Corporate
Hoodless Brennan & Partners plc
40 Marsh Wall
London
E14 9TP

22 December 2005

Dear Sirs

STRATEX EXPLORATION LIMITED

Introduction

We report on the financial information set out below relating to Stratex Exploration Limited (the "Company"). This information has been prepared for inclusion in the AIM admission document dated 22 December 2005 (the "Admission Document") relating to proposed admission to AIM of Stratex International plc and is given for the purpose of complying with Schedule Two of the AIM Rules and for no other purpose.

Responsibility

The Directors of the Company are responsible for preparing the financial information on the basis of preparation set out in the notes to the financial information and in accordance with the financial reporting framework.

It is our responsibility to form an opinion on the financial information as to whether the financial information gives a true and fair view, for the purposes of the Admission Document, and to report our opinion to you.

Basis of opinion

We conducted our work in accordance with Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgements made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the Company, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement, whether caused by fraud, other irregularity or error.

Opinion

In our opinion, the financial information gives, for the purposes of the Admission Document dated 22 December 2005, a true and fair view of the state of affairs of the Company as at 30 September 2005 and of its results, cash flows and changes in equity for the periods then ended in accordance with the basis of preparation set out in note 1 and in accordance with the applicable financial reporting framework as described in note 2.

Declaration

For the purposes of Paragraph (a) of Schedule Two of the AIM Rules we are responsible for this report as part of the Admission Document and declare we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Admission Document in compliance with Schedule Two of the AIM Rules.

Yours faithfully

CLB Littlejohn Frazer
Reporting Accountants

I. FINANCIAL STATEMENTS

(a) Income Statements

Period from 24 August 2004 to 30 September 2005

	<i>Note</i>	<i>2005</i> £
Turnover		–
Other operating expenses	3	(145,929)
Loss from operations		(145,929)
Finance income		8,191
Loss from ordinary activities before taxation		(137,738)
Taxation	4	–
Retained loss for the period		<u>(137,738)</u>

(b) Balance Sheet

As at 30 September 2005

	<i>Note</i>	<i>2005</i> £
ASSETS		
Non-current assets		
Investments	6	2,029
		<u>2,029</u>
Current assets		
Other receivables	7	110,012
Bank balances and cash		294,087
		<u>404,099</u>
Total assets		<u><u>406,128</u></u>
EQUITY AND LIABILITIES		
Equity		
Issued capital	9	26,280
Reserves		350,582
		<u>376,862</u>
Current liabilities		
Trade payables and accrued expenses	8	29,266
Total liabilities		<u>29,266</u>
Total equity and liabilities		<u><u>406,128</u></u>

(c) Statement of Changes in Equity

	<i>Share capital £</i>	<i>Share premium £</i>	<i>Retained reserve £</i>	<i>Total £</i>
As at 24 August 2004	—	—	—	—
Issue of ordinary shares	26,280	488,320	—	514,600
Consolidated loss for the period	—	—	(137,738)	(137,738)
Exchange difference	—	—	—	—
As at 30 September 2005	<u>26,280</u>	<u>488,320</u>	<u>(137,738)</u>	<u>376,862</u>

(d) Cash Flow Statement

Period from 24 August 2004 to 30 September 2005

	<i>2005 £</i>
Cash flows from operating activities	
Loss before taxation	(137,738)
Interest income	(8,191)
	<u>(145,929)</u>
Operating loss before changes in working capital	
Increase in other receivables and prepayments	(110,012)
Increase in trade payable and accrued expenses	29,266
	<u>(226,675)</u>
Net cash outflow from operating activities	
Cash flows from investing activities	
Purchase of shares in a subsidiary	(2,029)
Interest received	8,191
	<u>6,162</u>
Net cash used in investing activities	
Cash flows from financing activities	
Proceeds from issue of ordinary shares	514,600
	<u>514,600</u>
Net cash inflow from financing activities	
Net increase in cash and cash equivalents	<u>294,087</u>
Cash and cash equivalents at beginning of period	—
Cash and cash equivalents at end of period	<u><u>294,087</u></u>

II. NOTES TO FINANCIAL STATEMENTS

1. Basis of preparation

The financial information has been prepared in accordance with International Financial Reporting Standards and IFRIC interpretations and those parts of the Companies Act, 1985 applicable to companies reporting under IFRS. The financial information has been prepared under historical cost convention as modified by available for sale investments. A summary of the more important group accounting policies is set out below.

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

The financial information in this Part 3 section B does not constitute statutory accounts within the meaning of section 240 of the Companies Act 1985.

2. Summary of significant accounting policies

a) Investments

The Company classifies its investments into the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity financial assets and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this at every reporting date.

i) Financial assets at fair value through income

This category has two sub-categories: financial assets held for trading and those designated at fair value through profit or loss at inception. A financial asset is classified into this category at inception if acquired principally for the purpose of selling in the short term, if it forms part of a portfolio of financial assets in which there is evidence of short term profit-taking, or if so designated by management. Derivatives are also classified as held for trading unless they are designated as hedges.

ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those that the Company intends to sell in the short term or that it has designated as at fair value through income or available-for-sale. Receivables arising from insurance contracts are also classified in this category and are reviewed for impairment as part of the impairment review of loans and receivables.

iii) Held-to-maturity financial assets

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities – other than those that met the definition of loans and receivables – that the Company's management has the positive intention and ability to hold to maturity.

iv) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other categories.

Regular way purchases and sales of investments are recognised on trade date – the date on which the Company commits to purchase or sell the asset. Investments are initially recognised at fair value plus, in the case of all financial assets not carried at fair value through profit or loss, transaction costs that are directly attributable to their acquisition. Investments are derecognised when the rights to receive cash flows from the investments have expired or where they have been transferred and the Company has also transferred substantially all risks and rewards of ownership.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity financial assets are carried at amortised cost using the effective interest method. Realised and unrealised gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in the income

statement in the period in which they arise. Unrealised gains and losses arising from changes in the fair value of non-monetary securities classified as available-for-sale are recognised in equity. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the income statement as net realised gains/losses on financial assets.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active, the Company establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis and option pricing models.

b) 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, other than land and properties under construction, over their estimated useful lives, using the straight-line method, on the following bases:

Office equipment	25%
Software	33%

c) Impairment

At each balance sheet date, the Company 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). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) 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 (cash-generating unit) 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 (cash-generating unit) 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.

d) 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.

e) Taxation

The charge for current tax is based on the results for the year as adjusted for items, which are non-assessable or disallowed. It is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

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. Such assets and liabilities are not recognised if the temporary difference arises from goodwill (or negative goodwill) or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction, which affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Company is able to control the

reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is 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 Company intends to settle its current tax assets and liabilities on a net basis.

f) Share Capital

Shares are classified as equity when there is no obligation to transfer cash or other assets. Incremental costs directly attributable to the issue of equity instruments are shown in equity as a deduction from the proceeds, net of tax. Incremental costs directly attributable to the issue of equity instruments as consideration for the acquisition of a business are included in the cost of acquisition.

g) Operating leases

Leases of assets under which all the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Operating lease payments are charged to operating profit on a straight-line basis over the period of the respective leases.

h) 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 profit and loss account 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.

i) Related parties

For the purposes of this report, parties are considered to be related to the Company if the Company has the ability, directly or indirectly, to control the party or exercise significant influence in making financial and operating decisions, or vice versa, or where the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

3. Loss from operations

Loss from operations is stated after charging the following:

	2005 £
Operating lease expenses	
Hire of motor vehicles	125
	<u><u>125</u></u>

4. Taxation

No charge to taxation arises due to the tax losses incurred. No deferred tax asset has been recognised on accumulated tax losses as the recoverability of any assets can not be determined in the foreseeable future.

5. Directors Emoluments

There were no employees of the Company, other than the Directors during the period.

Director's emoluments

	2005 £
Emoluments for professional services rendered by directors	54,000
	<u><u>54,000</u></u>

The highest paid emolument to a single Director was £27,000.

6. Investments

	2005
	£
Subsidiary	2,029

On 3 June 2005 the Company acquired 99.5% of the voting rights and ordinary share capital of Stratex Madencilik Sanayi ve Ticaret Ltd.Sti, a mineral exploration company in Turkey.

7. Other receivables

	2005
	£
Amounts due from subsidiary	79,870
Other receivables	26,138
VAT recoverable	4,004
	110,012

8. Trade payables and accrued expenses

Trade payables and accrued expenses consist of:

	2005
	£
Trade payables	28,584
Accrued expenses	682
	29,266

All of the trade payables and accrued expenses are expected to be settled within one year of the balance sheet date.

9. Share capital

	Number of shares	£
<i>Authorised</i>		
Ordinary shares of 1p each	20,000,000	200,000
<i>Allotted, Called up and Fully Paid</i>		
Ordinary shares of 1p each	2,628,000	26,280

During the period the Company allotted a total of 2,628,000 ordinary 1p shares for an aggregate consideration of £514,600. The difference between the total consideration and the total nominal value of £26,280 has been credited to the share premium account.

10. Dividends

No dividend has been declared or paid by the Company during the period ended 30 September 2005.

11. Related party transactions

Bob Foster Associates Limited

Stratex Exploration Limited has a consultancy service agreement with Bob Foster Associates Limited. Bob Foster is a Director and shareholder of both companies.

During the year £27,000 was charged in respect of the provision of consulting services and £19,167 was charged in respect of expenses incurred on behalf of the Company. As at 30 September 2005, £5,678 was owed to Bob Foster Associates Limited.

Jamesford Management Consultants Ltd

Stratex Exploration Limited has a consultancy service agreement with Jamesford Management Consulting Limited. Paul Foord is a Director and shareholder of Jamesford Management Consulting Limited and a Non-executive Director and Shareholder of this Company. During the year £24,000 was charged in respect of the provision of consulting services and £3,699 was charged in respect of expenses incurred on behalf of the Company. There were no outstanding amounts as at the balance sheet date.

PCA Financial Consultancy

Perry Ashwood, Director, also has a consultancy service agreement with the Company. During the year £3,000 was charged by PCA Financial Consultancy in respect of the provision of consulting services and £193 charged in respect of expenses incurred on behalf of the Company. As at 30 September 2005, £3,193 was owed to PCA Financial Consultancy.

Pursuant to an engagement letter dated 9 December 2004 whereby the Company appointed Ruegg & Co Limited as its corporate adviser the Company paid fees and commissions during the year to Ruegg of £37,500. Gavin Burnell, a non-executive director of the Company, is an employee and shareholder of Ruegg & Co Limited.

Licence option agreement

During the year 230,000 shares were issued to Teck Cominco Limited and 230,000 Teck Cominco Arama ve Madencilik Sanayi Ticaret A.S (TCAM) for a total consideration of £2,300 each. This was in respect of a licence option agreement over properties in Turkey acquired by Stratex Madencilik Sanayi ve Ticaret LTD.STI, the Company's subsidiary. This amount is reflected in the total of £79,870 due from Stratex Madencilik Sanayi ve Ticaret LTD.STI as at 30 September 2005.

12. Subsequent events

On 21 November 2005 the Company's entire issued share capital was acquired via a share for share exchange, the consideration for the issue was 99,999,998 Ordinary Shares of £0.01 each.

13. Presentation of financial information

The Company has not yet passed its first accounting reference date. The financial information displayed within this document is therefore unaudited.

PART 3

SECTION C

ACCOUNTANT'S REPORT ON STRATEX MADENCILIK SANAYI VE TICARET LTD.STI

The following is the text of a report received from CLB Littlejohn Frazer, reporting accountants:

The Directors
Stratex International plc
212 Piccadilly
London
W1J 9HG

The Directors
HB Corporate
Hoodless Brennan & Partners plc
40 Marsh Wall
London
E14 9TP

22 December 2005

Dear Sirs

Introduction

We report on the financial information set out below relating to Stratex Madencilik Sanayi ve Ticaret Ltd.STI (the "Company"). This information has been prepared for inclusion in the AIM admission document dated 22 December 2005 (the "Admission Document") relating to proposed admission to AIM of Stratex International plc and is given for the purpose of complying with Schedule Two of the AIM Rules and for no other purpose.

Responsibility

The Directors of the Company are responsible for preparing the financial information on the basis of preparation set out in the notes to the financial information and in accordance with the financial reporting framework.

It is our responsibility to form an opinion on the financial information as to whether the financial information gives a true and fair view, for the purposes of the Admission Document, and to report our opinion to you.

Basis of opinion

We conducted our work in accordance with Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgements made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the Company, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement, whether caused by fraud, other irregularity or error.

Opinion

In our opinion, the financial information gives, for the purposes of the Admission Document dated 22 December 2005, a true and fair view of the state of affairs of the Company as at 30 September 2005 and of its results, cash flows and changes in equity for the periods then ended in accordance with the basis of preparation set out in note 1 and in accordance with the applicable financial reporting framework as described in note 2.

Declaration

For the purposes of Paragraph (a) of Schedule Two of the AIM Rules we are responsible for this report as part of the Admission Document and declare we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Admission Document in compliance with Schedule Two of the AIM Rules.

Yours faithfully

CLB Littlejohn Frazer
Reporting Accountants

I. FINANCIAL STATEMENTS

(a) Income Statement

Period from 3 June 2005 to 30 September 2005

	<i>Notes</i>	<i>2005</i> <i>£</i>
Revenue		—
Other operating expenses	3	(22,377)
Loss from operations		(22,377)
Finance income		31
Loss from ordinary activities before taxation		(22,346)
Taxation	4	—
Retained loss for the period		(22,346)

(b) Balance Sheet

As at 30 September 2005

	<i>Notes</i>	<i>2005</i> <i>£</i>
ASSETS		
Non-current assets		
Property, plant and equipment	6	3,857
Intangible assets	7	80,901
		84,758
Current assets		
Other receivables	8	7,253
Bank balances and cash		1,677
		8,930
Total assets		93,688
EQUITY AND LIABILITIES		
Equity		
Issued capital	10	2,101
Reserves		(22,838)
		(20,737)
Current liabilities		
Trade payables		4,488
Other payables	9	109,937
Total liabilities		114,425
Total equity and liabilities		93,688

(c) Statement of Changes in Equity for period ended 30 September 2005

	<i>Share Capital</i>	<i>Accumulated Loss</i>	<i>Hedging and Translation reserves</i>	<i>Total</i>
	£	£	£	£
As at 3 June 2005	—	—	—	—
Issue of ordinary shares	2,101	—	—	2,101
Loss for the period	—	(22,346)	—	(22,346)
Hedging and Translation	—	—	(492)	(492)
As at 30 September 2005	<u>2,101</u>	<u>(22,346)</u>	<u>(492)</u>	<u>(20,737)</u>

(d) Cash Flow Statement

Period from 3 June 2005 to 30 September 2005

	<i>2005</i>
	£
Cash flows from operating activities	
Loss before taxation	(22,346)
Interest income	(31)
Depreciation	1,130
Exchange loss	(492)
	<u>(21,739)</u>
Operating loss before changes in working capital	
Increase in other receivables and prepayment	(7,253)
Increase in trade payables	4,488
Increase in other payables	30,067
Increase in amounts due to parent company	79,870
Net cash inflow from operating activities	<u>85,433</u>
Cash flows from investing activities	
Purchase of intangible assets	(80,901)
Purchase of tangible assets	(4,987)
Interest received	31
Net cash used in investing activities	<u>(85,857)</u>
Cash flows from financing activities	
Proceeds from issue of ordinary shares	2,101
Net cash inflow from financing activities	<u>2,101</u>
Net increase in cash and cash equivalents	<u>1,677</u>
Cash and cash equivalents at beginning of period	<u>—</u>
Cash and cash equivalents at end of period	<u><u>1,677</u></u>

II. NOTES TO FINANCIAL STATEMENTS

1. Basis of preparation

This financial information has been prepared in accordance with International Financial Reporting Standards and IFRIC interpretations. The financial information has been prepared under historical cost convention.

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

The financial information in this Part 3 section C does not constitute statutory accounts within the meaning of section 240 of the Companies Act 1985.

2. Summary of significant accounting policies

a) *Intangible assets*

The Company 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 explore, topographical, geological, geochemical and geophysical studies, exploratory drilling, trenching, sampling and activities to evaluate the technical feasibility and commercial viability of extracting a mineral resource.

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an 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.

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

b) *Property, plant and equipment*

Fixtures and equipment are stated at cost less accumulated depreciation.

Depreciation is charges so as to write off the cost or valuation of assets, other than land and properties under construction, over their estimated useful lives, using the straight-line method, on the following bases:

Office equipment	25%
Software	33%

c) *Impairment*

At each balance sheet date, the Company 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). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduce 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 (cash-generating unit) 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 (cash-generating unit) 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.

d) *Foreign currency translation*

i) Functional and presentation currency

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

ii) 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, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Translation differences on non-monetary items, such as equities held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary items, such as equities classified as available-for-sale financial assets, are included in the fair value reserve in equity.

e) *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.

f) *Taxation*

The charge for current tax is based on the results for the year as adjusted for items, which are non-assessable or disallowed. It is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

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. Such assets and liabilities are not recognised if the temporary difference arises from goodwill (or negative goodwill) or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction, which affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is 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 Company intends to settle its current tax assets and liabilities on a net basis.

g) *Share Capital*

Shares are classified as equity when there is no obligation to transfer cash or other assets. Incremental costs directly attributable to the issue of equity instruments are shown in equity as a deduction from the proceeds, net of tax. Incremental costs directly attributable to the issue of equity instruments as consideration for the acquisition of a business are included in the cost of acquisition.

h) *Operating leases*

Leases of assets under which all the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Operating lease payments are charged to operating profit on a straight-line basis over the period of the respective leases.

i) *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 profit and loss account 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.

3. Loss from operations

Loss from operations is stated after charging the following:

	2005 £
Depreciation	1,130
Operating lease expenses	
– Hire of motor vehicles	1,038
	<u>1,038</u>

4. Taxation

No charge to taxation arises due to the tax losses incurred. No deferred tax asset has been recognised on accumulated tax losses as the recoverability of any assets is not likely in the foreseeable future.

5. Employees

	2005 £
Wages and Salaries	9,814
Social security	1,272
	<u>11,086</u>

There was one employee during the period to 30 September 2005

6. Property, plant and equipment

Movements of property, plant and equipment are:

	<i>Office Equipment</i> £	<i>Software</i> £	<i>Total</i> £
Cost			
At beginning of period	–	–	–
Additions	1,741	3,246	4,987
At end of period	<u>1,741</u>	<u>3,246</u>	<u>4,987</u>
Accumulated amortisation			
At beginning of period	–	–	–
Charge for the period	326	804	1,130
At end of period	<u>326</u>	<u>804</u>	<u>1,130</u>
Carrying amounts	<u>1,415</u>	<u>2,442</u>	<u>3,857</u>

7. Intangible assets

	2005 £
Cost	
At beginning of period	—
Additions	80,901
At end of period	80,901
Carrying amounts	80,901

Deferred development expenditure relates to prospecting, exploration for gold and other valuable minerals, and related expenditure in Turkey.

The Company's activities are subject to a number of significant potential risks including:

- Price Fluctuations
- Uncertainties over development and operational costs
- Operational and environmental risks
- Political and legal risks, including arrangements with the governments for licences, profit sharing and taxation
- Funding developments

The realisation of these intangible assets is dependent on the discovery and development of economic reserves, which is affected by these and other risks. Should this prove unsuccessful the value included in the balance sheet would be written off to the profit and loss account.

The Directors are aware that by its nature there is inherent uncertainty in such development expenditure as to the value of the asset. Having reviewed the deferred development expenditure at 30 September 2005, the Directors are satisfied that the value of the intangible asset is not less than net book value

8. Other receivables

	2005 £
Other receivables	408
Prepayments	6,845
	7,253

9. Other payables

Trade payables and accrued expenses consist of:

	2005 £
Amounts due to parent company	79,870
Social security and other taxes payable	3,035
Other payables	27,032
	109,937

All of the other payables expense are expected to be settled within one year of the balance sheet date.

10. Share capital

	<i>Number of shares</i>	<i>£</i>
<i>Authorised</i>		
Ordinary shares of £10.505 (25 YTL) each	200	2,101
	<hr/>	<hr/>
<i>Allotted, Called up and Fully Paid</i>		
Ordinary shares of £10.505 (25YTL) each	200	2,101
	<hr/>	<hr/>

11. Dividends

No dividend has been declared or paid by the Company during the period ended 30 September 2005.

12. Ultimate controlling party

The Company is directly owned by Stratex Exploration Limited, a company registered in the United Kingdom. Stratex Exploration Limited became a wholly owned subsidiary of Stratex International plc on 21 November 2005, who the Directors consider to be the Company's ultimate controlling party.

13. Related party transactions

During the year 230,000 shares in Stratex Exploration Limited were each issued to Teck Cominco Limited and Teck Cominco Arama ve Madencilik Sanayi Ticaret A.S (TCAM) for a total consideration of £2,300 each. This was in respect of a licence option agreement over properties in Turkey acquired by this Company. This is reflected in the amount due to Stratex Exploration Limited of £79,870 as at 30 September 2005.

14. Presentation of financial information

The Company has not yet passed its first accounting reference date. The financial information displayed within this document is therefore unaudited.

PART 3

SECTION D

UNAUDITED PRO-FORMA STATEMENT OF NET ASSETS

Set out below is an unaudited pro-forma consolidated statement of net assets of the Group which has been prepared for illustrative purposes only to show the effect of the Placing and Admission had the Placing and Admission occurred on 22 December 2005. The pro-forma statement of net assets has been prepared for illustrative purposes only, and because of its nature it may not give a true reflection of the Group's financial position or results.

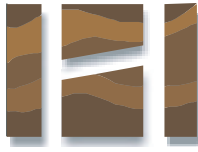
	<i>Stratex International plc net assets as at 31 October 2005 (Note 1) £</i>	<i>Stratex Exploration Limited net assets as at 30 September 2005 (Note 2) £</i>	<i>Stratex Madencilik Sanayi ve Ticaret LTD.STI as at 30 September 2005 (Note 3) £</i>	<i>Issue of shares by Stratex International plc (Note 4) £</i>	<i>Unaudited Pro-forma adjusted net assets of the Group on Admission to AIM £</i>
Assets					
Non current assets					
Property, plant and equipment	—	—	3,857	—	3,857
Intangible assets	—	—	80,901	—	80,901
Investment	—	2,029	—	—	2,029
	<u>—</u>	<u>2,029</u>	<u>84,758</u>	<u>—</u>	<u>86,787</u>
Current assets					
Other receivables	—	110,012	7,253	—	117,265
Bank balances	—	294,087	1,677	1,540,000	1,835,764
	<u>—</u>	<u>404,099</u>	<u>8,930</u>	<u>1,540,000</u>	<u>1,953,029</u>
Total assets	<u>—</u>	<u>406,128</u>	<u>93,688</u>	<u>1,540,000</u>	<u>2,039,816</u>
Current liabilities	<u>—</u>	<u>(29,266)</u>	<u>(114,425)</u>	<u>—</u>	<u>(143,691)</u>
Total assets less current liabilities	<u><u>—</u></u>	<u><u>376,862</u></u>	<u><u>(20,737)</u></u>	<u><u>1,540,000</u></u>	<u><u>1,896,125</u></u>

Notes

The pro-forma statement of net assets has been prepared on the following bases:

1. The net assets of Stratex International plc as at 31 October 2005 have been extracted without adjustment from the Financial Information included in Part 3 section A of this document.
2. The net assets of Stratex Exploration Limited as at 30 September 2005 have been extracted without adjustment from the Financial Information included in Part 3 section B of this document.
3. The net assets of Stratex Madencilik Sanayi ve Ticaret LTD.STI as at 30 September 2005 have been extracted without adjustment from the Financial Information included in Part 3 section C of this document.
4. An adjustment has been made to reflect the issue of 37,400,000 Ordinary Shares in Stratex International plc at a price of 5p per Ordinary Share and the net proceeds of the Placing of £1.54 million (net of estimated expenses of £325,000).
5. On 21 November 2005 Stratex International plc acquired 100 per cent. of the share capital of Stratex Exploration Limited by way of a share for share exchange. The consideration for the transaction was 100 million Ordinary Shares of 1p each. No adjustment has been made to reflect the Group reorganisation and resulting goodwill arising on the share for share exchange, the investment will be eliminated in the consolidated financial statements of the Group.
6. The pro-forma statement of net assets does not constitute financial statements within the meaning of section 240 of the Act.

PART 4
COMPETENT PERSONS REPORT



A C A HOWE INTERNATIONAL LIMITED

Geological and Mining Consultants

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Dr R P Foster
CEO
Stratex International plc
212 Piccadilly
London W1J 9HG

The Directors
HB-corporate
40 Marsh Wall
London E14 9TP

22nd December 2005

Dear Sirs

**COMPETENT PERSON'S REPORT ON A PORTFOLIO OF MINERAL PROPERTIES
IN WESTERN TURKEY**

At the request of Stratex International plc, A C A Howe International Limited has prepared the attached report on a portfolio of mineral properties in Western Turkey for incorporation in an Admission Document to be issued by Stratex International plc for raising up to £1.87 million and for admission of that company's share capital to trading on AIM.

A C A Howe International Limited is a company that provides specialist consultancy services to the mining industry including geology, exploration, resource estimation, and corporate services including competent persons' reports. The company, which is based in the UK, has prepared competent persons' reports on a wide variety of mineral commodities worldwide.

The author of the report is Dr D Patrick, who has over 31 years' experience in gold exploration and has been involved in exploration projects for epithermal gold and porphyry deposits in Eastern Europe, South America, the Philippines, Vietnam, Australia and Papua New Guinea. Dr Patrick is a Fellow of the Australasian Institute of Mining and Metallurgy, a Fellow of the Institution of Mining and Metallurgy and a Chartered Engineer and has the relevant qualifications, experience and competence to qualify as a competent person.

A C A Howe International Limited has no direct or indirect material interest in Stratex or its affiliated companies, nor any association with parties involved in the proposed transaction.

Yours faithfully,

Dr C W Armstrong, Managing Director

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EXECUTIVE SUMMARY

Stratex International plc (Stratex) has assembled a substantial portfolio of mineral exploration properties in Western Turkey.

The **Konya Project** comprises 19 exploration licences covering 26,444.41 hectares in the Konya district, 245 km south of Ankara. It includes the **Inlice epithermal system**, which is the most advanced project on the property, and a further nineteen target areas with similar geological signature and mineralisation within the surrounding 2,000 km² volcanic belt. The Konya Volcanics include andesitic to dacitic pyroclastic rocks, lava flows and domes related to northward subduction of the African Plate beneath Anatolia.

Inlice Project

Alteration and gold mineralisation was discovered at Inlice by Stratex's General Manager in Turkey, Mr Bahri Yildiz, in 2003 and the licence over the property was acquired in 2005. There are no records of previous mining or exploration for metallic minerals either in Inlice or the surrounding Konya Volcanics. The mineralised system was traced over a strike length of more than 3,500m across a zone width of 1,000m.

The gold mineralisation occurs in steeply-dipping silicified units termed 'ledges', with argillically altered wall rocks. The silicification consists of vuggy silica, massive silica including opal and chalcedony and granular quartz. The style of mineralisation is typical of high sulphidation epithermal gold-silver deposits.

The silica ledges are discontinuous, northwest-striking, steeply dipping tabular units varying in width from less than 1m to 50m, and the strike length varies from a few metres to 930m. Pipe-like hydrothermal breccia ledges also occur. Five distinct zones are recognised; the Main Zone, Main Zone Extension, and Central, West and North Zones.

The northwestern half of the Main Zone averages 2.12 g/t Au at surface over an area 400m long by 10 to 30m wide; at its northwestern end the zone returned gold grades of 6.15 g/t Au over 2.5m, 4.54 g/t Au over 7.0m in two contiguous samples on the same section, and 4.1 g/t Au over a single composite section of 13m. Gold grades diminish to the southeast, though the nature of the silicification indicates that the upper part of the system is progressively exposed in this direction, with potential for increasing grades at depth. The Main Zone Extension and North Zone are similar to the lower grade end of Main Zone. The Central Zone has different style of alteration and consists of a stockwork of numerous short ledges of varying orientation in a large area of pervasive advanced argillic and argillic alteration.

Howe's check sampling confirmed the presence of significant gold and silver mineralisation in the Main Zone and discovery outcrop.

Howe concludes that there is potential for the development of significant tonnages of low-grade gold-silver mineralisation in the Main Zone and Main Zone Extension, with additional potential for higher gold grades developing at depth in the stratigraphic replacement silica ledges. There is also potential for structurally controlled, high grade mineralisation deeper in the system; porphyry-style mineralisation may also be present at greater depth.

Konya Regional Project

Stratex has identified twenty alteration zones up to several square kilometres in area in the Konya Volcanics lying along two principal linear belts that extend 50 km northwest-southeast over a 15 to 20 km width. All zones exhibit extensive argillic alteration with silica ledges of opal, often with fine pyrite, quartz and vuggy silica. Hydrothermal breccias also occur. Kaolinite is accompanied by alunite, and hematite and sulphur occur with the silica ledges and in the cores of systems. The prospective zones resemble the upper parts of the Inlice system.

Although only limited sampling has been conducted to date by Stratex, most alteration zones tested have returned trace element signatures characteristic of the upper levels of high sulphidation epithermal systems, confirmed by a Howe sample, with potential for the identification of high sulphidation epithermal gold-silver deposits. The volcanic and structural regime would also suggest potential for porphyry-style mineralisation, though the alteration examined to date indicates that erosion is insufficiently deep for porphyry alteration to be exposed.

Detailed sampling and mapping has commenced at Doganbey and will be extended to other areas. Howe considers that a drill hole should be considered close to the core of the Doganbey epithermal system, where anomalous gold has been returned from sampling.

Muratdagi-Karaagac

Subsequent to its incorporation in August 2004, Stratex held discussions with Teck Cominco that led to signing of an agreement in October 2004 committing Stratex to evaluating Teck Cominco's Muratdagi licence block in western Turkey. A 100% interest in Muratdagi could be earned by successive expenditures of US\$100,000 (already expended by the time of this report) and a further \$400,000 before October 2006. A priority target, termed the Karaagac project was identified by Stratex in the licence block. This project area was visited by Howe in the current study.

The Muratdagi area contains numerous small, old mine workings for mercury and antimony, interpreted as hot spring deposits. Stratex identified Karaagac as the principal area of interest based on the presence of old antimony and mercury workings and the presence of highly significant stream sediment and rock chip samples with anomalous gold, base metal and arsenic and antimony values.

The geology of the Karaagac area comprises serpentinite thrust over Jurassic limestones and calcareous schists. Both limestone and serpentinite have been hydrothermally altered and silicified for several metres on either side of the thrusts. The altered serpentinite is termed listwaenite. Stratex has conducted detailed and rock chip sampling in the Karaagac area with anomalous gold grades in reconnaissance samples from silicified limestone and serpentinite adjacent to the thrust. The mineralised portion of the thrust zone outcrops at low angle, with shallow cover, over a sinuous strike length of at least 7.0 km; the exposed mineralisation is at least 2 to 5m wide in the silicified listwaenite and limestone at the contact, contains gold values commonly in the range 0.5 to 2.0 g/t Au and appears to extend to several tens of metres depth in the limestone below the thrust. Higher-grade gold mineralisation, ranging up to 9.7 g/t over 3 m, is associated with steep west-northwest fractures beneath the thrust. Potential also exists for the development of replacement mineralisation in reactive rocks such as limestone adjacent to primary feeders.

A hydrothermal breccia pipe at Karaagac is interpreted to represent a vent above the gold deposition zone, where volatiles have deposited of mercury and low temperature chalcedonic and opaline silica. It is considered that there is potential for gold mineralisation associated with silicification or banded quartz veins at some depth below the breccia pipe.

Howe sample results confirm the presence of widespread gold and silver anomalism in the thrust plane, high grade gold in the steep fractures and elevated gold in the breccia pipe.

Because of the low angle of the thrusts down dip of the mineralised outcrop, and shallow relief, and assuming that the grades continue to depth down the thrusts, a significant tonnage of low-grade gold mineralisation could be present.

Stratex sampling in ophiolites in the Muratdagi area indicates limited nickel laterite potential.

The Karaagac area represents only a small part of the overall package held under option by Stratex. A limited review of the Teck Cominco data indicated additional areas of interest that warrant investigation.

Dikmen

The Dikmen project covers 1,394.13 hectares and is located on the Biga Peninsula in northwest Turkey, 480 km west of Ankara. The area was explored in detail for metallic minerals by agencies of the Government of Japan in the period 1988 to 1991. Porphyry molybdenum-copper mineralisation was discovered, associated with the intrusion of the Dikmen Granite and porphyry. Both disseminated and quartz vein-hosted molybdenite and pyrite mineralisation were identified in the eastern part of the granodiorite. The geochemical sampling suggested linear zones of copper and/or molybdenum enrichment coincident with the disseminated mineralisation in the mapped porphyry and within the granite, close to its contacts. The Japanese study also concluded that epithermal gold, arsenic and mercury overprints the porphyry mineralisation.

The system has dimensions of at least 3,000m by 500m and the mineralisation reportedly extends for a considerable distance into the country rock. Copper grades from preliminary Stratex sampling are low (up to 0.05%) due at least partly to leaching, but are accompanied by significant grades of gold (up to 0.43 g/t) and molybdenum (0.19%); a leached haematite-jarosite cap was observed by Stratex who propose to conduct detailed mapping and sampling leading to the identification of drill targets. Howe considers that further work is warranted on the deposit.

Muratdere

The Muratdere (Murat Creek) project is located 250 km west of Ankara on the main D200 Bursa to Eskisehir highway. Stratex optioned the property from B. Yildiz and Tekar in 2005.

Porphyry copper-molybdenum-gold mineralisation was discovered by the Turkish Geological Survey (MTA) at Muratdere during a regional stream sediment-sampling programme conducted in 1998. The mineralisation coincides with the outcrop of a porphyry body with dimensions of 1,500m by some 300m. The porphyry is oriented east-west and recent Stratex mapping demonstrates that it actually extends for 4,050m, rather than the previously mapped 1,500m. This was confirmed during the Howe visit. It is exposed over a width of about 500m in the east, swelling to 1,700m in the recently discovered extension, and over an elevation of about 130 m.

A hole drilled by MTA in porphyry near the base of the enrichment zone intersected 194 metres of 0.2% copper and 0.02% molybdenum, with the top 10 metres reportedly grading 0.5% copper. Surface sampling in this area by Stratex returned up to 0.65% copper, although most results were less than 0.1%, with up to 0.16 g/t gold and 0.04% molybdenum.

Howe collected two check samples from a road cut and stream valley outcrop which confirmed the presence of significant copper values accompanied by elevated molybdenum.

The earlier MTA work returned elevated gold values from the surrounding marble, accompanied by arsenic and antimony, indicating potential for epithermal gold mineralisation in the rocks adjacent to the porphyry.

The previously known mineralisation is essentially underexplored and the recently discovered extension is completely unexplored; Howe concludes that more detailed mapping and sampling is warranted.

PROPOSED STRATEX EXPLORATION

Stratex has planned and budgeted an 18 month exploration programme, commencing in January 2006. The company proposes to focus primarily on drilling of Inlice and Karaagac. At Inlice, an initial programme of 1,000m of diamond drilling will be conducted at Main Zone, following which 3,000m of reverse-circulation (RC) drilling will be conducted for resource delineation and to test other zones. Howe suggests that sampling of the talus at Main Zone should also be conducted.

Concurrent with the drilling at Inlice, 850m of diamond drilling will be conducted at Karaagac. The drilling will test the down-dip extensions of the thrust-related mineralisation to determine the dimensions and geometry of the deposit. 4,000m of RC drilling will subsequently be conducted, directed towards the early delineation of the deposit for resource estimation. Data analysis and field assessment of the Muratdagi licences will continue during this period.

Field assessment will continue on the regional Konya project, with more detailed mapping and sampling, supplemented by petrographic and XRD studies of the alteration.

At Dikmen, previous work on the area will be assessed in detail and check mapping and additional sampling will be completed, permitting the identification of drill targets. An initial 850m of drilling is planned. Contingent on the success of the early drilling, further holes may be planned.

Muratdere will be mapped in detail and sampled, though no drilling is planned to date. Howe notes that there is no allowance for geophysics, though considers that IP should be considered at both Dikmen and Muratdere.

The cost of all geological work including drilling, assays, desk and field studies amounts to £631,950. Howe established local costs during the visit and is satisfied that the budget for the proposed work programme reflects local costs. The planned programme is logical and justified, though Howe would suggest the incorporation of the few minor amendments noted above.

1. INTRODUCTION

Stratex Exploration Ltd (Stratex) has established a wholly owned subsidiary in Turkey, Stratex Madencilik Sanayi ve Ticaret Ltd. Sti (Stratex Madencilik), to acquire and explore various mineral properties in Turkey. At the request of Dr R P Foster, CEO of Stratex, Dr D Patrick of ACA Howe International Ltd (Howe) has prepared the following independent technical report on the four principal properties in which Stratex has interests to date.

The project areas reported on include Inlice and the surrounding Konya area, Karaagac/ Muratdagi, Dikmen and Muratdere, all in West and Central Anatolia. (Figure 1)



The three most advanced properties were visited during the period 25-29th October 2005 in the company of Bahri Yildiz, General Manager of Stratex Madencilik. Mr Yildiz is an economic geologist with more than 20 years' wide-ranging experience in Turkey and is currently directing exploration on the properties.

Howe conducted limited check sampling on the properties visited; the samples were sent to Izmir for sample preparation by ALS Chemex, then the prepared pulps were shipped to the Chemex laboratory in Vancouver for analysis.

This report is based on the findings of the Howe visit, in depth discussions with Mr Yildiz and detailed review of recent reports on the projects by Dr S Redwood, an independent expert on porphyry and epithermal mineralisation. Dr Redwood has been employed on a consultancy basis by Stratex to map and sample the known mineral occurrences, identify further targets and conduct reconnaissance exploration on the properties; his reports provide a comprehensive source of information at both regional and detailed scales. An Aster satellite imagery interpretation completed by Fitzpatrick and Murphy of Cork, Ireland in February 2005 has also been reviewed. Monthly progress reports and more general reports on the geology and mineralisation of Turkey have been provided by Yildiz.

2. TURKEY BACKGROUND

The modern secular republic of Turkey was established on 29th October 1923 by nationalist leader Kemal Ataturk. Turkey covers an area of 779,452 sq km (300,948 sq miles) and straddles the continents of Europe and Asia, where its strategic location has given it major influence in the region and control over the entrance to the Black Sea.

After years of increasing problems that brought the country close to economic collapse, a stringent recovery programme was agreed with the IMF in 2002. Since then, Turkey has seen impressive progress, with economic growth averaging over 5% and a dramatic fall in inflation. The monetary unit is the New Turkish lira, (YTL) which in October 2005 was equivalent to £0.420 or US\$0.742.

Turkey became an official EU candidate country in 1999 and EU membership talks were formally launched in October 2005. Accession negotiations are expected to take about 10 years.

2.1. MINING LAW

Turkey has a history of mining and recent changes in the mining law in 2004 have facilitated the exploration and mining activities by foreign nationals in Turkey. A foreign company can acquire rights to a mineral property through the establishment a local office. A 2% royalty is payable on all metals production.

Exploration licences are exclusive and cover one of several groups of materials, for example Group IV (c) licences cover metallic minerals while Group IV (d) licences cover precious and semi-precious stones; only those commodities included in the licence may be explored for and subsequently exploited.

Exploration concessions are defined by UTM coordinates and can be of any shape. To acquire a licence, a company must submit a hard copy plan showing the corner coordinates and an application fee of 140 YTL must be paid to the General Directorate for Mining Affairs, Ministry of Energy and Natural Resources. If the ground is open, the property will be granted; priority is granted to the first applicant for rights. An exploration fee of 349 YTL per year and a deposit of 1.050 YTL per hectare must then be paid, the latter being repayable after termination of the exploration subject to completion of a satisfactory work programme.

The licence grants access rights to the licence holder, and reasonable compensation for ground disturbance must be agreed with the landowner; though if there is a dispute, the level of compensation must be determined by a court hearing.

The exploration licence is valid for three years, at the end of which the company must submit a detailed exploration report. Subject to this report, a two year extension can be obtained, so exploration licences essentially have a five year validity. At the end of the five years, if the company decide to proceed to production, then a full, bankable feasibility study must be submitted to the authorities; this must include an environmental impact study. If approved, mining operations can commence. The duration of the licence is determined by the declared reserves and proposed production rate, but can be modified should circumstances change.

3. KONYA-INLICE AREA

3.1. PROPERTY, LOCATION AND ACCESS

The Konya Project is located in the Erenler Dagi (Erenler Mountains), 245 km south of Ankara and 35 km west-southwest of the city of Konya. **(Figure 1)** It comprises the Inlice epithermal system, which is the most advanced project on the property, and a further nineteen target areas with similar geological signature and mineralisation within the surrounding 2,000 km² Konya Volcanic belt.

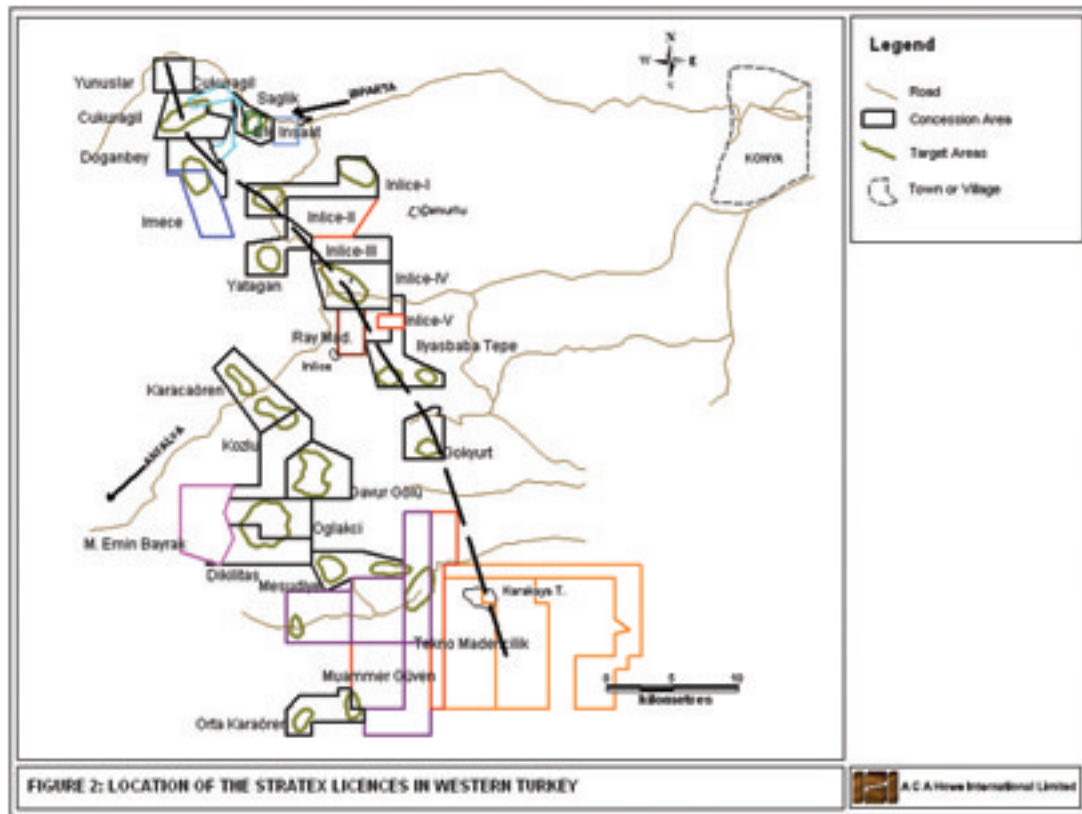
Stratex Madencilik has acquired a 100% interest in mineral exploration rights to 26,444.41 hectares in 19 licences in the Konya district **(Table 1, Figure 2)**. The Inlice Project is covered by the Inlice IV concession (1,925 ha), which was secured by auction. The remaining 18 concessions were acquired by Stratex Madencilik through normal application procedures. Two third-party claims are under negotiation.

TABLE 1. KONYA EXPLORATION LICENCES.

<i>Licence name</i>	<i>Licence no.</i>	<i>Date awarded</i>	<i>Expiry-date</i>	<i>Area (ha)</i>	<i>Application fee (YTL)</i>	<i>Exploration fee (YTL)</i>	<i>Deposit (YTL)</i>	<i>Total YTL</i>
Inlice I	20055356	23.08.2005	25.08.2008	1,975.01	140.00	349.00	2,073.76	2,562.76
Inlice II	20055357	23.08.2005	25.08.2008	1,650.00	140.00	349.00	1,732.50	2,221.50
Inlice III	20055271	18.08.2005	18.08.2008	1,200.00	140.00	349.00	1,260.00	1,749.00
Inlice IV*	20055214	17.08.2005	18.08.2008	1,925.00	140.00	349.00	2,021.25	2,510.25
Inlice V	20055275	18.08.2005	18.08.2008	400.00	140.00	349.00	420.00	909.00
Doganbey	20055988	15.09.2005	15.09.2008	1,116.42	140.00	349.00	1,172.24	1,661.24
Yunuslar	20056646	03.10.2005	03.10.2008	750.00	140.00	349.00	787.50	1,276.50
Saglik	20056650	03.10.2005	03.10.2008	585.92	140.00	349.00	615.22	1,104.22
Yatagan	20056647	03.10.2005	03.10.2008	1,175.00	140.00	349.00	1,233.75	1,722.75
Ilyasbaba Tepe	20056649	03.10.2005	03.10.2008	1,650.00	140.00	349.00	1,732.50	2,221.50
Gokyurt	20056648	03.10.2005	03.10.2008	1,076.96	140.00	349.00	1,130.81	1,619.81
Ođlakçý	20056789	10.10.2005	10.10.2005	1,712.16	140.00	349.00	1,797.77	2,286.77
Dikilitaş	20056790	10.10.2005	10.10.2008	1,535.40	140.00	349.00	1,612.17	2,101.17
Çukuragýl	20057092	19.10.2005	20.10.2008	1,398.79	140.00	349.00	1,468.73	1,957.73
Gavur Gölü	20057095	19.10.2005	20.10.2008	1,875.00	140.00	349.00	1,968.75	2,457.75
Karacaören	20057090	19.10.2005	20.10.2008	1,812.50	140.00	349.00	1,903.13	2,392.13
Kozlu	20057091	19.10.2005	20.10.2008	1,918.75	140.00	349.00	2,014.69	2,503.69
Mesudiye	20057089	19.10.2005	20.10.2008	1,387.50	140.00	349.00	1,456.88	1,945.88
Orta Karaören	20057094	19.10.2005	20.10.2008	1,300.00	140.00	349.00	1,365.00	1,854.00
TOTAL 1				26,444.41	2,660.00	6,631.00	27,766.63	37,057.63

NOTE

* : Stratex Madencilik paid 14,110.00 YTL for auction process



Access to the properties is excellent, with three major paved highways traversing the mountain range from east to west, including the D300 Konya to Afyon road, the D330 Konya Isparta highway and the main D696 Ankara to Antalya road. Minor paved and gravel roads traverse the property in a north-south direction and numerous forest roads and village and farm tracks, accessible to four-wheel drive vehicles, provide access to more remote parts of the project area.

3.2. TOPOGRAPHY, VEGETATION, CLIMATE AND INFRASTRUCTURE

The project area lies between 1,000m and 2,200m above sea level. Crops are grown at lower altitude in the valleys, with dwarf oak woodland and open grazing for sheep and goats on the hill slopes. Upland areas are forested, with numerous tracks providing access. The climate is semi-arid with hot, dry summers and cold, wet winters with snow. Snowfall can temporarily block the roads, though access to the various properties should not be a problem and all year operation would be possible. Climate is terrestrial, with hot, dry summers and cold and snowy winters. Maximum temperatures range up to 40° C in July and August; in December and January temperatures may fall to -28° C, though generally average around -4° between December and February. Precipitation ranges from 800–2,000 mm, with an average of 81.5 snowy or rainy days.

Ample water is available from springs and creeks for drilling and future operations and mains power is supplied to all villages by the national grid. Communications are good throughout the area, with a well-established cell-phone network and telephone lines to all villages. There is no history of mining in the immediate area, though labour could be sourced locally. Supplies and equipment can be obtained from the city of Konya.

3.3. REGIONAL GEOLOGICAL SETTING

The Konya Volcanics outcrop in the Erenler Dagi (Mountains) between the cities of Konya and Beysehir. The volcanic rocks outcrop along a 60 km, northwest trending zone which is up to 42 km in width, covering an area of approximately 2,000 km². (Figure 3)

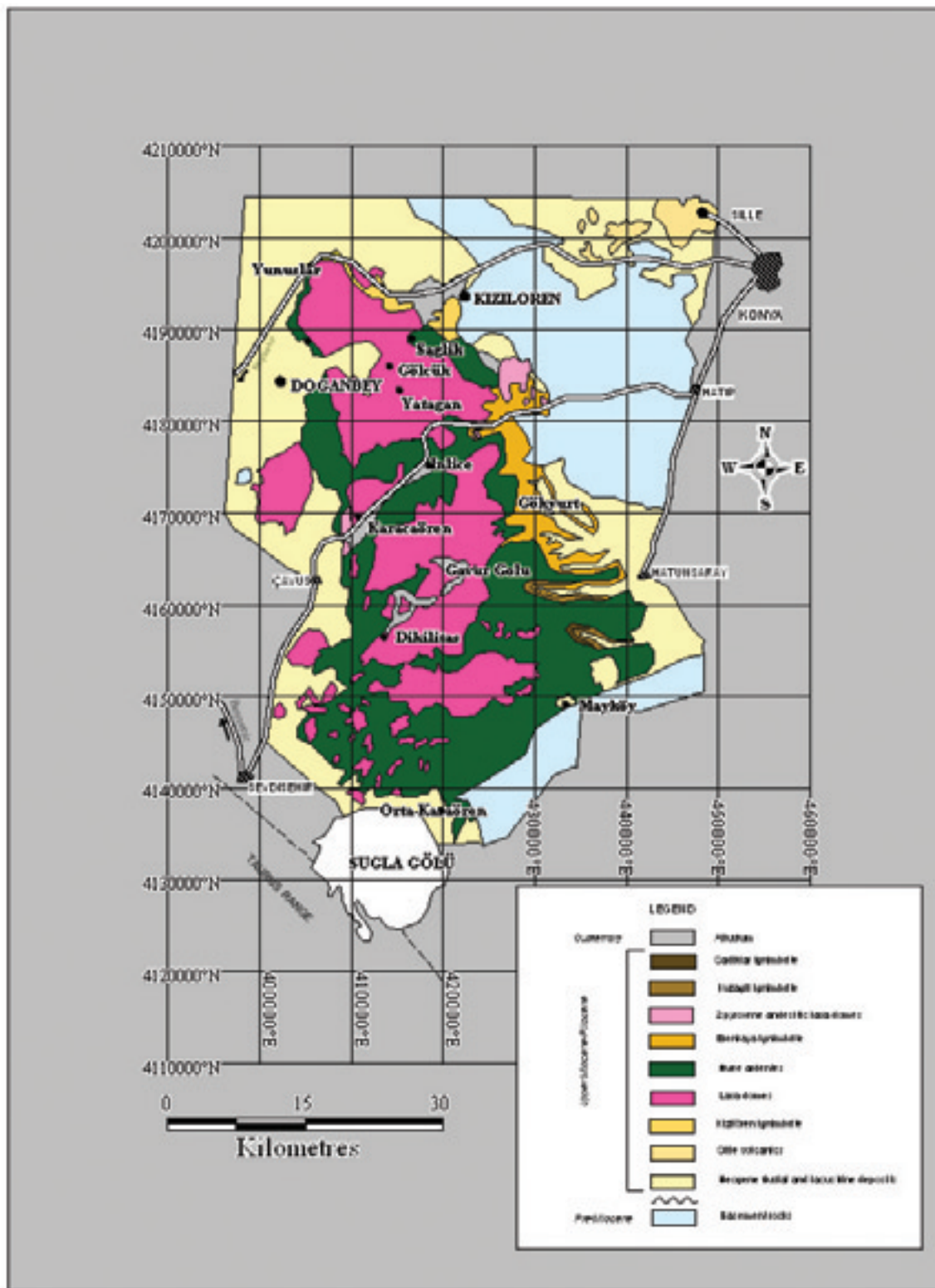


FIGURE 3: THE GEOLOGY OF THE KONYA VOLCANICS

The volcanics overlie northwest-trending Paleozoic and Mesozoic basement rocks comprising carbonates and metasediments, ophiolite (serpentinite) and ophiolitic melange, which form part of the Taurides orogenic belt of southern Anatolia.

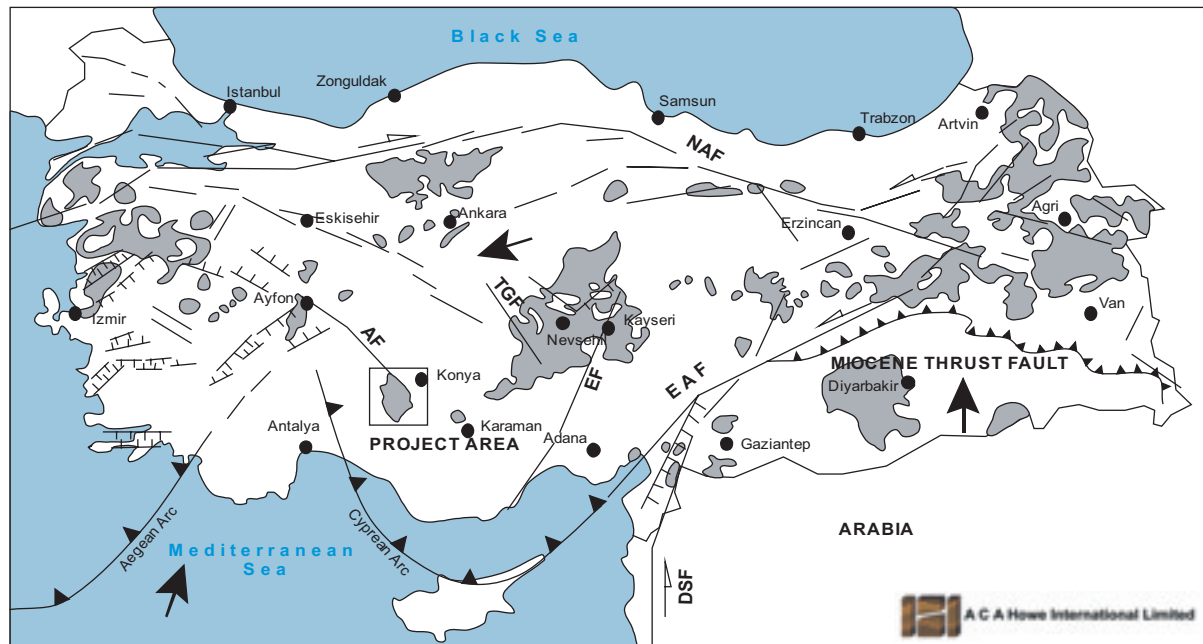


Figure 4: Tectonic map of Turkey showing the Konya Volcanics "Project Area", all Neogene volcanics and present-day tectonics. The Konya Volcanics form part of a volcanic arc related to the northward subduction of the African Plate beneath Anatolia along the Cyprean Arc. (From Temel et al. (1998). DSF: Dead Sea Fault. NAF: North Anatolian Fault. EAF: East Anatolian Fault. AF: Akehir Fault. TGF: Tuzgolu Fault. EF: Ecemis Fault.)

Figure 4 shows that the Konya Volcanics are elongated along the major arc parallel Aksehir Fault.

The Konya Volcanics comprise ignimbrites, debris flows, lava domes and breccias and interbedded fluvial-lacustrine limestone, marl and shales and are Upper Miocene to Pliocene in age, dated at 11.9 to 3.2 Ma. The volcanics are mainly high-K calc-alkaline andesites and dacites and exhibit trace element and isotope geochemistry similar to the young volcanic rocks of the Central Andes that are host to major gold, silver and base metal epithermal deposits. (Redwood, 2005a). The Konya Volcanics are related to northward subduction of the African Plate beneath Anatolia. Subvolcanic dacitic intrusives are exposed in several areas and rhyolitic clasts and boulders, exhibiting flow banding and disseminated pyrite occur in debris flows, though no rhyolitic flows have been identified to date. It is noted that the strata tend to steepen towards the volcanic centres.

3.4. HISTORY OF EXPLORATION

Alteration and gold mineralisation were first observed at Inlice by Bahri Yildiz of Stratex in 2003. There are no records of previous mining or exploration for metallic minerals either in Inlice or the surrounding Konya Volcanics, and no metallic mineral occurrences are recorded. Exploration for kaolinite for the ceramics industry has been conducted in the Konya Volcanics and kaolinite, halloysite, alunite, cristobalite, quartz, illite, montmorillonite and zeolites have been identified at several localities, including Inlice (Karakaya et al., 2001). Two localities have been drilled for kaolinite. Building stone, road stone and aggregate are produced from the volcanic rocks.

During recent exploration by Stratex, an ancient smelting site was discovered close to the main Inlice mineralisation. The site lies within an historic fortification on a low rounded hill south of the highway and comprises at least two ovens with fired and fused mud bricks, broken pottery and fired vuggy silica blocks. There are also abundant blocks of vuggy silica material ranging up to 0.5m in size that appear to have been transported from the principal mineralised zone, some 300m away. Yildiz considers it probable that gold was smelted from the vuggy silica. While the site is of archaeological interest it is not in an area that might be affected by possible mining in the future (Redwood, 2005b)

A small mine working, possibly a collapsed adit, with a small waste dump also occurs at the east end of the main mineralised zone, and several sites where historic surface working may have occurred were noted at the northern and central parts of the same zone during the current Howe visit.

3.5. EXPLORATION BY STRATEX

3.5.1. INLICE PROJECT

The Inlice Project is situated in the centre of the regional Konya Project area, 5 km north of the village of Inlice, at an altitude ranging between 1,450 and 1,950m. It is located within the 1925 hectare Inlice IV licence.

Alteration and gold mineralisation at Inlice was initially discovered in a road cut by Bahri Yildiz in 2003. Subsequently, Stratex collected 18 rock chip/grab samples from the area in July 2005 with maximum gold values of 6.15 g/t Au over 2.5m, 4.54 g/t Au over 7.0m in two contiguous samples on the same section, and 4.1 g/t Au over a single composite section of 13m. Redwood (2005a) identified the mineralisation style as high sulphidation epithermal and traced the system over a strike length of more than 3,000m. Stratex secured the mineral rights in August and Redwood conducted geological mapping and systematic rock sampling in September 2005. The descriptions below are taken from Redwood (2005b), modified where necessary by Howe's field observations, though the latter are generally in agreement with those of Dr. Redwood.

3.5.2. LOCAL GEOLOGY AND MINERALISATION

Gold mineralisation at Inlice occurs in steeply-dipping silicified units, with advanced argillic and argillic altered wall rocks. Although resembling steep veins, the zones are demonstrably formed by replacement of permeable stratigraphic units in the volcanic pile and hence are termed 'ledges'. To date, the ledges have been traced some 3,500m in a northwest direction, across a zone width of 1,000m. The host rocks are andesitic volcanic rocks. The southeast and northwest limits of the system are covered by alluvium and talus respectively and the system may be more extensive than currently mapped. Redwood has subdivided the project area as follows:

- the Main Zone;
- the Main Zone Extension which is the continuation of the Main Zone to the northwest and is followed along strike by;
- the Central Zone;
- the North Zone, and
- the West Zone, which lies west of the Main Zone and Main Zone Extension and converges northwards with the Central Zone.

The Main Zone and Main Zone Extension ledges are interpreted as steeply dipping bedded tuff sequences. In the east part of the Main Zone andesite breccia forms the immediate hanging wall and footwall, with andesite lavas above and below. Elsewhere the host rocks are andesite and andesite breccia.

Howe visited and sampled the original discovery zone, which occurs in a road cut at the southeastern end of the West Zone. The full length of the Main Zone and peripheral ledges was traversed and sampled, and the Main Zone Extension, and the West, Central and North Zones were observed. The various host rock styles were examined in outcrop.

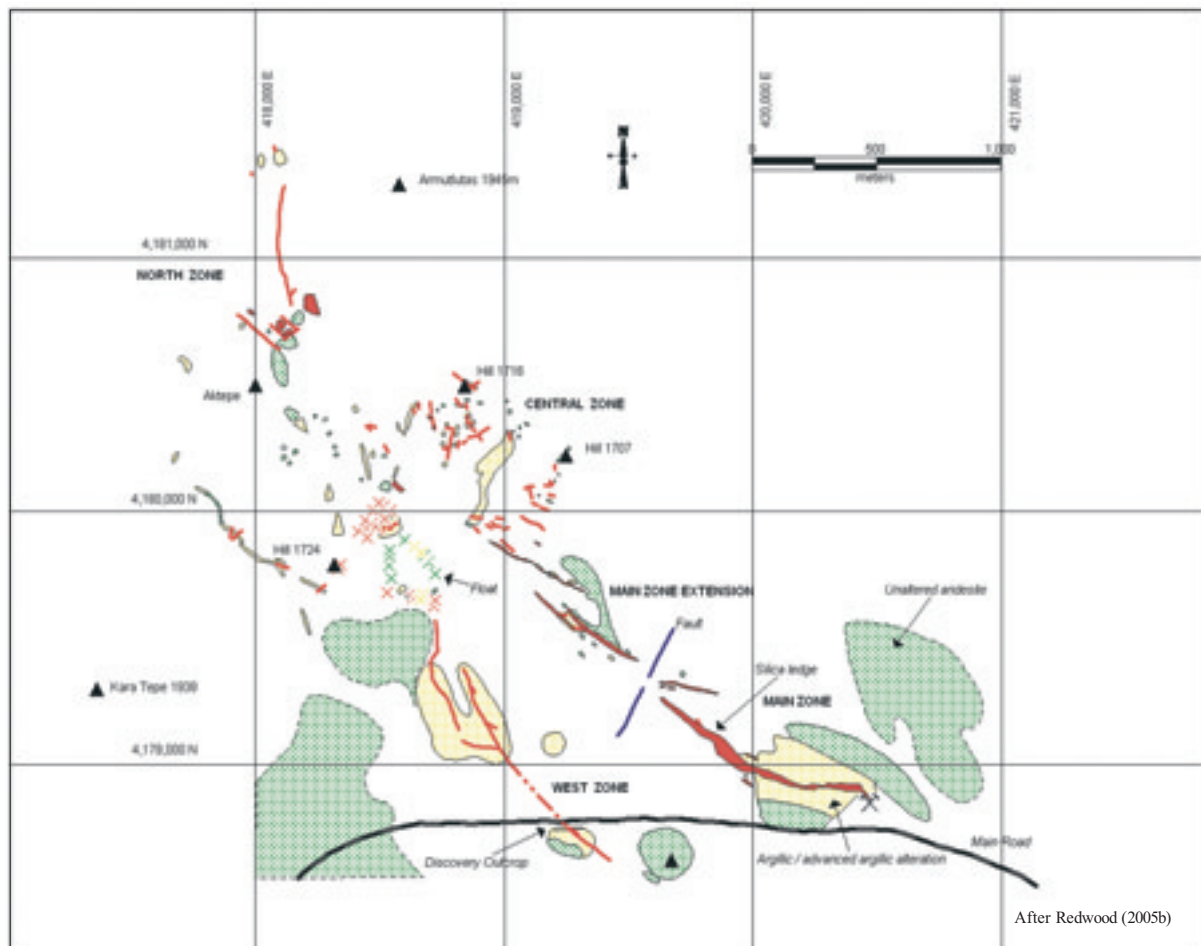


FIGURE 5: DISTRIBUTION OF THE MINERALISED ZONES AT INLICE



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Redwood describes four mappable geological units in the Inlice project area:

- **Andesite tuff.** The silica ledges of the Main Zone and Main Zone Extension are interpreted to be replacement of bedded andesite crystal tuff. The silica ledges have a strong jointing parallel to the strike with a dip of 60° to 70° to the south or southwest, which is interpreted to be bedding. Howe observes that a prominent joint set is also developed at around 26° which may be followed by silica replacement and that the units may be offset along strike parallel to the latter trend, suggesting late fracturing.
- **Andesite breccia.** This is a lapilli lithic andesite tuff breccia. In the southeast part of the Main Zone, andesite breccias with advanced argillic and argillic alteration form the foot-wall and hanging-wall of the zone with a dip of 60° to 70° to south or southwest, and a thickness of 65 to 150m, and 65 to 113m respectively.
- **Altered andesite.** Andesite has been mapped above and below the andesite breccia in the east part of the Main Zone, where the rocks appear to be conformable with the tuffs and breccias. Elsewhere within the mineralised zone, andesite hosts the silica ledges. Away from the silica ledges the andesites have weak argillic alteration.
- **Andesites.** These form prominent rocky outcrops in low-lying ground close to the alteration zones, and high craggy hill tops to the north and west of the Inlice system. They are interpreted to be flow-domes. The andesites are fresh though they may outcrop close to altered andesites with no clear contacts or lithological differences, indicating that they are the same rocks with no alteration.

The mineralised sequence is capped unconformably with unaltered andesitic flows forming a prominent feature along the ridge to the northeast of Inlice. These are clearly post-mineralisation.

Flat-lying ignimbrites, crystal tuffs and lithic lapilli tuffs with basal bedded tuffs are exposed in the valley east of the Inlice alteration zone. The tuff sequence appears to be a younger sequence which onlaps the side of the andesite domes of Inlice.

3.5.3.STRUCTURE

The silica ledges are generally discontinuous, vertical to steeply dipping tabular units with irregular edges, often offset by late structures. Their width varies from less than 1m to 50m, and the strike length from a few metres to 930m. The general strike is northwest. The principal ledges appear to be stratiform units conformable with the stratigraphy, though some structural control on the mineralising fluids is evidenced by splays at the edges of, and between ledges. The smaller ledges are structurally controlled, forming vein like bodies.

Pipe-like hydrothermal breccia ledges also occur, the largest being some 70m in diameter in the North Zone, while a second breccia is extensively developed in the Central Zone. The breccias vary from clast to matrix supported, and are cemented by opal, massive silica, granular quartz, alunite or jarosite-hematite.

Fault planes were mapped by Redwood in two localities in the ledges, namely a strike parallel fault with steep slickensides in the east end of the main ledge in the Main Zone, and the other trending northeast with low angle slickensides in the North Zone.

The cause of the steep dip of the tuffs, breccias and andesite in the Main Zone and Extension has not been established to date. It is possible that regional-scale strike parallel faulting has occurred; the known zones of silicification and alteration elsewhere in the Konya project area form linear, northwest-trending patterns across the outcrop of the Konya volcanics.

3.5.4.ALTERATION

Redwood reports that the known gold mineralisation occurs in zones of silica replacement of the host rock or as residual silica rather than as vein filling, and hence has termed the zones ledges rather than veins. The main types of silica recognised by Redwood are as follows:

- **Opal.** This is generally white but can be colourless to black, brown or red. It replaces phenocrysts and may contain disseminated pyrite and veinlets of quartz or quartz with pyrite. Opal and vuggy silica can occur within the same ledge and exhibit crude banding, or may occur as pods of either type, hosted by either type, giving a brecciated appearance.
- **Vuggy silica.** This is a residual texture with vugs after leached phenocrysts and lithic clasts, and fine granular quartz units. It is generally white and may be stained by jarosite or hematite. The vugs usually have overgrowths of fine quartz, and may also be lined or filled with kaolinite, alunite, botryoidal hematite, sulphur or earthy jarosite or hematite.
- **Granular-porous quartz.** This comprises highly porous coarse-grained granular quartz. It infills vugs and may be the matrix to brecciated vuggy silica.
- **Fine grained granular-porous quartz.** This occurs at the west end of the Main Zone and comprises fine to medium grained granular quartz and jarosite or hematite staining.
- **Massive silica.** Generally colourless to white quartz.

The different silica textures are considered to reflect the precursor lithology and texture, except for pervasive opal, which is deposited at shallow levels in the epithermal system.

Minerals observed by Redwood include pyrite, which is often disseminated within opaline silica. Sulphur is observed infilling vugs in the West Zone and in parts of the Main Zone Extension, and may also replace phenocrysts in opaline silica. Crystalline alunite occasionally infills vugs and hydrothermal breccia in the silica ledges in certain areas. Jarosite and hematite commonly occur as earthy fill, coating or staining of silica ledges.

The silica ledges usually have a well-developed argillic alteration halo, but the inner advanced argillic zone is usually poorly defined and is generally not mappable. The width of the halo varies from narrow or absent to some 50m. Advanced argillic alteration minerals observed are possible dickite with kaolinite and crystalline alunite:

- **Argillic Alteration.** Argillic alteration decreases in intensity away from the ledges. The principal clay mineral is kaolinite, which is accompanied by quartz and usually carries 1 to 3% disseminated pyrite, weathered at surface to jarosite. The argillic zone varies in width from less than 5m to up to 160m. In the Central Zone, argillic alteration is pervasive over a large area, where the hypogene alteration carries 2 to 3% disseminated pyrite in fresh rock. In the discovery road cut, argillic alteration was also observed by Howe to extend along a splay or cross fracture beyond the argillic envelope of a silica ledge.
- **Propylitic Alteration.** There is no well-defined zone of propylitic alteration. Pale green clays are observed in andesites outside the Central Zone.
- **Oxidation.** The silica ledges contain jarosite and hematite. Pyrite occurs only as relics in opaline silica, and disseminated pyrite is exposed in actively eroding scarps in the argillic zone. Given the high porosity and permeability of the vuggy and granular-porous silica the depth of oxidation in the principal silica ledges is likely to be in the order of tens of metres.

3.5.5. DESCRIPTION OF THE INDIVIDUAL ZONES AND STRATEX SAMPLING RESULTS

The following comprehensive description of the individual zones is taken from Redwood (2005b), modified where appropriate based on Howe's observations on the Discovery and Main Zones. Systematic rock chip sampling was carried out at Inlice by Redwood, assisted by two Stratex national geologists, concurrently with the mapping. Rock chip samples were taken at 50m intervals across the main ledge of the Main Zone and at intervals of approximately 100m across the other zones, depending on outcrop. A few chip and grab samples were also taken of the adjacent alteration zones. Howe has reviewed the current QA/QC controls on sample preparation and analysis, which follow protocols recommended by Redwood (2005c), and concludes that procedures currently adopted are adequate and acceptable for the style of mineralisation. The Stratex sampling results are shown schematically on **Figure 6 (Au)**.

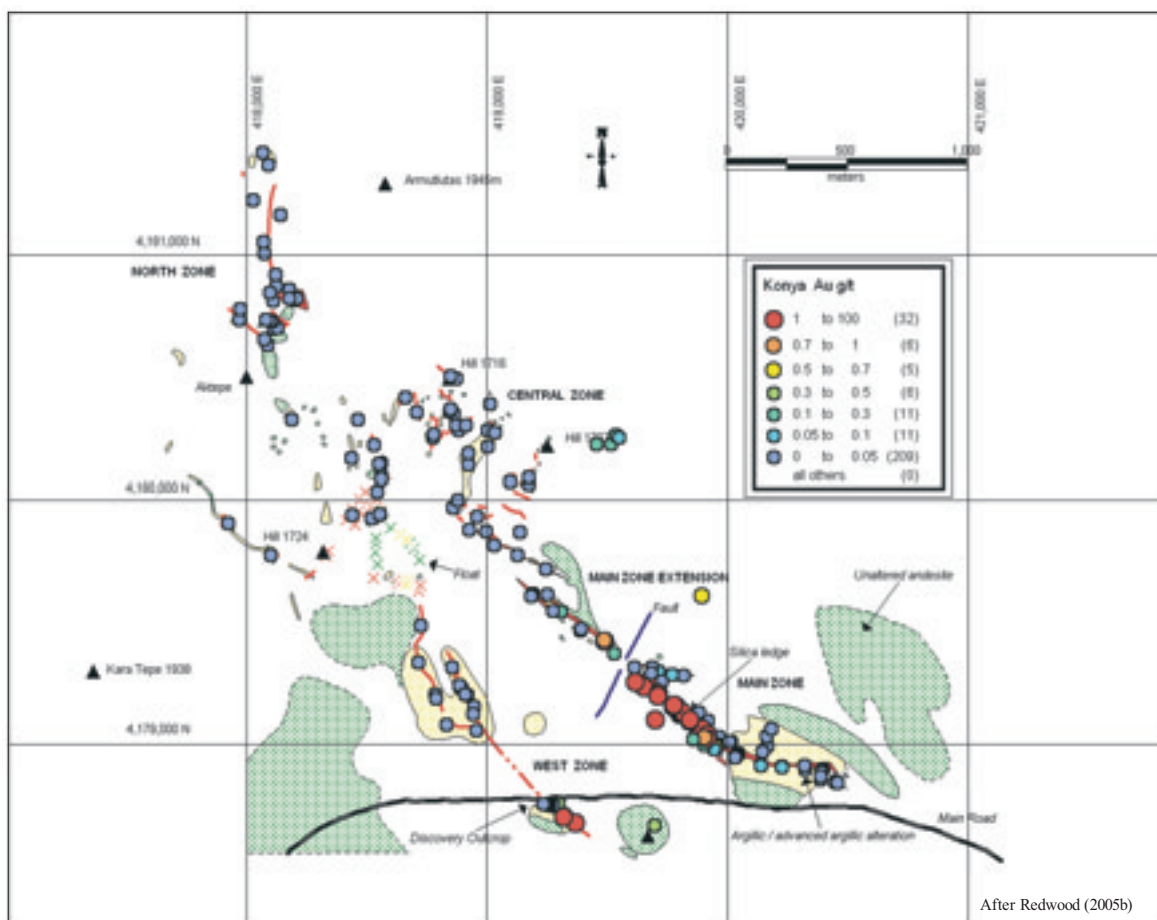


FIGURE 6: INLICE GEOLOGY & GOLD GEOCHEMISTRY

MAIN ZONE

- The Main Zone occurs on a hill that forms a northwest-trending, elongated ridge, capped by a near vertical silica ledge. The ridge gradually loses height to the northwest and southeast, where the limits of exposure of the silica ledges are some 50-80m lower than the centre of the ridge. Extensive talus on the southwest of the hill may mask the true width of the zone, particularly towards its northwest and central areas. Howe observed ancient workings in the southeast, and possibly northwest and central parts of the zone.
- The main silica ledge is 930m long and varies in width from 10m to 30m. In places zones of silicification in the hanging wall give a total width of up to 55m. It dips to the southwest at around 70°. Parallel ledges and structural splays occur in the hanging wall and footwall. The ledge trends northwest in the west and the strike swings to a more easterly trend in the southeast, though some structural offsetting may also be present. In some areas the hanging wall side has been partially eroded, (or has been worked historically), resulting in development of a stepped shoulder adjacent to the main silica rib.
- The ledge is formed of vuggy silica, massive silica, granular porous quartz, and fine grained granular quartz. Minor opal is present in the west part, but becomes more dominant in the east. Jarosite and hematite are abundant. Sulphur, alunite and pyrite may occur rarely. Zones of brecciation are common on the footwall side of the zone. In the northwestern part of the zone, Howe also noted stockworks of silica veinlets in altered andesite.
- Chip sampling has returned gold grades greater than 1 g/t in the northwestern part of the zone along a strike length of about 400m. The maximum gold grade is 11.65 g/t over 3.9m. The average length-weighted grade from 30 samples in this region is 2.12 g/t Au, though Howe notes that the nature of the exposure precludes continuous channel sampling across strike and the recorded sample intervals represent systematic chips, where possible, within that interval. The sampled material is frequently weathered. Gold grades increase gradually from southeast to northwest along the ledge. This appears to correlate to some extent with an increase in the opal content in the east end, with lesser vuggy and granular silica.

Table 2 shows the gold and silver sampling results from Stratex sampling across the Main Zone from northwest to southeast. The locations of the samples are shown on Figure 7

TABLE 2. AVERAGE GRADES OF COMPOSITE CHIP SAMPLES ACROSS MAIN LEDGE.

<i>Composite No.</i>	<i>Width m</i>	<i>Au g/t</i>	<i>Ag g/t</i>
1	4.40	8.27	<0.2
2	8.20	7.58	0.20
3	13.80	4.34	0.40
4	27.60	1.75	0.50
including	21.40	2.17	0.61
5	31.80	1.74	0.25
6	23.50	1.72	0.24
7 (not continuous)	11.60	1.24	0.33
8	24.70	0.76	0.73
9	26.90	0.29	0.75
10	33.10	0.07	1.72
11	16.60	0.10	5.10
12	17.00	0.04	2.61
13	19.00	0.03	6.20
14	34.70	0.01	4.54
15	18.50	0.003	0.49

Composites are length-weighted. Redwood has replaced values below detection by 0.5 times the lower detection limits of 0.005 g/t Au, 0.2 g/t Ag so composite values may be marginally lower or higher than those shown.

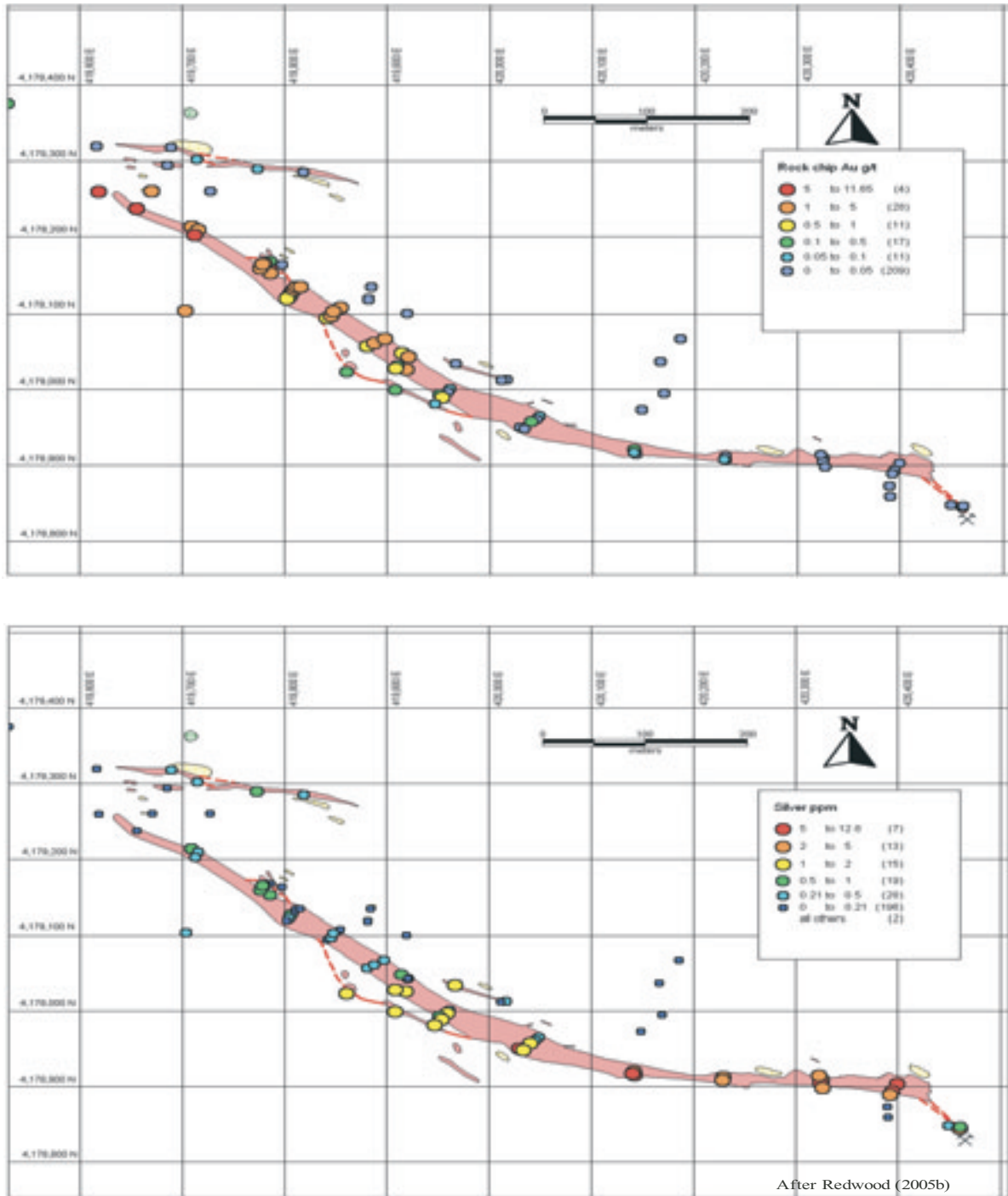


FIGURE 7: SAMPLING RESULTS AT INLICE
MAIN ZONE: GOLD AND SILVER



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- Silver values tend to increase to the east as gold decreases. The Au/Ag ratio appears to increase from southeast to northwest, approaching parity in the centre of the zone.
- Trace element results are shown in **Table 3** below. Arsenic, barium, bismuth, antimony, iron, sulphur, copper, lead, and zinc are generally enhanced though mercury and molybdenum show no anomalism. Bismuth, lead, antimony and sulphur appear to correlate with silver.
- A silica ledge on the north side at the west end of the Main Zone is 240m long and 5 to 10m wide, with silica ledges in the hanging wall at the west end giving a total width of 30m including argillic zones. It is 60m to 140m north of the main ledge, converging to the west and appears to pinch out at the ends. The ledge comprises vuggy silica, massive silica and opal with abundant alunite and jarosite.
- Gold grades of the north ledge range between 0.094 to 0.007 g/t and silver ranges from 12 to 0.3 ppm.

MAIN ZONE EXTENSION

- This is the probable northwest continuation of the Main Zone. It comprises three silica ledges over a total length of 840m. The individual ledge lengths are 200 m, 350m and 510m, with widths up to 20m. The ledges trend northwest and dip at 60° to 65° southwest. East-west trending splays may link some of the ledges or ledge segments.
- The ledges have similar characteristics to those of the Main Zone. They are hosted by narrow package of andesite breccia and tuffs, which outcrop in the hanging wall and footwall, and are enclosed by unaltered andesites. Argillic alteration is restricted to the breccia.
- There appears to be a northeast-trending fault in the valley between the two zones, which offsets the principal ledge dextrally about 60m. Assuming normal movement, this would indicate a downthrow to the north of around 120 to 170m, based on the dips of the ledges each side of the valley, suggesting that a much higher part of the system is exposed in Main Zone Extension than in Main Zone adjacent to the fault. However, the possibility also remains that the fault could be a primary feeder for gold mineralisation as grades appear to decrease to its north and south.
- Gold grades range from 1.31 g/t to less than detection (<0.005 g/t) but tend to decrease uphill from southeast to northwest. Silver values vary between 0.9 g/t to <0.2 g/t, with a large proportion below detection. (16 samples) The trace elements exhibit similar patterns of enhancement to the Main Zone, but with lower levels. (Table 3)

CENTRAL ZONE

- The Central Zone is approximately 1000m in diameter and occurs on a series of hills around the head of a northwest-trending valley, which is parallel to, and west of the Main Zone and Main Zone Extension. Extensive talus with debris of silica ledges and minor outcrops of silica ledges indicate multiple ledges buried below the talus.
- The host rock is andesite and andesite breccia.
- Alteration comprises numerous short silica ledges with an outcrop length of between 10m and 100m, with widths between 1m to a maximum of 15m. The strike directions include northwest, northeast and north-south, and the dips are steep.
- The silica ledges exhibit vuggy silica, granular quartz, sandy quartz, massive silica and opal with alunite. Hydrothermal breccias occur. Pervasive argillic and advanced argillic alteration with 1-3% disseminated pyrite is well exposed in several valleys. The zone is capped with late unaltered andesitic flows and there is evidence to suggest that it could continue to the northeast beneath the barren caprocks. (B Yildiz, pers comm)
- The maximum Au grade in sampling to date is 0.042 g/t, and for silver is 0.3 g/t with though most silver levels were below detection (<0.2 g/t, 32 samples). Arsenic, barium, bismuth, copper, iron, molybdenum, lead, sulphur, antimony and zinc exhibit slight enhancement. (Table 3)

NORTH ZONE

- This is the continuation to the northwest of the Central Zone. The outcropping zone is 300m wide and 800m long. To the southeast talus with no exposure extends for 500m to the Central Zone, and to the northwest the zone is open, so the North Zone may be more extensive.
- The host rock is andesite breccia.
- There are four main silica ledges, including, from west to east:
 - The West Ledge is 230m long with a northwest trend and is 2.8 to 6.3m wide. There is a poddy silica ledge 12.4m wide on its east side.
 - A broad silica ledge 50m wide and 80m long with a northwest trend.
 - The East Ledge can be traced for 480m with an approximate north-south strike and is 2.5 to 5.0m wide. It is located again 180m farther north with pervasive argillic alteration of the matrix of andesite breccias.

- Further east a silicified breccia ledge or pipe 70m across and 100m, elongated in a northwest direction outcrops.
- The silica ledges comprise opal, vuggy silica, massive silica and quartz veinlets with hydrothermal breccias. The breccia pipe exhibits massive white silica replacement of andesite and andesite breccia and is clast supported with a matrix of black opal veinlets, or open space matrix with hematite coatings.
- Wall rock alteration is argillic with disseminated pyrite.
- The zone is open to the north under talus. The East Ledge can be traced intermittently for a further 180m and includes an area of argillic-jarositic altered breccia float in talus.
- The maximum value for gold is 0.012 g/t and for silver is 3.2 g/t (21 samples).
- Maximum values for other elements are shown in **Table 3**.

WEST ZONE

- The West Zone extends for 1000m in a northwest direction from the discovery outcrop. It lies 400 to 600m southwest of the Main Zone and Extension. At its northwestern end, silica float in talus indicates that the zone trends towards the Central Zone.
- The West Zone includes the two parallel silica ledges exposed in the Discovery Outcrop. These are 1.2 and 0.8m wide and 4.0m apart. The base of the eastern unit comprises fragmental breccia. The zone is covered by alluvium for some 400m, beyond strikes to the northwest for a further 340 m, with widths up to 10 m, and with minor splays. In this area, a second parallel ledge 100m to the west, connected by splay structure, has widths of 0.7m to 2.5 m. This ledge continues for 500m to the northwest, with offsets.
- The ledges comprise opal, vuggy silica, granular quartz and massive silica, with minor pyrite and sulphur.
- There is a narrow zone of advanced argillic and argillic wall rock alteration in the discovery outcrop. A minor zone of argillic alteration was noted by Howe in a splay fracture in the footwall of the eastern ledge. In the northern part of the zone a broad area of weak argillic alteration occurs.
- The gold grade varies from less than 0.005 to 1.87 g/t Au. Three samples returned values greater 1.0 g/t Au and 7 returned less than the detection limit of 0.1 g/t. Silver values range between 57.7 g/t to less than the 0.2 g/t detection limit. This suggests, by comparison with Main Zone that a higher, silver rich portion of the system is exposed.
- The trace element maxima are shown in **Table 3 below**.

TABLE 3. MAXIMUM TRACE ELEMENT VALUES IN THE INLICE ZONES (ALL VALUES IN PPM UNLESS STATED)

<i>ZONE</i>	<i>As</i>	<i>Ba</i>	<i>Bi</i>	<i>Cu</i>	<i>Fe %</i>	<i>Pb</i>	<i>S%</i>	<i>Sb</i>	<i>Zn</i>	<i>Hg</i>	<i>Mo</i>
Main	280	2940	2110	186	10.6	949	1.52	173	68	<1-2	<1-2
Extension	78	390	5	74	4.2	213	0.64	8	42	-	-
Central	147	1380	14	92	9.53	168	0.97	5	56	-	11
North	69	1750	17	87	3.69	54	0.78	12	118	-	13
West	175	1520	65	108	4.71	3280	0.92	58	133	-	-

3.5.6.HOWE SAMPLING

Howe collected chip samples at the Discovery Outcrop and along the Main Zone. Sample locations and results are shown in **Table 4**.

TABLE 4. HOWE SAMPLING OF MAIN ZONE

<i>Sample</i>	<i>Description</i>	<i>Width (m)</i>	<i>Au (ppm)</i>	<i>Ag (ppm)</i>
DP001	Chips across the NE ledge of Discovery Zone	1.5	2.26	12.4
DP002	Chips across NW end of FW of Main Zone	2.0	1.86	0.3
DP003	Chips across Main Zone	5.0	9.26	0.3
DP004	Chips across central part of Main Zone and SW rib	7.0	3.02	0.7
DP005	Chips across Main Zone 30m SE of DP004		2.29	0.6
DP006	Chips across SE end of Main Zone	8.0	0.064	3.6
DP007	Chips across parallel ledges 6m apart in centre of Main Zone	8.0	0.553	0.7

The results essentially confirm the Stratex sampling, including the high-grade gold at the northwest end of Main Zone and increasing silver grades to the southeast. Arsenic, barium, copper, phosphorus, and lead are generally elevated in all samples and four samples returned elevated antimony values up to 20 ppm in DP007. Bismuth is slightly elevated. DP001 returned 2,890 ppm lead and 1.3% sulphur, suggesting the presence of galena.

3.6. KONYA REGIONAL PROJECT

3.6.1. PROPERTY, LOCATION AND ACCESS

Figure 2 above shows the distribution of the Stratex licences, which cover 24,519.4 hectares, excluding the Inlice project area (Inlice IV), within the 2000 km² Konya Volcanic outcrop. **Table 1** above gives details of the licences, which are distributed along two principal northwest trending linear features 20 km to the north and 30 km to the south of Inlice. The northeastern linear contains twelve of the known targets, while the remainder lie along one, or possibly two closely spaced, parallel linears. It is probable that the linear features represent arc-parallel, crustal fracture zones that have controlled intrusion and volcanism in this area. There is some suggestion of secondary northeast-trending transverse features, particularly towards the southern end of the volcanic belt, and a few target alteration zones such as Cukuragil and Saglik appear to be elongated along this trend.

Five royalty agreements have been obtained from, or are under negotiation with third parties who held prior interest unrelated to gold:

- Konya Seramik hold a licence over an area of kaolinisation in the north of the volcanic belt,
- Altun Mad hold a licence, supposedly covering a small quarry worked for coloured chalcedony (though their licence fails to cover the quarry itself, which is on the Stratex Inlice IV licence,
- Imece have signed a 1.5% royalty agreement covering the southern half of the Doganbey target area
- Muammer Guven and the related Tekno Mad hold licences in the south of the volcanic belt and have agreed in principle to a 1% royalty agreement with Stratex.

The geological setting of the Konya Volcanics is described above in Section 3.3.

Access to all properties is excellent via major highways, village roads and four-wheel drive forestry tracks.

3.6.2. STRATEX RECONNAISSANCE

Following the discovery of the Inlice gold mineralisation, Stratex commenced a regional exploration programme to identify other areas of alteration in the Konya Volcanics. The methods used were visual observation and field checking of colour anomalies, examination of previously reported kaolinite occurrences, and Landsat TM processed for clay and hydroxides by Telluris Consulting Ltd. Fourteen new alteration zones were discovered in the Konya Volcanics. These occur over a length of 50 km in a northwest-trending belt with Inlice located near the middle. Subsequently a further five target areas were identified during reconnaissance surveys.

Five of the anomalies were identified directly from Aster satellite images, while the remainder were identified by Stratex personnel during reconnaissance surveys. All the target areas were checked in the field and prioritised, though only limited sampling was conducted. Licence applications were made over the targets, the majority of which were in unclaimed land, enabling Stratex to establish a major land position in what could be a significant new gold province.

3.6.3.DESCRPTION OF TARGETS

The following descriptions are based on field observations by S Redwood (2005b), Bahri Yildiz (September 2005 and pers comm.) and D Patrick during Howe's October 2005 field visit. Patrick and Yildiz spent a day traversing the area and conducted limited check sampling. All but the southernmost properties were visited.

Stratex has conducted no petrographic or X-ray Diffraction (XRD) studies on the alteration mineralogy, and field identification terms are utilised in the descriptions below. However, the comprehensive study of kaolin deposits in the area by Karakaya et al (op cit) utilised XRD, scanning electron microscopy and other techniques to examine the mineralogy of a number of the alteration zones on Stratex ground and concluded that the kaolin deposits 'are excellent examples of the acid-sulphate (*high sulphidation epithermal*) type of hydrothermal alteration'. The study estimated an alteration temperature of around 100° C based on the cristobalite-quartz relationship, in the range of high level epithermal systems. Zonation in the deposits described is well developed, from an inner silicic core, succeeded outwards by alunite, then kaolinite with halloysite and dickite. The field observations below by Stratex, Redwood and Howe are thus supported independently.

Yildiz has recently prioritised the targets into three categories based on the nature and extent of the alteration and the presence of detectable gold or the presence of other significant elements in the sparse reconnaissance sampling. Howe considers that all targets are valid exploration targets, though for practical purposes, prioritisation is necessary for forward exploration planning.

The properties are described below according to Yildiz's priority ratings, which are largely supported by Howe's field inspections. The properties are located on **Figure 2**.

HIGH PRIORITY

Two areas (Doganbey and Oglakci-Dikilitas) exhibit significant high sulphidation epithermal mineralisation indicators. The magnitude of the altered zones in these areas is greater than other regional target areas identified by Stratex to date and anomalous gold values have been returned from preliminary sampling within the areas.

Doganbey lies 16 km northwest of Inlice and 7 km northeast of Doganbey town. The target area is located on hills on the north side of a valley in recently planted forest with good four-wheel drive access along forestry tracks, in Stratex and a 3rd party claim. A 1.5% royalty agreement has been negotiated with the latter. Argillic alteration comprising a kaolinised and locally silicified porphyritic andesitic dome and lavas carrying disseminated pyrite and limonitic alteration covers an area of at least 2.5 km north-south by 2.0 km east-west. Numerous silica ledges of opal and chalcedony, fine-grained quartz and vuggy quartz, and hydrothermal breccias occur. Pyrite is present in the opal and fractures are filled with vuggy silica and fine pyrite. Hematite, alunite and native sulphur also occur in the vuggy silica. The ledges vary from 1m up 50m wide and trend northwest to north-south. Alteration is exposed over a vertical extent of over 200 m.

Grab samples collected by Redwood from Doganbey returned maximum values of 27 ppb gold, 0.2 ppm silver, 247 ppm arsenic, 320 ppm barium, 17 ppm bismuth, 20 ppm copper, 1 ppm mercury, 10 ppm molybdenum, 82 ppm lead, 8 ppm antimony, and 103 ppm zinc. Stratex has since collected 45 reconnaissance samples from the area, 29 of which returned detectable gold values. The maximum gold grade obtained was 0.241 g/t Au and molybdenum anomalies up to 327 ppm and lead anomalies up to 894 ppm were also returned. Howe collected a check sample (DP008) at the locality that returned the maximum gold value in Stratex sampling, which returned 0.256 g/t gold, 0.3 ppm silver, 310ppm barium, 32 ppm molybdenum and 154 ppm lead. Interestingly, 40 ppm lanthanum was returned together with 1010 ppm phosphorus and 22 ppm antimony. This tends to confirm the earlier sampling results.

Late andesitic lavas overlie the altered volcanics and Pliocene sedimentary units are exposed to the south and southwest of the area. Some 2.5 km south of the main alteration zone, an area of argillic alteration in andesite is exposed in a window in the younger strata. This alteration extends a further 1.5 km up a southeast-trending valley on the north flank of unaltered lava domes and may be related to the main alteration zone.

Oglakci-Dikilitas is located 4 km northeast of Oglakçı village on a track accessible to four-wheel drive vehicles. The target area comprises two contiguous licences where weak to moderately kaolinised and silicified andesitic lava is exposed on the edge of an andesitic dome. Chalcedonic and opaline alteration with a vuggy texture and limonite and hematite are also observed in the volcanics. The size of the alteration area is 4 km by 3 km. Late unaltered lavas overlie the altered volcanics.

A foot traverse across the area revealed zoned alteration exposed in a narrow, steep valley, with a central silica-alunite and kaolinite core where the original rock texture is completely obscured. Very fine pyrite was observed in late vuggy silica veinlets. The core is contained within silicified and kaolinised tuff with northwest-trending silica ledges and an outer haematitic-argillic zone that disappears beneath the younger unaltered lavas in the northeast. Chalcedonic veinlets and stockworks were observed in the kaolinised tuffs. The target area lies on the southwest edge of a major caldera with numerous domes and appears to represent the upper part of a high sulphidation epithermal system.

Stratex has collected ten samples from the area to date, two of which returned 0.054 g/t gold and 0.007 g/t gold respectively, and one sample yielded 290 ppm copper, 89 ppm arsenic and 12 ppm molybdenum, suggestive of a porphyry signature. Barium, phosphorus and iron tend to be enhanced in several samples, though other elements are close to background. At the time of the Howe visit, two Stratex geologists, who have worked on the Inlice prospect, were mapping and sampling the property.

MEDIUM PRIORITY

Included in this category are the Gavur Golu, Cukuragöl, Karacaören, Yaylacık, Gocuk, Camurlu, Inlice East, and Ilyasbaba Tepe licence areas (**Figure 2**). All exhibit silicification and argillic alteration.

Gavur Golu: Weakly kaolinised and locally silicified andesitic lava and debris flows are exposed in the target area and replacement silica with vuggy texture is also observed. The size of the altered zone is about 3 km by 3 km. Three rock samples were collected by Stratex, but returned only minor enhancements of barium and arsenic, with one returning detectable gold. This property lies on the northeast, opposite side of the major caldera from Oglakci at an elevation of some 1800m. Access to the area is via a four-wheel drive track that passes through the lower priority Kozlu alteration zone, described below.

Cukuragöl: Weakly kaolinitic and locally silicified tuff is exposed 5 km southeast of Cukuragöl village. Replacement silica with vuggy texture is locally developed in the tuff beside the access track. The size of the altered area is 3 km by 2 km. Stratex collected three rock samples from this altered zone but results were generally low, with minor enhancements in iron and barium.

Karacaören: This area is located 1.5 km north of Karacaören village on the side of an access track. Weak to moderately kaolinised and silicified tuff and lavas are exposed, with minor silica ledges and local replacement silica. The size of the altered area is about 3 km by 1km. The altered zone strikes northwest-southeast. Stratex has collected two reconnaissance rock samples from the altered zone but no significant results were returned.

Camurlu: This target area lies 9 km north of Inlice, and 5 km northwest of Camurlu village, where at least 2 km² of kaolinite alteration of andesite and coarse lithic andesite tuff or breccia are exposed. Pervasive alteration occurs with veinlets of kaolinite, ledges of opal with brecciation and hematite gossan, and silica with 5 to 30% disseminated pyrite. The area has been drilled for kaolinite by five short holes (30-36 m) and there is a grid of drill pads and access roads, though no results are available. The alteration zone lies on the south side of a northwest-trending graben fault that separates the Konya Volcanics from Jurassic limestones. A grab sample collected by Stratex returned elevated trace element values (<5 ppb gold, 0.3 ppm silver, 39 ppm arsenic, 450 ppm barium, 8 ppm molybdenum, 24 ppm lead, 26 ppm zinc).

Yaylacık: This area is located within a north northwest-trending valley, possibly structurally-controlled, 23 km south-southeast of Inlice and 4 km northeast of Yaylacık village, where bleaching and iron oxide staining reportedly occurs over several square kilometres on the valley sides. The property is currently held by Muammer Guven, who have agreed verbally to a 1% royalty deal. Kaolinite-altered quartz-eye crystal tuffs and lithic-crystal tuffs dipping 50° west are exposed in roadside cuttings, with white to clear opal replacement of some beds. Incipient vuggy silica alteration and probable alunite are present also. To the east and above the altered zone is sequence of bedded sediments, tuffs and ignimbrites. To the west is a flow-banded dome. Three Stratex grab samples gave strong trace element anomalies up to 353 ppm arsenic, 1,060 barium, 995 ppm lead, 56 ppm antimony, though gold and silver were below detection limits (Redwood, 2005 b).

Gocuk: This zone lies some 9 km northwest of Inlice, on the west side of Gocuk village. A 320° striking silicified zone up to 5m wide with white granular quartz, vuggy silica and rare chalcedony veinlets is hosted by a weak to moderately kaolinised and silicified porphyritic andesite lava, surrounded by unaltered lava domes forming craggy hills. A Stratex grab sample gave weakly anomalous values (<5 ppb gold, 0.3 ppm silver, 15 ppm arsenic, 150 ppm barium).

Inlice V is the extension of the alteration exposed in the Inlice property. A red colour anomaly occurs 3 km east of the Inlice discovery outcrop on the south side of the main road. It is caused by coarse lithic andesite tuff with kaolinite-alunite alteration, hematite staining and several silica ledges of red, brown and white opal (jasperoid), some with brecciation which trend north-northeast to northeast. The east side of the alteration zone is in steep contact with unaltered, white ash flows which are part of a sequence of bedded sediments and tuffs which outcrop in the valley to the east. The contact may either be a fault or onlap by younger volcanic ashes. A Stratex grab sample returned <5 ppb gold, <0.2 ppm silver, 128 ppm arsenic, 240 ppm barium, 16 ppm copper, 5 ppm molybdenum, and 21 ppm zinc. A small trench working has extracted the coloured chalcedony for jewellery.

Ilyasbaba Tepe: This property is located 4 km east of Inlice village. Argillic alteration occurs within and between two lava domes. Two samples were collected by Stratex from the silicified and kaolinitic andesitic lava and one sample was collected from clayey lithic tuff with limonitic staining. No significant values were obtained.

LOW PRIORITY

This category includes Yatagan, Saglýk, Yunuslar, Karakaya, Kozlu and Ketenli, Gökyurt, Orta Karaoren and Mesudiye (**Figure 2**).

Yatagan: This property lies 7 km west-northwest of Inlice. It comprises two large areas of kaolinite alteration on either side of a north-south trending valley in coarse lithic lapilli andesite tuff or breccia. One area lies 2 km southwest of Yatagan and the other is 2 km east of the village. Replacement and fracture-controlled silicification reportedly forms 130°-trending silica ledges of opal with pyrite. Brittle fracturing and brecciation is common with jarosite and hematite fracture fill. Two Stratex grab samples from the exposure southwest of the village gave anomalous trace element values (<5 ppb gold, 0.2 ppm silver, 119 ppm arsenic, 280 ppm barium, 7 ppm bismuth, 21 ppm copper, 9 ppm molybdenum, and 102 ppm lead).

Yatagan East: This lies 2 km east of Yatagan village. The zone occurs 2.15 km northwest of the last exposed ledge of the main Inlice system and may represent its continuation. Ledges of brecciated red and white jasperoid opal with fine quartz cement and abundant float occur on a west-facing slope comprising a debris flow or a coarse breccia with abundant large blocks of andesite. The ledges trend 080° and appear to represent very late stage mineralisation.

Saglik: Occurs 5 km northwest of Saglik town and comprises several square kilometres of kaolinite alteration of bedded ash to lapilli lithic dacitic tuffs with low dip of around 20° to west. Beds of white opal to chalcedony replacement occur. The altered zone lies on the east side of an unaltered rhyodacite to rhyolite dome with large quartz eyes, which is flanked by andesitic lava and lithic tuffs with blocks of flow-banded rhyolite with disseminated pyrite. The rhyolite flows have not been seen in outcrop. The main alteration zone is currently under licence to Konya Ceramic; Stratex is holding negotiations with the group.

Yunuslar: This property is 5 km northwest of Saglic just east of Yunuslar village. It comprises kaolinite-quartz alteration of a flow-banded rhyolite dome, with a brecciated margin, possibly a vent, and a bedded tuff apron on its south side. Rhyolite and opal clasts in the altered tuff with sparse disseminated pyrite indicate that hydrothermal activity was both contemporaneous with and post-dated the volcanic activity.

Karakaya: lies 4 km north of Yesiltekké village. Alteration occurs in coarse lithic andesite tuffs, and debris flows which dip west off the west flank of an unaltered lava dome which forms the prominent hill of Karakaya Tepe. Alteration is strong kaolinite with some silicification (fine quartz) with pyrite, and strong hematite-jarosite. Similar colour anomalies visible on south and east flanks of the dome were not visited. One of two grab samples returned moderate to strongly anomalous trace elements with up to 164 ppm arsenic, 1,700 ppm barium, 5 ppm bismuth, and 1,405 ppm lead, though gold and silver were below detection.

Kozlu: Argillic alteration of andesitic debris flow, and andesitic lava with some jarosite staining of tuffs occurs around the village of Kozlu on the road to the major caldera at Gavur Golu.

Ketenli: An area of argillic alteration occurs in a road cut and valley sides on the west side of Ketenli village, 10 km west of the Yaylacik alteration zone. Alteration consists of kaolinite, jarosite and possible dickite in a lithic crystal lapilli andesite tuff between flow banded domes on both the east and west sides. Alteration extends for at least 2 km and has an apparent trend of 150°.

Gokyurt: 6 km southwest of Gokyurt village, extensive kaolinite alteration with white opal in lithic tuffs and debris flows occurs on south side of a prominent 2 km diameter lava dome.

Orta Karaoren: This comprises two zones of weakly argillic alteration of debris flow, lithic tuff and andesitic lava flow. The eastern part of the zone is partly situated on ground held by Muammer Guven, who have verbally agreed to a 1% royalty.

Mesudiye: This alteration zone is located to the west and east of Mesudiye village. Weak to moderately argillically altered lithic tuff and debris flow are reportedly exposed in the area overlain by later andesites. One Stratex grab sample from the altered debris flow returned detectable silver and elevated iron, barium, phosphorus, lanthanum and strontium.

3.6.4. DISCUSSION

High sulphidation epithermal gold deposits are the major producers in the Andes of South America. In the southwest Pacific, some high sulphidation systems have been significant Cu-Au producers, while others are noted for high gold grades. Most occur in volcanic host rocks and demonstrate associations with subvolcanic intrusions, particularly flow dome complexes and are commonly localised by similar major structural corridors to those which host porphyry Cu-Au deposits, where more deeply eroded (Corbett, 2004). Most high sulphidation systems have been targeted from the recognition of outcropping alteration, commonly as Landsat colour anomalies or formerly evaluated for industrial purposes.

At the core of high sulphidation ore systems hot acidic fluids leach many components from the host rocks leaving mainly silica, and so the altered rocks are termed residual silica or vuggy silica, from the texture produced by the pseudomorphous removal of porphyritic feldspars and rock fragments. In many breccias finely comminuted rock material is replaced by massive fine-grained silica, while porphyritic intrusion fragments display the characteristic vuggy texture. Vuggy silica provides important secondary permeability for later mineralisation.

Zonation is characterised progressively outwards by mineral assemblages dominated by: alunite, pyrophyllite, kaolinite, illite, and smectite clays. Mineralogies dominated by lower temperature (opaline) pervasive silicification or alunite-kaolinite assemblages dominate in higher level settings. Thin alteration zones may suggest that fluid conditions have changed rapidly, possibly in a quenched higher level system or distal to the fluid upflow conduits, while wide zonation characterise slower changing fluid conditions more typical of deeper levels (or more proximal to the fluid upflow conduits).

Most ore systems display elements of permeability controls, classed as structural, breccia, or lithological (Corbett, 2004). In many instances structural controls predominate in the deeper portions and pass upwards to a lithological control. Dilatant subsidiary structures with angular relationships to major structural corridors host ore and facilitate rock reaction, while permeable host rock lithologies may control fluid flow. Many high sulphidation deposits are associated with felsic dome margins; the domes provide an important link to underlying magmatic source rocks. Diatreme/flow dome complexes exhibit the most important breccia control, particularly at contacts between the diatreme and brecciated host rocks. The intersection of dilatant structures and diatreme margins or permeable horizons represent ideal ore settings. In volcanic edifices, caldera ring and radial fractures, fracture sets in resurgent domes and flow-dome complexes, hydrothermal breccia pipes and diatremes may be important controls, together with faults and breccias in and around intrusive centres. The deposits occur over considerable depths.

Sulphide mineralisation is generally introduced after alteration into the central portion of the zonation by feeder structures or breccia pipes, and is characterised by sulphide assemblages dominated by pyrite and enargite, and lesser covellite (typically at deeper levels) and local, generally peripheral, tennantite-tetrahedrite. Ore textures are characterised by filling of open space in the existing vuggy silica, fissure veins within subsidiary dilatant structures, or form the matrix to breccias. Barite and alunite gangue are commonly deposited with sulphides. Weathered rocks may contain abundant limonite (jarosite-goethite-hematite), generally in a groundmass of kaolinite and quartz. Fine-grained supergene alunite veins and nodules are common.

The above textural and alteration characteristics are exhibited strongly by the Inlice system. The outcropping mineralisation is strongly oxidised and sulphides are generally weathered to limonite, with rare preservation of pyrite. The mapped features tend to suggest that the centre of the system could be proximal to the wide zone of alteration in the Central Zone.

High sulphidation deposits are typically derived from fluids enriched in magmatic volatiles, which have migrated from intrusion source rocks at depth to surface, with only limited dilution by groundwaters or interaction with host rocks. The typical geochemical signature of these deposits includes dominant gold, copper, and arsenic with silver, zinc, lead, antimony, molybdenum, bismuth, tin, tellurium, tungsten, boron and mercury. Barium is also commonly strongly elevated. **Table 3** demonstrates that, with the exception of mercury and molybdenum, a suite of elements typical of high sulphidation epithermal systems are enhanced to varying degrees in the Inlice system.

While most high sulphidation systems are characterised by gold grades in the 1-3.5 g/t range, some display remarkably higher gold grades (Panteleyev, A. 1996). At Inlice Main Zone, gold values are significantly elevated towards the northern end of the Main Zone, reaching 11.69 g/t Au over 3.9m, but decrease towards the southwest, while in the Main Zone Extension, gold grades decrease to the northwest. Redwood suggests that the increased values at the lowest topographic levels indicate that a deeper part of the system is exposed in this area. This is supported to some extent by the presence of increasing vuggy silica, the lower topography in the northwest part of Main Zone and southeast of the extension, and possible downthrow to the north of a postulated fault between the two zones, though Howe also suggests the possibility of late gold mineralisation exploiting the permeable alteration via a fracture between the two zones.

The numerous altered zones identified by the Stratex reconnaissance throughout the general Konya project area also exhibit many of the characteristics described above, though most appear to be exposed at a higher level in the systems than the Inlice zone. They lie on extensive, major structural, arc parallel corridors and appear to be controlled by late fracturing. Although the Inlice prospect is the only zone to date to return strongly significant gold values, Howe notes that systematic sampling has not been conducted elsewhere and that many of the reconnaissance samples collected to date exhibit anomalous gold and trace element levels, with signatures indicative of high sulphidation systems.

There is therefore potential for both epithermal gold and associated, deeper porphyry systems in the Konya area. As mineralisation has not previously been recognised in the Konya volcanics, this could represent a significant discovery in an extensive area in which Stratex has established a dominant land position.

3.7. CONCLUSIONS AND RECOMMENDATIONS

3.7.1. INLICE

- At Inlice, Stratex has discovered outcropping gold-silver mineralisation that has the characteristics of a high sulphidation epithermal system.
- The mineralisation is hosted by a series of steeply-dipping, sub-parallel, silicified tuff horizons and structurally controlled units termed ledges, exposed along a strike length of 3.5 km within an volcanic pile associated with a complex of andesitic domes in a major northwest-trending structural corridor.
- The outcrop of the principal Main Zone forms an elongated hill some 930m long with some 90 metre relief; the zone varies in width from 10m to 55 m.
- Grades in the northwestern 400 m of Main Zone average above 1 g/t Au, but a deeper part of the system appears to be exposed at the northwest end of the zone where gold values of 8.27 g/t Au over 4.4m, 7.58 g/t Au over 8.2m and 4.34 g/t over 13.8 m have been returned from systematic chip sampling.
- Howe's check sampling results essentially confirm the Stratex sampling results, including the high-grade gold at the northwest end of Main Zone and increasing silver grades to the southeast.
- Similar mineralisation also occurs in the Main Zone Extension, West, Central and North Zones, though gold and silver grades to date are anomalous, but low. However the alteration mineralogy of these zones suggests that they are exposed higher in the epithermal system than the high-grade part of the Main Zone, and their grades might be expected to increase at depth.
- There is potential for the development of significant tonnages of low-grade gold-silver mineralisation in the Main Zone and Main Zone Extension, with additional potential for higher gold grades developing at depth in the stratigraphic replacement silica ledges.
- There is also potential for structurally controlled, high grade mineralisation deeper in the system; porphyry-style mineralisation may also be present at greater depth.
- Main Zone should be drilled at an early stage. The relief of the area means that the system could be tested at depth by reasonably short holes drilling from the flanks of the hill. Holes should be drilled at the northwestern, central and southeastern part of the outcrop to determine whether grades do, in fact increase as deeper parts of the system are accessed.
- The Main Zone Extension should also be drilled close to the postulated fault to determine whether the interpreted down throw is real and grades increase with depth. Drilling will also help to elucidate the geometry of the system.

- The topography of the Main Zone is ideally suited for the development of an initial small open pit operation should grades prove continuous at depth as the southwest face of the hill is sub-parallel to the dip of the silica ledge and cover is minimal.
- The talus on the slope eroded from the northwest half of Main Zone should be sampled as it could provide a significant tonnage of readily accessible material.
- If the initial drilling proves successful, the campaign should be extended to the other zones and systematic drilling should continue in the Main Zone area.

3.7.2. KONYA REGIONAL

- Stratex has identified 20 significant alteration zones in the Konya Volcanics, excluding the Inlice high sulphidation epithermal gold system near the centre of the volcanic outcrop.
- The zones lie along two principal linear belts that extend 50 km northwest-southeast over a 15 to 20 km width.
- The host rocks are high-potassium calc-alkaline volcanic rocks of Late Miocene to Pliocene age related to subduction.
- The linear belts are arc-parallel but on a local scale, andesitic domes, alteration and mineralisation may also be controlled by northeast, east and north-south trends.
- All zones exhibit similar alteration features comprising extensive argillic (principally kaolinite) alteration with silica ledges of opal, often with fine pyrite, quartz and vuggy silica. Hydrothermal breccias also occur. Alunite, hematite and sulphur occur with the silica ledges and in the cores of systems.
- Although only limited sampling has been conducted to date, most alteration zones tested have returned trace element signatures characteristic of high sulphidation epithermal systems. Anomalous precious and/or base element values have been identified in several areas.
- The alteration zones all appear to be exposed at high levels of the mineralised systems indicating the limited erosion that has occurred, due possibly to the capping of unaltered andesites in the area.
- The zones have been prioritised by Stratex and detailed mapping and sampling has commenced on the highest priority Doganbey alteration system. Howe's check sample confirmed the highest gold grade returned to date from this area.
- Porphyry-style alteration has not been seen, though the volcanic and structural regime would suggest potential for this style of mineralisation. The alteration identified to date indicates that erosion is insufficiently deep for porphyry alteration to be exposed.
- Detailed sampling and mapping has commenced at Doganbey and will be extended to other areas. Howe considers that a drill hole should be considered close to the core of the Doganbey epithermal system, where anomalous gold has been returned from limited sampling, to determine whether significant gold mineralisation occurs deeper in the system.

4. KARAAGAC

Subsequent to its incorporation in August 2004, Stratex held discussions with Teck Cominco that led to signing of an agreement in October 2004 committing Stratex to establishing a wholly owned subsidiary in Turkey and evaluating Teck Cominco's Muratdagi licence block in western Turkey. A 100% interest in Muratdagi could be earned by successive expenditures of US\$100,000 (already expended by the time of this report) and a further \$400,000 before October 2006.

In December 2004 RAB Capital Special Situations agreed to invest £500,000 in Stratex for 44 % of the share capital. With finalization of the Shareholders Agreement in March 2005, RAB owned 44 % of the share capital, Teck Cominco 17.5 %, and the directors and financial advisers Ruegg held the balance.

A priority target, termed the Karaagac project was identified at an early stage by Stratex in Teck Cominco's optioned Muratdagi licence block using a combination of Landsat-based studies (Fitzpatrick and Murphy, 2005),

evaluation of a geological and geochemical database compiled by Teck Cominco, and reconnaissance mapping by Stratex. This project area was visited by Howe in the current study and is reported on below. It represents only a small part of the overall package held under option by Stratex.

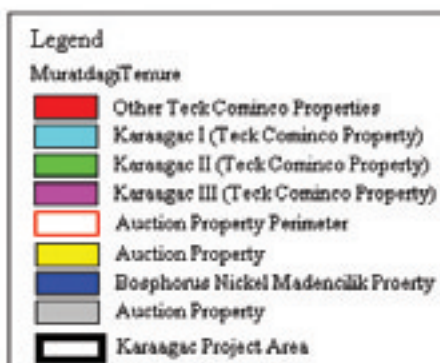
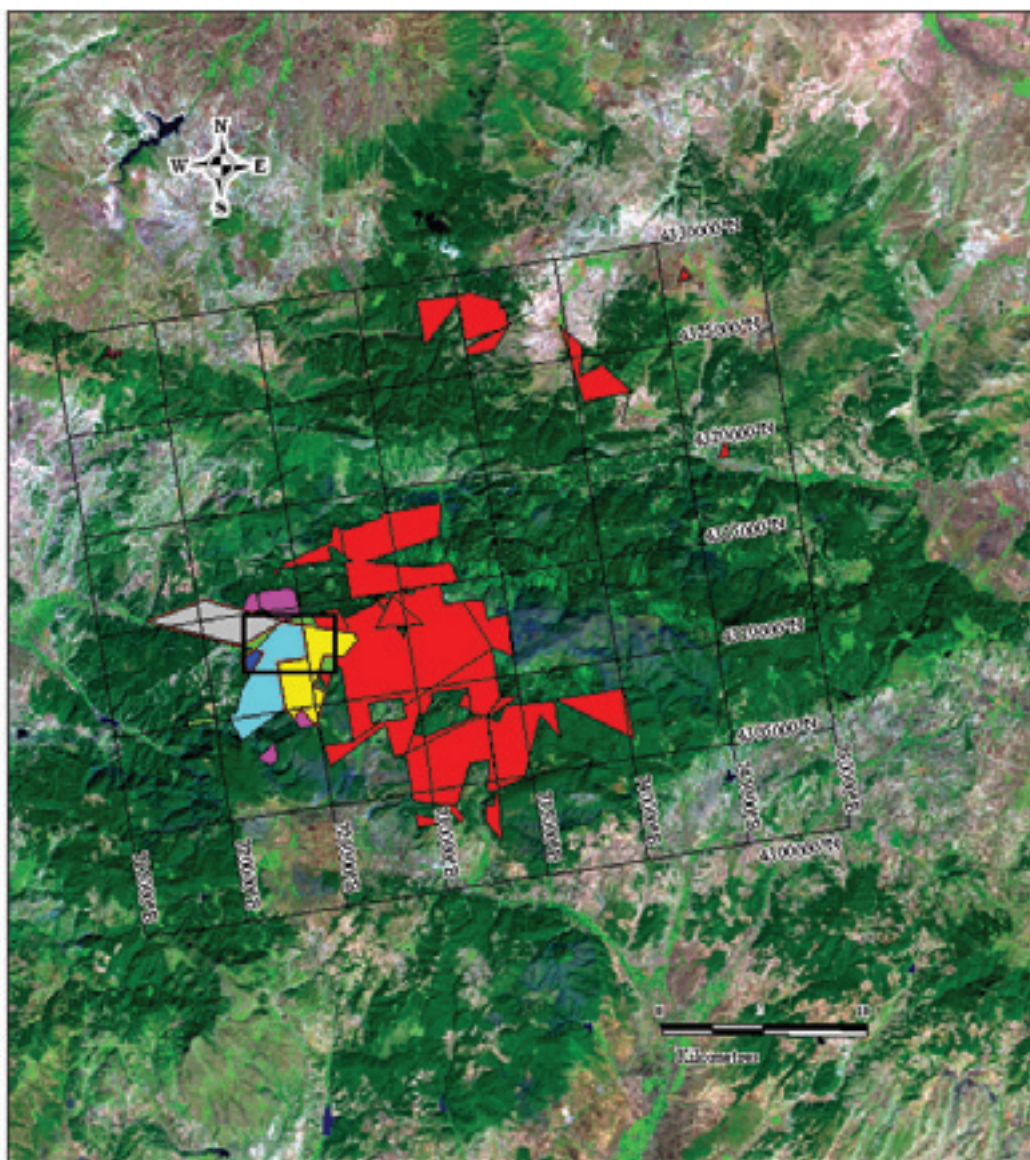


FIGURE 8. LOCATION OF THE TECK COMINCO LICENCES IN THE MURATDAGI AREA



4.1. PROPERTY, LOCATION AND ACCESS

The Karaagac project is located within the three Teck Cominco licences highlighted in Table below and shown on **Figure 8**. The property is situated in the Muratdagi (Murat Mountains) region, 300 km southwest of Ankara and 32 km northeast of the city of Usak on the Ankara to Izmir highway. The project area lies in mountainous pine forest at altitudes from 1200 to 1700 m, with good access afforded by forest roads.

The area has a history of mining and a small-scale stibnite mine is currently active close to the project area.

TABLE 5. LICENCES IN THE TECK COMINCO-STRATEX AGREEMENT IN THE MURATDAGI AREA.

<i>Project</i>	<i>Licence No</i>	<i>Acquisition date</i>	<i>Expiry Date</i>	<i>Hectares</i>	<i>Province</i>	<i>District</i>	<i>Village</i>
Muratdagi	AR-82337	15/07/2002	15/07/2007	882.26	USAK	BANAZ	GÜRLEK
Muratdagi	AR-82421	03/07/2002	03/07/2007	1,253.02	USAK	BANAZ	KÜÇÜKLER
Muratdagi	AR-84291	19/11/2002	19/11/2007	180.06	KÜTAHYA	GEDİZ	ÇUKURÖREN
Muratdagi	AR-87310	29/05/2003	29/05/2008	2,956.09	USAK	BANAZ	KARACAHISAR
Muratdagi	AR-87316	29/05/2003	29/05/2008	61.55	USAK	BANAZ	KARACAHISAR
Muratdagi	AR-87317	29/05/2003	29/05/2008	1,009.21	KÜTAHYA	GEDİZ	KARAAGAC I
Muratdagi	AR-87634	02/06/2003	02/06/2008	259.84	USAK	BANAZ	KARAAGAC II
Muratdagi	AR-87635	30/05/2003	30/05/2008	1,095.37	USAK	BANAZ	BALTALI
Muratdagi	AR-87650	02/06/2003	02/06/2008	1,399.09	USAK	BANAZ	KARACAHISAR
Muratdagi	AR-92139	01/04/2004	01/10/2007	439.29	USAK	BANAZ	
Muratdagi	AR-92321	12/04/2004	12/10/2007	193.22	KÜTAHYA	GEDİZ	ÇUKUÖREN
Muratdagi	AR-92977	12/05/2004	12/11/2007	438.78	KÜTAHYA	GEDİZ-GÖKLER	KARAAGAC III
Muratdagi	AR-93128	14/05/2004	14/11/2007	390.98	KÜTAHYA	ALTINTAS	
Muratdagi	AR-93756	15/06/2004	17/12/2007	1,572.23	KÜTAHYA	GEDİZ	ÇUKURÖREN

TOTAL (hectares) 12,130.99

4.2. HISTORY

The Muratdagi area contains numerous small, old mine workings for mercury and antimony. Exploration work has been carried out over the past decade by the Turkish Government organisation MTA (Maden Tetkik Arama, the General Directorate of Mining, Research & Exploration), Newmont and Teck Cominco. The work completed during these studies includes stream silt sampling, rock sampling, district-scale mapping (MTA), and drilling of 8 holes in the Karaagac area by MTA in about 1997 though no data on the drilling and no reports on previous work are currently available. Various files showing regional geology, geochemical sampling, including rock and silt sampling results and silica-limonite alteration have been provided to Stratex and Howe has reviewed plots of these.

The Teck Cominco files include geochemical data for 332 silt samples and 183 rock samples with assays and UTM locations. The silt samples were taken in 1996 and 1997 and were analysed for Au plus 14 other elements. The 1997 samples utilised a gold detection limit of 5 ppb, though the 1996 samples were assayed to a detection limit of 1 ppb. The average sample density is around one sample per square kilometre.

The Karaagac area contains two strongly anomalous stream sediment samples that returned 69 and 108 ppb gold. The samples were also highly anomalous in arsenic, manganese, iron and silver and carried elevated copper, lead, zinc and antimony. Mercury was not assayed. Strong stream sediment gold anomalism is also seen in and around the AR-82421, 82337 and 87650 licences which occur some 10 km southeast of Karaagac, indicating additional potential that has yet to be appraised.

Some 150 of the rock samples were taken in 1996 to 1998 and analysed for gold (5 ppm detection limit) plus 13 other elements and 33 were collected in 2003 and analysed for gold (5 ppb detection limit) plus 28 elements.

In the Karaagac area, a strong grouping of samples with gold values ranging from 11 to 233 ppb Au, accompanied by highly anomalous As (up to 2303 ppm) and Sb (up to 147 ppm) defines the target area. Those samples analysed for Cr carried elevated values, indicative of the hosting ultramafic rocks.

A second area, in AR-84291, about 5 km east of Karaagac, as yet to be investigated in detail by Stratex, contains rock chip samples with gold values up to 84 ppb Au, highly elevated silver and copper values and elevated lead, arsenic and zinc. This area was subject to detailed stream sediment and rock chip sampling by Teck Cominco and any reports on the area should be obtained and appraised by Stratex.

The Teck Cominco alteration plots show numerous discrete zones in a variety of rock types including siliceous schist, rhyolite, dolomitic limestone and metasediments and do not generally appear to reflect the more precise, higher resolution patterns identified by Fitzpatrick and Murphy (2005) described below.

4.3. WORK BY STRATEX

Stratex examined the Teck Cominco geochemical data and identified Karaagac as the principal area of interest based on the presence of old antimony and mercury workings around the periphery of a thrust zone and the presence of highly significant stream sediment and rock chip samples with anomalous gold, base metal and arsenic and antimony values.

The company also commissioned a structural and spectral interpretation of Landsat and Aster imagery (Fitzpatrick and Murphy, 2005). In addition to significant structural features, the study identified numerous colour anomalies, often coincident with one another, attributed to haematite, jarosite and clay alteration, some associated with faults, though many appear related to the underlying geology. One significant grouping coincides with a west-northwest-trending linear feature on the northern flank of Muratdagi. Stratex subsequently conducted 1:5,000 scale geological mapping of the Karaagac target area, detailed rock chip sampling in the Karaagac area, and reconnaissance rock sampling of other areas of interest.

S. Redwood (2005a) visited the area with B. Yildiz for several days and produced a comprehensive report on the alteration and mineralisation. D. Patrick made a two-day visit to the area, and was able to confirm the majority of Redwood's field observations. The following descriptions draw on Redwood's observations, modified as necessary by Howe.

4.4. GEOLOGY AND MINERALISATION

The geology of the Karaagac area comprises Upper Cretaceous hartzburgite, serpentinite and serpentinite melange with large unaltered limestone blocks thrust over Jurassic limestones and calcareous schists. The serpentinites are interpreted to be ophiolites from the Tethyan Ocean and the thrusting is related to the Izmir-Ankara suture zone to the north (Fitzpatrick and Murphy, 2005). The age of collision is between Late Cretaceous and Middle Eocene.

The overthrust limestone forms craggy peaks in the Karaagac area. The limestone beneath the thrust has been recrystallised to a white marble and silicified in places and is underlain conformably by calcareous schist.

In at least two areas, late quartz-feldspar-porphyry bodies with associated chalcedonic veining intrude both the ophiolites and the limestones and a late dyke-like body is observed immediately below the thrust contact in limestone which becomes altered and heavily sheared towards the dyke.

There is widespread lateritisation of the overthrust serpentinite with a silcrete cap up to 20m thick. The age of lateritisation in Anatolia is well established as Miocene or Eocene and Howe noted that the silcrete is tilted parallel to the dip of the ophiolites, suggesting that the lateritisation is pre-thrusting. Garnierite was observed in the laterite in several areas and the area clearly has potential for nickel laterites.

North northeast-trending extensional faults form horst and grabens and half-grabens in the area, best developed to the north and south of Muratdagi. These control young sedimentary basins. The Landsat images also indicate a series of prominent, though discontinuous, north-northeast features extending into the Karaagac area. A major west-northwest fault zone occurs immediately south of Muratdagi, probably representing a reactivated crustal structure. It has controlled the formation of a rhomb shaped pull-apart basin to the southeast of Muratdagi. Domal features and circular features related to inflections on west-northwest -trending faults or fault intersections and correlate with mapped rhyodacite or rhyolite domes. The thrust zones are expressed as highly sinuous surface traces on the basal contact of the ophiolites (Fitzpatrick and Murphy, 2005).

The recent Stratex mapping at Karaagac indicates a strong, underlying west-northwest structural element with fracturing in this trend in the limestones underlying the thrust, with a narrow zone of overthrust ophiolites traversing the centre of the area along this trend, possibly reflecting an upfaulted region of the limestone where the overthrust ophiolites have been preserved. **Figure 9a** shows the geology and **Figure 9b** shows the sampling results to date.

4.4.1. NICKEL MINERALISATION

Stratex has conducted mapping and sampling in the Muratdagi area to identify laterite zones. A total of eight rock samples were collected from laterite zones in the Karaagac area and two samples were collected from laterite exposed elsewhere in the Teck Cominco licences. The maximum nickel value of 0.896% Ni was obtained from a saprolite zone exposed in the Karaagac area. Laterite profiles were not well developed elsewhere and only limited potential for significant nickel laterite is indicated.

4.4.2. GOLD MINERALISATION

Both limestone and serpentinite have been altered and silicified on either side of the thrusts; the mineralisation and alteration appear to extend to some tens of metres vertically below the thrusts in limestone and some 2 to 5 m in listwaenite (altered serpentinite) above the contacts. The alteration post-dates the thrusting movement and the thrusts clearly acted as permeable fluid pathways. The angle of the silicified thrust zones varies from flat to 55°. More than 7 km of strike length of thrusts are exposed in the Karaagac area.

The silicified limestone is completely replaced and comprises granular grey to white quartz, with quartz veinlets and crustiform banding, often containing large angular cavities with crystalline quartz and stibnite crystals up to 2 cm long. The stibnite has been mined in small pits particularly in the northwestern thrust contact area. The listwaenite comprises finer grained, more massive granular grey quartz with fine pyrite, contains stibnite in vugs, and an unidentified green mineral, (possibly fuchsite) occurs in small cavities and disseminated in the matrix.

Significant gold grades in reconnaissance samples collected by Stratex from silicified limestone and serpentinite are shown below. 11 out of 49 reconnaissance samples returned gold values greater than 1 g/t Au (**Table 6**), and 30 of the 49 gave values in excess of 0.1 g/t Au:

TABLE 6. ANOMALOUS GOLD IN THRUSTS AT MURATDAGI.

<i>Sample</i>	<i>Width (m)</i>	<i>Au (ppm)</i>	<i>Ag (ppm)</i>	<i>As (ppm)</i>	<i>Hg (ppm)</i>	<i>Sb (ppm)</i>
RS-45	3.0	9.710	12.9	1250	4	290
RS-3	1.0	6.920	79.9	3140	5	795
RS-35	1.0	4.680	25.0	2520	14	663
RS-46	2.5	4.340	3.3	>10000	1	217
RS-47	5.0	2.620	1.7	8830	<1	98
RS-9	5.0	1.495	29.5	3740	3	752
RS-48	Grab	1.465	1.5	3420	<1	1045
RS-33	3.0	1.265	7.1	4510	23	184
RS-49	1.5	1.205	1.2	7710	1	1190
RS-12	Panel 1.5 x 2.0	1.185	<0.2	1255	52	146
RS-39	1.0	1.085	4.9	1690	10	728

Gold is associated with strong anomalies of silver, arsenic, mercury, antimony, plus a grouping of chromium, iron, magnesium and nickel. Barium, cobalt, manganese, lead and zinc are also moderately enhanced. The gold, silver, arsenic, barium, lead, antimony and zinc appear to have a hydrothermal source, possible related to an unexposed intrusive, while the cobalt, chromium, iron, magnesium and nickel are considered to have been hydrothermally remobilised from the ophiolites as they occur in both the silicified limestone and listwaenite.

Stratex has collected a further 176 samples in the course of detailed mapping; significant results are shown schematically on **Figure 9b**. High gold values (for example sample RS-45 in Table 6) are associated with a series of north-northwest trending, steep fracture zones marked by strongly replaced, vuggy and crustiform limestone.

Howe collected a suite of six check samples of altered limestone and listwaenite from the thrust area; results are shown below:

TABLE 7. RESULTS OF HOWE SAMPLING AT KARAAGAC

<i>Sample</i>	<i>Description</i>	<i>Width (m)</i>	<i>Au (ppm)</i>	<i>Ag (ppm)</i>	<i>As (ppm)</i>	<i>Hg (ppm)</i>	<i>Sb (ppm)</i>
DP011	Pyritic, silicified listwaenite from thrust	3.0	11.290	12.8	2300	15	85
DP012	Silicified limestone from beneath thrust	1.0x1.0 panel	0.118	0.30	90	1	24
DP013	Random chips of limestone in steep fault, equivalent to RS-45	3.0	10.900	16.0	2090	2	203
DP014	Listwaenite equivalent to RS-46	2.5	5.94	4.9	>10,000	1	379
DP015	Chips along limestone above schist contact, equivalent to RS-48	5.0	1.680	2.2	4400	1	1835
DP016	Chips from old stibnite in replacement limestone working close to thrust	Composite grab	1.215	3.2	4940	1	3070

The results tend to confirm the Stratex sampling and provide further evidence of high grade gold mineralisation in the steep structures in the limestone.

4.4.3.BRECCIA PIPE-HOSTED MERCURY MINERALISATION

Silicified hydrothermal breccias occur in the Karaagac area and on surrounding licences, and have been mined for mercury in open pits and adits. The breccias are roughly circular up to 160m in diameter and form craggy outcrops up to 40m high. The matrix is grey to black chalcedony and opal with cinnabar. The breccias are matrix supported and clasts may exhibit a jigsaw texture. The clasts are poorly sorted, angular to rounded and comprise silicified limestone or serpentinite. Open spaces and later open fracturing have vuggy quartz or black, botryoidal manganese oxides. Argillic alteration occurs around the margins of the breccia bodies.

A single breccia pipe was visited at Karaagac. It occurs down the slope of the thrust but structurally above silicified thrust-hosted gold mineralisation in listwaenite and has been worked from a small adit and open pit. Siliceous sinter was observed close to the top of the pipe. Pods and disseminations of cinnabar occur within the breccia pipe and in spoil from the adit. Previous Stratex reconnaissance sampling (RS-43 and RS-288 to 290) had returned 0.8 g/t gold from the breccia. Howe collected two samples (DP009, DP010) from the breccia which confirm the earlier Stratex sample results:

TABLE 8. STRATEX AND HOWE SAMPLING AT KARAAGAC BRECCIA PIPE

<i>Sample</i>	<i>Description</i>	<i>Width (m)</i>	<i>Au (ppm)</i>	<i>Ag (ppm)</i>	<i>As (ppm)</i>	<i>Hg (ppm)</i>	<i>Sb (ppm)</i>
RS-43	Silicified breccia with cinnabar	3.0	0.298	<0.2	24	816	20
RS-288	Silicified breccia with cinnabar	3.0	0.062	<0.2	20	140	21
RS-289	Silicified breccia with cinnabar	2.5	0.882	0.2	22	1040	22
RS-290	Silicified breccia with cinnabar	2.5	0.881	0.3	18	535	20
DP009	Breccia pipe	2.0	0.098	0.2	17	153	22
DP010	Breccia pipe east side	3.0	0.359	0.2	36	531	31

In the Gurlek area 12.6 km to the southeast of Karaagac three silicified breccias reportedly occur at the east end of a flat, silcrete-capped laterite ridge in serpentinite, similar to that at Karaagac. At Baltali, 12.0 km southwest of Karaagac, silicified breccias occur over a vertical interval of 100 metres in the centre of a small volcanic pipe in association with felsic lavas. (Redwood 2005a) Both of these lie outside of the licence area and are held by Eti Holding, a government company.

The breccia at Karaagac appears to represent a hot spring deposit associated with the upper level of a low sulphidation epithermal system, where mercury has been transported to surface in a gaseous phase and has been deposited in the breccias and associated sinters. It may represent local venting of a gaseous phase above the thrust contact, which was one of the principal fluid conduits for the main mineralising event.

4.5. MINERALISATION STYLE AT KARAAGAC

The mineralisation at Karaagac appears to be related to a low sulphidation epithermal system, with a distal source. The thrusts, which clearly pre-date the mineralisation, have acted as permeable, low angle fluid conduits. The wallrocks of the thrusts have reacted with the fluids resulting in the silicification and mineralisation of the serpentinites and limestones. Gold mineralisation occurs in the silicified wallrocks.

There appears to be a strong west-northwest structural element traversing the Karaagac area, indicated by steep fracturing in the limestones and narrow zones of overthrust ophiolite with similar trend. Reactivation of crustal fractures with this trend has controlled the structural development of the area. There is also the possibility of north-northeast-trending fractures extending across the property; intersection of these two trends could provide foci for intrusives and associated mineralisation and several circular features are interpreted by Fitzpatrick and Murphy (2005) in the vicinity of the intersection of these trends in the Karaagac area. Higher grade gold mineralisation appears to be associated with the steeper west-northwest fractures beneath the thrust, which may have acted as primary conduits for fluids, with leakage upwards and outwards from the fracture zones along the thrusts. Potential also exists for the development of replacement mineralisation in reactive rocks such as limestone adjacent to the primary feeders particularly close to the intersection of steeper fractures and the thrust plane beneath the less reactive ophiolites.

The hydrothermal breccia pipe at Karaagac is interpreted to represent a high level of the epithermal system above the gold deposition zone with deposition of very high Hg and much lower levels of other elements, associated with low temperature chalcedonic and opaline silica. The pipe lies on the extrapolation of a prominent zone of west northwest fracturing exposed in the limestones some 500m to the northwest, and isolated patches of listwaenite lie along this trend. Gold mineralisation associated with silicification or banded quartz veins may be expected at some depth below the breccia pipe.

The mineralisation is probably related indirectly to the Miocene felsic igneous activity known in the area, which could be both the ultimate source of the hydrothermal fluids and the heat source driving their circulation in extensive, steep fracture systems and low angle thrusts, where mixing could occur with meteoric water. The mercury mineralisation associated with the breccias could represent venting of gaseous volatiles above the main conduits at a higher level in the epithermal system.

4.5.1. CONCLUSIONS AND RECOMMENDATIONS

- Limited nickel laterite potential is indicated by Stratex sampling in the Muratdagi area.
- Significant gold mineralisation is hosted by a thrust zone that transports ophiolite over limestone and calcareous schist in the Karaagac area.
- The mineralised portion of the thrust zone outcrops at low angle, with shallow cover, over a sinuous strike length of at least 7.0 km.
- Mineralisation within the exposed thrust zone comprises 2-5 m of silicified listwaenite, and mineralisation and alteration appear to extend for some tens of metres vertically beneath the thrust into the underlying limestone. Gold values are commonly in the range 0.5-2.0 g/t Au.
- The results from Howe's samples collected from the thrust-related mineralisation essentially confirm those from the Stratex sampling.
- Gold is also present in steep fractures that traverse the area, appear to be capped by the thrust and carry higher grades up to 9.7 g/t Au. A Howe check sample returned 10.9 g/t Au from this area.
- The breccias appear to be vents above the thrust plane, though they could represent degassing vents that penetrate the thrust planes from deeper vein systems.
- Because of the low angle of the thrusts down dip of the mineralised outcrop, and shallow relief, the prospect could be readily tested by trenching and shallow pattern drilling. Systematic testing of the thrust could also enable the identification of the primary conduits where the highest grades might be expected.
- Assuming that the grades continue to depth down the thrusts, a significant tonnage of low-grade gold mineralisation that could be worked from surface could be developed rapidly.
- The steeper mineralised fractures could carry higher grades and should be tested by drilling.

- A drill hole should also be considered beneath the vent breccia.
- The Teck Cominco data should be fully reviewed and additional areas should be examined in detail, particularly the area of high rock-chip gold to the east of Karaagac.

5. DIKMEN

5.1. PROPERTY

Howe did not visit this property due to time constraints. The following account is based on a report by the Japan International Cooperation Agency and the Metal Mining Agency of Japan, who conducted detailed surveys in the area in 1991 and a summary by Redwood of more recent work.

The Dikmen project covers 1,394.13 hectares and is located on the Biga Peninsula in northwest Turkey, 480 km west of Ankara, 65 km east of Canakkale, 12 km northeast of Can and 13 km southwest of Biga. It is 2 km east of the village of Dikmen and 2 km west of Katranci. The D210 Canakkale-Can-Biga highway runs northwest across the property, which is accessed from minor roads and tracks.

Stratex have informed Howe that the property is covered by the following licences currently optioned by Stratex from Teck Cominco:

TABLE 9. LICENCES UNDER OPTION TO STRATEX IN THE DIKMEN AREA

<i>Project</i>	<i>Licence No</i>	<i>Acquisition date</i>	<i>Expiry Date</i>	<i>Hectares</i>	<i>Province</i>	<i>District</i>	<i>Village</i>
Dikmen	AR-84444	20/11/2002	20/11/2007	908.60	Canakkale	Biga	Dikmen
Dikmen	AR-84162	30/09/2002	01/10/2007	190.30	Canakkale	Biga	Katrancikoyu
Dikmen	AR-82475	29/07/2002	29/07/2007	295.23	Canakkale	Biga	Merkez
TOTAL (ha):1,394.13							

Howe has viewed the licences, but is not qualified to comment on their validity.

5.2. CLIMATE AND VEGETATION

The annual precipitation of the survey area averages 600mm with most falling in November and December. The annual average temperature is warm at 14° C but the areas at higher elevation are cool in the summer and cold in the winter, with some snowfall. At Canakkale, the temperature rises above 20°C during the four months from July to September and during June to November the average monthly temperature drops from 20° C in September to 8° C in November.

The terrain is farmland with densely wooded valleys at altitudes between 55 and 486 metres. Higher areas are largely covered by pine forest, with some deciduous trees. The flatter areas in the valleys are cultivated, but other areas are used for grazing.

5.3. REGIONAL GEOLOGY

5.3.1. STRATIGRAPHY

The Dikmen area is underlain by meta sediments, sedimentary formations and volcanics, intruded by serpentinite, granite and porphyry.

The Triassic **Emese Formation** forms the basement in the area and comprises green schist derived from basic volcanic rock, metagabbro, black pelitic schist, meta-sediments derived from sandstone, conglomerate and crystalline limestone (marble). Fine-grained metamorphosed sandstones are characteristic of this formation. Silicification and limonitization are observed in the rocks, which are also cut by dense quartz veinlets. The formation has been weakly metamorphosed.

The Eocene **Karanlik Formation** (Kizilcik Member) is pale grey and consists of poorly consolidated porous polymict conglomerate with pebbles of 5-6cm size. The bedding and sorting of the conglomerate are poor. The pebbles comprise green schist, meta-volcanics, marble and meta-sediments in a matrix of predominantly quartz and mica.

The Pliocene **Akkayrak Volcanics** comprise dacite lava with flow banding, and dacitic pyroclastic rocks and are generally weathered to clay.

5.3.2. INTRUSIVE ROCKS

Serpentinite has intruded the Emese Formation mainly along the Dikmen Fault. It is approximately 500m wide and over 3,000m long. Serpentinite also occurs in small scale in the northeastern part of Dikmen Village and to the west the metamorphic rocks are overlain by serpentinite melange.

The Dikmen Granite is over 500m wide and 3,000m long, and lies parallel to the Dikmen Fault. The granite is coarse-grained with plagioclase, alkali feldspar and biotite. The plagioclase is locally clay altered. The rocks are usually cut by quartz veinlets up to 50cm wide. The number of quartz veins and veinlets together with pyrite and molybdenite increase from north to south. Molybdenite-bearing quartz veins occur and aplite dykes bearing pyrite, chalcopyrite and molybdenite are found. The intrusion is dated end-Cretaceous to Miocene.

Quartz Porphyries with local argillic alteration and silicification, with stockworks of quartz veins whose thicknesses range from a few mm to 30cm and which bear pyrite, molybdenite and rarely azurite-malachite are mapped at several localities. The direction of intrusion is northeast-southwest east of the Dikmen Fault. The porphyries exhibits little outcrop other than in road cuts, and the size and shape of the system are currently poorly defined. The Japanese surveys described below indicate that system extends for at least 4,000m in a northeast direction, with porphyry for at least 1,500m and altered granite with porphyry dikes extending further to the northeast. Mineralisation was seen over an elevation of 200m up to 258m altitude.

5.3.3. STRUCTURE

The Dikmen Fault trends northeast-southwest across the area. The Emese Formation is folded around a north-south fold axis in the eastern part of the property and the Karanlik Formation is gently folded to the west of the Dikmen Fault which appears to control the intrusion of serpentinites, Dikmen Granite and porphyries.

5.3.4. MINERALISATION AND ALTERATION

Molybdenite and pyrite occur within the granodiorite as disseminations and coatings in fractures. The porphyries, aplites and granodiorite are also cut by quartz veinlets bearing pyrite, molybdenite and chalcopyrite as disseminations and/or veinlets. Malachite, azurite, limonite and hematite occur as fracture fillings in silicified zones of the Emese Formation.

Alteration occurs in the porphyry intrusion and dykes, and in the granite, schist and limestone host rocks. Alteration is potassic with quartz-sulphide veinlets in a dense stockwork with up to 50 veinlets per metre, and phyllic with quartz-sericite-pyrite or granular quartz veining in the wall-rock up to 30 cm thick. These veins contain abundant molybdenite, some pyrite, and one occurrence of possible tennantite. Supergene weathering has given a widespread argillic alteration overprint of the potassic alteration. The sulphides are leached, with some fresh pyrite relics, and the leached cap is mainly hematite and jarosite. Hematite indicates possible oxidation of supergene chalcocite.

5.4. HISTORY

The area was explored in detail for metallic minerals by agencies of the Government of Japan in the period 1988 to 1991 at the request of the Turkish Government. Four principal project areas were targeted for semi-detailed and detailed exploration, including the Dikmen area.

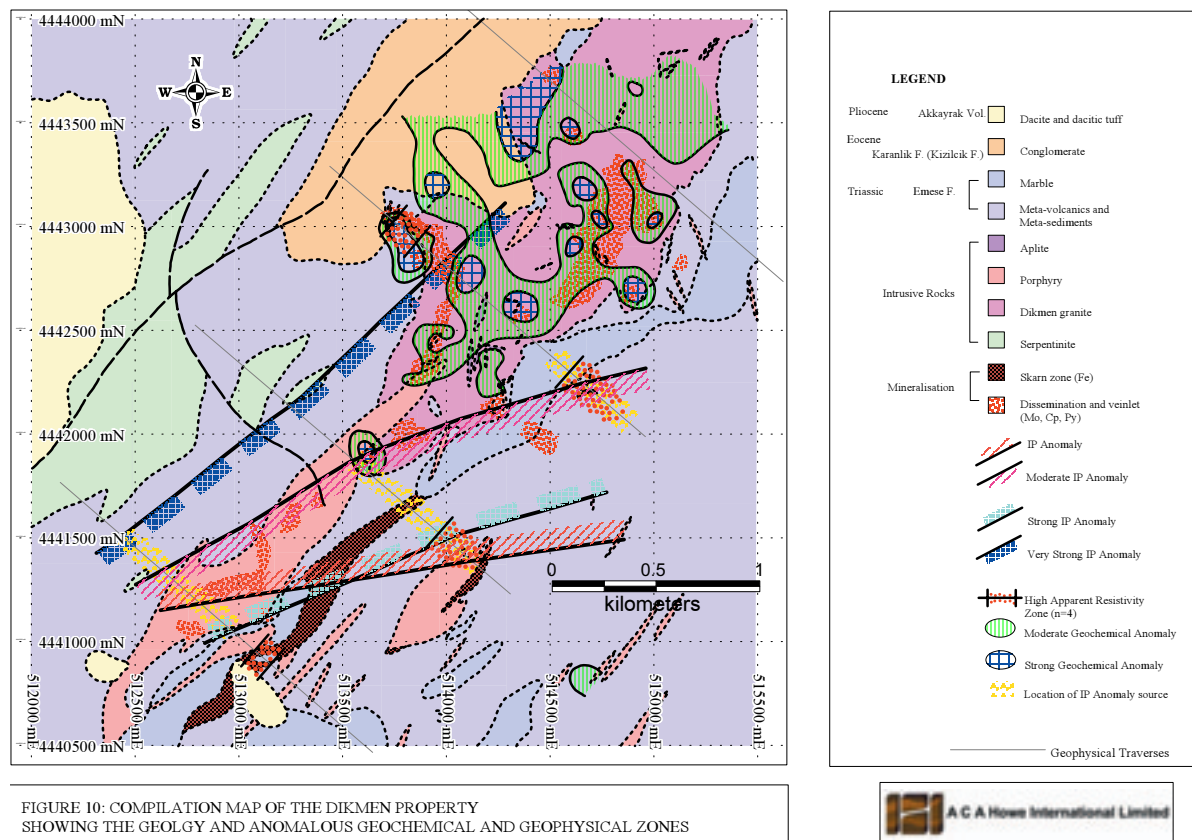
Porphyry molybdenum-copper mineralisation was discovered in the Dikmen area, associated with the intrusion of the Dikmen Granite and porphyry. During mapping and rock sampling, both disseminated and quartz vein-hosted molybdenite and pyrite mineralisation were identified in the eastern part of the granodiorite. The geochemical sampling suggested linear zones of copper and/or molybdenum enrichment coincident with the disseminated mineralisation in the mapped porphyry, and within the granite, close to its contacts. Gold was slightly enriched, averaging 5.9 ppb, though with a maximum value of 10 g/t Au. Copper, molybdenum, mercury, fluorine and barium were strongly enriched, with arsenic and zinc showing slight enhancement, typical of a porphyry system. The Japanese study also concluded that epithermal gold, arsenic and mercury overprints the porphyry mineralisation.

Geophysical methods, including spectral and frequency domain Induced Polarisation (SIP and IP) surveys were utilised to trace outcropping mineralisation to depth, though the line spacing of 1000m was too great for exact correlation. Although the IP anomalies appeared to extend along the granite and porphyry contacts, in both intrusives and host rocks, with source depths varying between 60 and 300m, the geochemical sampling suggested that the most highly prospective areas occurred in the central and northeastern parts of the IP anomalous zones.

Subsequently, a single, vertical diamond hole was drilled to 150m depth in the mineralized zone, intersecting silicified and argillically altered zones with in excess of 100 ppm molybdenum and elevated copper, zinc, antimony and mercury. The study concluded that disseminated molybdenum mineralisation was present in both the Dikmen Granite and porphyry and is also developed in the host rocks, which included limestone.

The property was subsequently acquired by Teck Cominco, who inherited it from Normandy and Cominco. Little additional work appears to have been conducted.

Figure 10 is the compilation map provided to Stratex by Teck Cominco. It essentially shows the results of the Japanese study, with little additional information.



5.5. WORK BY STRATEX

Stratex visited the deposit and collected seven check grab rock samples in 2005 (Redwood, 2005a):

TABLE 10. STRATEX SAMPLING AT DIKMEN

<i>Sample #</i>	<i>Description</i>	<i>Au(ppm)</i>	<i>Ag (ppm)</i>	<i>Cu(ppm)</i>	<i>Mo (ppm)</i>
BY-D1	Sample from quartz vein containing FeOx (5%) and local malachite staining. The width of the vein is about 10cm	0.430	1.1	338	51
BY-D2	Sample from grey quartz veinlets containing trace of FeOx. They cut quartz veins with FeOx and malachite staining	0.008	3.2	316	65
BY-D3	Sample from white quartz vein containing trace of disseminated Mo. The width of the vein is 10cm.	0.011	<0.5	30	1875
BY-D4	Sample from quartz veins and veinlets in the quartz feldspar porphyry. The width of the exposure is about 30m.	0.051	0.6	176	535
BY-D5	Sample from quartz-FeOx stockwork	0.005	<0.5	118	216
BY-D6	Clayey Feldspar Porphyry float with thin quartz-FeOx stockwork	<0.005	<0.5	103	191
BY-D7	White quartz veins and veinlet float containing disseminated Mo and trace of FeOx and disseminated pyrite.	0.024	1	479	761

Other anomalous elements are arsenic (10 to 114 ppm), mercury (0.14 to 16.05 ppm), lead (8 to 510 ppm), antimony(<5 to 186 ppm) and zinc (11 to 1580 ppm).

The brief visit confirmed the presence of stockwork, vein and disseminated mineralisation and identified a leached haematite-jarosite cap.

5.6. CONCLUSIONS AND RECOMMENDATIONS

- Porphyry copper-gold-molybdenum mineralisation is reported on the property, with potassic and phyllic alteration, and a high vein density in places, possibly as linear zones.
- The system has dimensions of at least 3,000m by 500m and the mineralisation reportedly extends for a considerable distance into the country rock.
- There is a supergene argillic alteration overprint.
- Copper grades from preliminary Stratex sampling are low (up to 0.05%) due at least partly to leaching, but are accompanied by significant grades of gold (up to 0.43 g/t) and molybdenum (0.19%). A leached haematite-jarosite cap was observed by Stratex.
- The Japanese considered that the elemental associations were strongly suggestive of an epithermal overprinting of the original porphyry system.
- Because of the poor exposure, the system is imprecisely known and further work is warranted to determine the extent and grade of the mineralisation.
- Following a detailed review of the Japanese work and subsequent work by Teck Cominco, mapping and sampling should be conducted. This should include additional stream sediment and soil sampling, possibly utilising the MMI (mobile metal ion) or the ALS Chemex partial leach method. Further IP surveys could prove effective in tracing the zones of maximum mineralisation.

6. MURATDERE

6.1. PROPERTY, LOCATION AND ACCESS

The Muratdere (Murat Creek) project is located 250 km west of Ankara and 12 km west of Bozuyuk on the main D200 Bursa to Eskisehir highway. The project is in open pine forest at altitudes of 855 to 983 m a few hundred metres south of main road with good access by forest roads. Figure 11 shows the licences and Table 11 shows the tenure:

TABLE 11. MURATDERE PROPERTY TENURE

<i>Project</i>	<i>Licence No</i>	<i>Acquisition date</i>	<i>Expiry Date</i>	<i>Hectares</i>	<i>Province</i>	<i>District</i>	<i>Village</i>
Muratdere	AR-87468	05/05/2003	05/05/2008	153.08	Bilecik	Bozuyuk	Muratdere
Muratdere	8244*	09/02/2005	09/02/2015	1,923.27	Bilecik	Bozuyuk	Muratdere
TOTAL (ha) :				2,076.35			

*operating licence in the name of TEKAR.

The pine forest is logged for timber for furniture and small areas close to the highway are used for grazing and charcoal production.

6.2. HISTORY

Porphyry copper-molybdenum-gold mineralisation was discovered by MTA at Muratdere during a regional stream sediment-sampling programme conducted in 1998. The mineralisation coincides with the outcrop of a porphyry body with dimensions of 1,500m by some 300m. MTA subsequently carried out mapping, soil and rock sampling in 1999 and 2001 and drilled two diamond drill holes at the east end of the project area in 2001 to 2002, though this drilling was poorly directed and one hole failed to test the mineralised zone. Detailed logs and assay results are currently unavailable for the drilling, though a report is imminent and has been promised to Stratex. The data are summarised in a report translated by Yildiz (2003). MTA collected 142 soil and 23 rock samples from six traverses across the zone. These were analysed for copper, lead and zinc, and partially for molybdenum, gold, silver, arsenic and antimony.

The soil sampling revealed copper anomalies up to 1700 ppm Cu, accompanied by elevated lead and zinc values and molybdenum values up to 120 ppm, distributed in discrete zones along the porphyry outcrop. Gold values up to 1100 ppb also occurred, generally correlating with the elevated copper values, though in a few areas, gold occurs in zones distinct from the copper, suggesting the possibility of epithermal mineralisation.

The rock samples were highly elevated in copper, up to 2200 ppm, with one sample above the upper limit of 10,000 ppm close to the porphyry contact. Molybdenum, zinc and lead exhibit a broad correlation with copper, but arsenic, antimony and gold correlate more closely, suggesting an epithermal overprint. The highest gold value of 1200 ppb was collected from the wall rock mica schist; a second with 240 ppb Au was collected from ultramafic and a third sample containing 150 ppb was returned from a porphyry sample. Samples with elevated arsenic and/or antimony were collected from marble outcropping south of the porphyry contact.

Stratex optioned the property from B. Yildiz and Tekar in 2005.

6.3. GEOLOGY

The project area is located along the south side of the east-southeast-trending Eskisehir fault, which marks the suture zone between the Pontides and the Anatolids and is part of the Izmir-Ankara zone. Closure was in the Paleocene to Eocene.

The stratigraphy of the Muratdere area is as follows:

- The basal **Alınca metabasic** unit comprises schist and metabasites and metadiabase, exposed to the north of the Muratdere area.
- This is succeeded by the **Tasarasi marble**, seen to the north of the Muratdere area.
- The overlying **Arifler melange** includes diabase, gabbro, serpentinite, marble, schist, claystone and limestone blocks and is exposed in the south of the property. The contact between Arifler melange and the Muratdere porphyry is a fault.

- **Ultramafics** comprising peridotite, serpentinite and dyke-like gabbro-microgabbro occur in the north, west and east of the property. The contact between ultramafics and porphyry is obscured by thick soil.
- The **Muratdere porphyry** is strongly altered. It is overlain by Pliocene rocks to the north. The size of the porphyry body is approximately 500m in width by 4,000m in strike length.
- The **Cokkoy Formation** comprises conglomerate, sandstone, marl and clayey limestone.

The Muratdere porphyry intrudes the pre-Late Cretaceous marbles and metabasites, which are tectonically overlain by Upper Cretaceous serpentinite and the ophiolite melange.

The porphyry is oriented east-west and recent Stratex mapping demonstrates that it extends for 4,050 m, rather than the previously mapped 1,500m. This was confirmed during the Howe visit. It is exposed over a width of about 500m in the east, swelling to 1,700m in the recently discovered extension, and over an elevation of about 130 m. It is bounded to the north by Pliocene Cokkoy conglomerates, with a near vertical northerly dip, and the contact is probably a fault; hole MDS-1, drilled immediately north of outcropping porphyry, cut 85 metres of conglomerate before being terminated. Porphyry dykes associated with the main body are observed in road cuttings in serpentinite

Figure 11 shows the geology of the deposit as modified by Yildiz; MTA and Stratex sample locations are also shown.

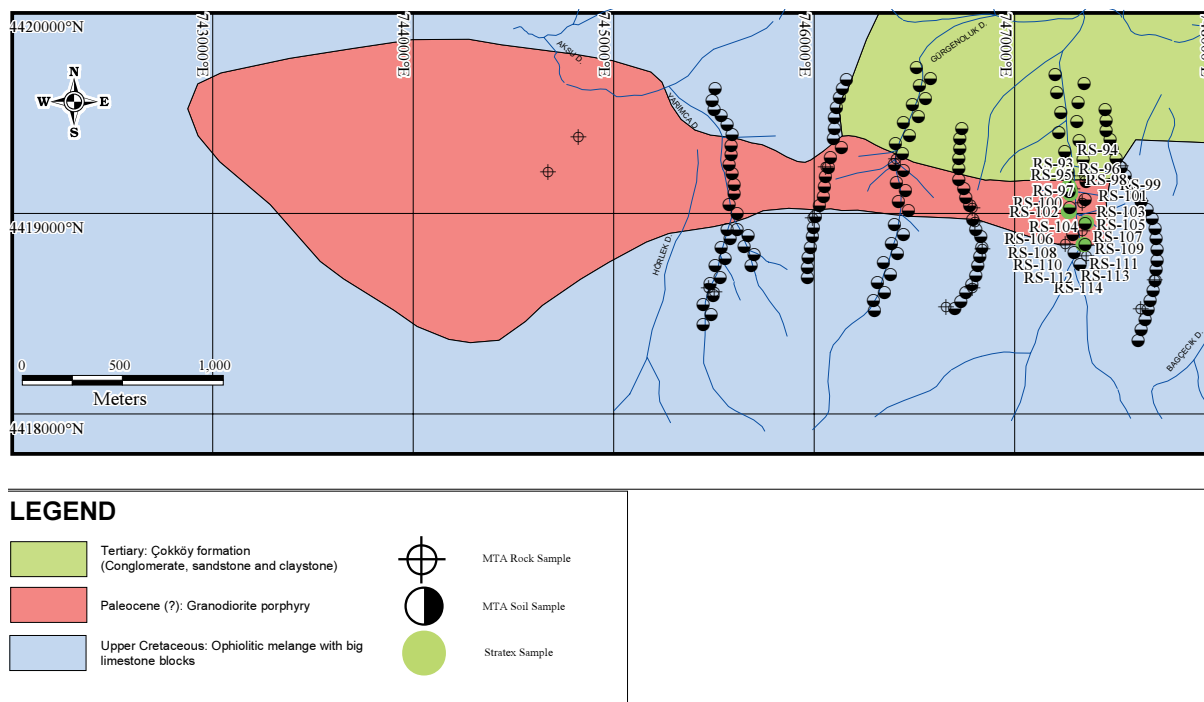


FIGURE 11: GEOLOGY OF THE MURATDERE PORPHYRY SHOWING SAMPLE SITES



6.4. ALTERATION & MINERALISATION

The Muratdere deposit is part of a belt of porphyry and epithermal deposits which include Saricayirayla to the west, near Domanic (120.3 Mt at 0.168% Cu, using a cut-off of 0.05% Cu, or 5.4 Mt at 1.204% Cu above a cut-off of 0.5% Cu, Anatolian Minerals); Tufekcikonagi, 10 km west of Muratdere (Anatolian Minerals); and Kaymaz with 1 Mt at 6.25 g/t Au (Eldorado) located on the Eskisehir fault 115 km to the east, hosted by listwaenite at a granodiorite contact.

The porphyry has been heavily altered though a relict primary porphyritic texture can be recognised in the outcrops visited. Both potassic and phyllic alteration occur, with the former resulting in the development of potassium feldspar with magnetite and abundant quartz-sulphide veinlets. The phyllic alteration comprises silicification and sericite alteration with quartz veinlets. Several percent of disseminated sulphide can be observed at outcrop, with minor molybdenite in quartz veins. Pyrite alteration also occurs in the adjacent schist. Limonite and hematite commonly occur as weathering products of the sulphides.

The deposit has a jarositic, leached cap with a supergene argillic (kaolinite) alteration overprint. The base of the supergene zone is exposed in the stream and adjacent to the road in the vicinity of holes MDS-1 and 2 where relict pyrite and chalcopyrite occur with partial replacement by chalcocite/covellite. Malachite staining is strongly developed at outcrop on the road. There are also minor malachite coatings on stream gravel and colluvium.

Hole MDS-2 reportedly intersected altered porphyry throughout its entire 248.05m, with the 'ore zone' extending from 0.00 to 194.50m. The average grade of this interval was 0.2% copper and 0.02% molybdenum, though grades ranged up to 0.065% copper over 2m and 0.07% molybdenum. Redwood (2005a) also reports that 10 m of presumed enrichment occurred close to surface with 0.5% copper.

The MTA work also indicates peripheral epithermal mineralisation on a small hill at the southeastern end of the porphyry where six soil samples, 50 m apart returned up to 1.2 g/t gold, accompanied with elevated arsenic and antimony in mica schist, marble and ultramafic rocks (Yildiz, 2003).

6.5. WORK BY STRATEX

Stratex carried out rock chip sampling from river and road cuts across the east end of the deposit in the area of the drill holes in July 2005. Twenty-two samples were collected; of these, twelve samples graded greater than 500 ppm copper with highs of 6,520 and 4,560 ppm in samples with visible copper oxides (possibly exotic). Yildiz considers that the copper grades are relatively low due to leaching and high pyrite to chalcopyrite-bornite ratios in this area. Gold was anomalous but relatively low for a porphyry system with a maximum of 0.162 g/t, followed by 0.060, 0.032 and 0.031 g/t. Molybdenum was anomalous with seven samples returning greater than 50 ppm, up to a maximum of 419 ppm. Sixteen samples returned silver values above the 0.2 ppm detection, with a maximum value of 3 ppm. Overall values were weakly anomalous for arsenic (maximum 54 ppm), antimony (maximum 27 ppm), lead (maximum 485 ppm) and zinc (maximum 353 ppm). Mercury levels were below the detection limit of 1 ppm.

During the visit with Yildiz, Howe collected two samples from a road cut and stream valley outcrop close to the MTA drill sites, which are marked by substantial concrete plinths. Sample DP017 was a 2.5m chip/channel collected from an outcrop of weathered porphyry with malachite staining, adjacent to a channel sample collected by Stratex that returned 0.6% copper. The Howe sample returned 4,630 ppm copper (0.46%) and 23 ppm molybdenum. Sample DP018 was a composite chip sample from an outcrop adjacent to MDS-2 where altered porphyry contains disseminated pyrite with minor molybdenite, chalcopyrite and minor pyrite veinlets. It returned 562 ppm copper and 63 ppm molybdenum, confirming the presence of elevated values of these metals in the system..

6.6. CONCLUSIONS AND RECOMMENDATIONS

- Muratdere is a large porphyry copper-molybdenum system with potassic and phyllic alteration, a limonitic leached cap and possible supergene enrichment zone
- Recent work by Stratex has essentially doubled the known size of the porphyry to at least 4,000 m long by 500 m wide.
- The MTA work has demonstrated that the porphyry is mineralised along the eastern half, though only limited, poorly directed drilling has been completed, with one hole missing the porphyry entirely.
- The hole collared in porphyry near the base of the enrichment zone intersected 194 metres of 0.2% copper and 0.02% molybdenum, with the top 10 metres reportedly grading 0.5% copper.
- Surface sampling in this area by Stratex returned up to 0.65% copper, although most results were less than 0.1%, with up to 0.16 g/t gold and 0.04% molybdenum.
- Howe samples confirmed the presence of significant copper values, accompanied by elevated molybdenum.
- The MTA work also demonstrates the potential for epithermal gold mineralisation in the rocks adjacent to the porphyry.
- The previously known mineralisation is essentially underexplored; more detailed alteration mapping should be conducted to determine whether zonation can be recognised and targets defined, particularly zones of enrichment beneath the leached cap.

- The recently discovered extension is completely unexplored and warrants detailed mapping and sampling.
- Infill soil sampling and rock chip sampling should be conducted over the known porphyry and the newly identified extension.
- A trial IP survey should be conducted over the known mineralisation and if it successfully identifies zones of strong dissemination, should be extended over the remainder of the deposit.

7. PROPOSED PROGRAMME AND BUDGET

Following a period of data evaluation and logistical planning during January to March 2006, when diamond drilling is not possible due to adverse conditions and unavailability of cold weather rigs, Stratex propose to focus primarily on drilling of Inlice and Karaagac in the first 18 months.

Drill targets have already been identified at Inlice, where an initial programme of 1,000m of diamond drilling will be conducted at Main Zone, commencing with rig mobilisation in March 2006 and drilling in April. Contingent on success, additional drilling may be conducted, though currently it is planned to demobilise the rig in July at the end of the initial period. Following a detailed assessment of the diamond drilling results, a reverse-circulation (RC) rig will be moved onto site in January 2007 and 3,000m will be drilled for resource delineation and to test other zones. Howe suggests that sampling of the talus at Main Zone should be conducted.

Field assessment will continue on the regional Konya project, with more detailed mapping and sampling, supplemented by petrographic and XRD studies of the alteration. This will initially follow the target prioritisation determined by Yildiz, though will be results-driven and flexible. Licence applications will be made over any new alteration zones identified in open ground.

Concurrent with the drilling at Inlice, a rig will be mobilised to Karaagac, where 850m of diamond drilling is planned in a series of sections of shallow holes. The drilling will test the down-dip area of the thrust-related mineralisation to determine the dimensions and geometry of the deposit. This work may also permit the identification of geochemical vectors that will enable primary feeders to be identified. At least one hole will be drilled to test the steep, high grade structures at depth and Howe would suggest at least one hole to test the vent breccia at depth. An RC rig will be moved onto site in June 2006 and Stratex plan to drill some 4,000m. This will be directed towards the early delineation of the deposit for resource estimation.

Data analysis and field assessment of the Muratdagi licences will continue during this period.

At Dikmen, previous work on the area by both the Japanese aid programme and by Teck Cominco will be assessed in detail and field studies at Dikmen, including check mapping and additional sampling will be completed by July 2006, permitting the identification of drill targets. The diamond drill rig will then be mobilised to site, where 850m of drilling is planned. Contingent on the success of the early drilling, further holes may be planned.

Muratdere will be mapped in detail and sampled during April to July, though no drilling is planned to date. Howe notes that there is no allowance for geophysics and considers that IP should be considered at both Dikmen and Muratdere. Discussions with Stratex indicate that the Company is in agreement with this observation and intends to undertake such surveys subject to the outcome of ongoing field studies.

Including various capital and administration costs in both Turkey and UK and additional UK expenses, the planned 18 month programme is budgeted to cost £1,321,688. The cost of all direct geological work including drilling, assays, desk and field studies amounts to £631,950, and a significant element of local and UK admin costs also relates directly to the exploration expenditure, including salaries of senior management and support staff. Howe established local costs during the visit and is satisfied that the budget for the proposed work programme reflects local costs. Howe considers that the planned programme is logical and justified, though would suggest the incorporation of the few minor amendments noted above.

8. OVERALL CONCLUSIONS

- Stratex has assembled a strong portfolio of mineral properties in western Turkey.
- At **Inlice**, the company has discovered outcropping gold mineralisation in an extensive high sulphidation epithermal system, with potential for substantial, near surface low grade gold replacement deposits in silicified andesitic tuffs in a volcanic pile; gold grades appear to increase with depth in the system. There is also potential for underlying higher-grade vein deposits and possibly porphyry style mineralisation at depth in the system. The Howe sampling confirms the original Stratex sampling.

- The **Konya** regional project contains at least 21 areas of alteration (including Inlice) with characteristics of high sulphidation epithermal mineralising systems. These are focused in linear arc-parallel structural zones along a 50 km strike length, where a number of large calderas and volcanic centres and andesitic/dacitic dome complexes have been identified.
- Only limited erosion has occurred in the area, resulting in exposure of the highest levels of the epithermal systems. Limited regional sampling to date by Stratex has identified both precious and base metal anomalism, confirmed by a single Howe sample at a previous Stratex sample site.
- Potential exists for the location of epithermal gold silver deposits in silicified replacement bodies, in deeper structural conduits and in underlying porphyry systems.
- Stratex has established a dominant land position in the Konya region, which could represent an important new mineralised province in Turkey.
- Stratex has also optioned a considerable land package in the **Muratdagi** area from Teck Cominco; preliminary work by the Stratex has identified a strong target in the Karaagac area, where outcropping gold mineralisation has been identified in a silicified thrust zone and underlying altered limestone. Several small antimony and mercury deposits have been worked in the area, usually in silicified breccias; these appear to represent hot spring deposits above an extensive low sulphidation epithermal system.
- The thrust zone at **Karaagac** appears to have acted as a conduit for fluid circulation; low grade gold mineralisation has been identified by Stratex along some 7 km of sinuous outcrop and appears to extend some tens of metres vertically beneath the thrust zone. Potential exists for the development of a substantial, near-surface deposit.
- Steep fractures have been identified within the limestone beneath the thrust, parallel to the dominant west-northwest structural trend in the area. Limited sampling of these structures by Stratex has returned high grades of gold. Volcanism and related felsic intrusives appear to be controlled by the west-northwest structures.
- The mineralisation is post thrusting and appears to be related to a series of late felsic intrusives in the area. The steep, west-northwest fractures may have been the conduit for fluids circulating in the major structures, which ultimately flowed along the shallow dipping thrust plane, causing the alteration and mineralisation. Potential may therefore exist for high-grade gold deposits in the steeper conduits and for replacement deposits in the reactive limestones adjacent to the conduits, particularly beneath the thrust.
- The mercury and antimony mineralisation in the breccias may represent venting of a more volatile phase above the thrust plane.
- The **Dikmen** deposit is a substantial, but largely under-explored porphyry copper-molybdenum system with associated epithermal gold mineralisation. Previous work indicates zones of stockwork and disseminated copper-molybdenum mineralisation both within a porphyry body and related granite and in the wall rocks.
- The system identified to date is large and appears to be continuous, though poor exposure means that the mineralisation is not well defined. Additional work is warranted to resolve the geometry and grade of the mineralisation.
- The **Muratdere** porphyry deposit is a large copper-molybdenum bearing system with indications of a leached cap and underlying enriched zone. Stratex has demonstrated that the host porphyry is double the size originally reported. Howe's check samples confirmed the presence of significant copper grades accompanied by elevated Mo.
- The eastern portion of the porphyry has been partially explored by the Turkish Geological Survey, but additional work is required to determine the size and depth potential of the deposit. The mineralisation potential of the newly discovered western extension has yet to be investigated and an aggressive exploration programme is justified.
- Stratex has planned a logical and aggressive exploration programme that could lead, within 18 months, to the delineation of resources at both Inlice and Karaagac, to the detailed assessment of the mineralisation potential at Dikmen and the identification of drill targets at Muratdere and possibly within the Konya regional project.
- Howe considers that the programme is justified and that the budget for the work programme is realistic and

reflects local costs.

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GLOSSARY

Adit:	A horizontal tunnel excavated to access a mineral deposit
Alluvium:	Sediments deposited by a river
Alteration:	Changes in the chemical composition of a rock effected by external causes such as hydrothermal fluids or weathering
Alunite:	Hydrous potassium aluminium sulphate, typically formed by hydrothermal alteration associated with epithermal systems
Andesite:	A fine-grained intermediate volcanic rock
Argillic alteration:	Alteration of a rock to clay minerals
Barite:	A barium sulphate mineral
Botryoidal:	A term applied to minerals that occur as aggregates with rounded surfaces
Breccia:	A rock composed of angular broken rock fragments, often held together by a cement comprising fine grained minerals
Caldera:	A basin-shaped volcanic depression typically formed by the subsidence of volcanoes.
Chalcedony:	A cryptocrystalline form of silica
Chalcopyrite:	A copper mineral with the chemical composition CuFeS_2
Cinnabar:	A mercury-bearing mineral with the chemical composition HgS
Colluvium:	Weathered material transported by gravity
Covellite:	A copper mineral with the chemical composition CuS
Cristobalite:	A cubic form of silica with the chemical composition SiO_2
Crystal tuff:	A volcanic rock formed of pyroclastic material, predominantly crystal fragments
Dacite:	Coarse-grained silica-rich volcanic rock
Debris flow:	A mixture of water-saturated rock debris that flows downslope under the force of gravity (also called lahar or mudflow)
Diabase:	Medium-grained basic igneous rock
Diatreme:	A breccia-filled volcanic pipe formed by a gaseous explosion
Enargite:	A copper mineral with the chemical composition Cu_3AsS_4
Epithermal:	A mineral deposit formed at shallow depth in the earth's crust
Fault:	A discrete surface between two rock masses that have slid past each other
Gabbro:	A coarse-grained basic (quartz-deficient) igneous rock
Garnierite:	A hydrous nickel magnesium silicate, one of the main sources of nickel
Granite:	A coarse grained Acid (quartz-rich) igneous rock
Granodiorite:	A coarse-grained acid (quartz-rich) igneous rock containing slightly less quartz than a granite
Halloysite:	A clay mineral
Hartzburgite:	An ultrabasic rock composed of the magnesium- and iron-rich silicate minerals pyroxene and olivine
High-sulphidation:	An epithermal mineral deposit formed from high-temperature magmatic fluids
Hot spring:	An escape of hot aqueous fluid through a vent or other opening in the ground
Hydrothermal breccia:	A breccia formed through the forceful flow of hydrothermal fluids through a rock, causing breakage characterised by jigsaw-shaped fragments
Hydrothermal fluid:	A hot aqueous fluid circulating through the Earth's crust

Igneous:	Description for a rock or mineral solidified from magma
Ignimbrite:	The rock formed by the widespread deposition and consolidation of ash flows
Illite:	A potassium-rich clay mineral
Induced Polarisation:	A geophysical technique involving the introduction of electrical currents into the ground and measurement of their decay
Jarosite:	Generic term for the weathering oxidation of iron sulphides and related minerals to limonite
JORC:	Joint Ore Reporting Code
Kaolinite:	A clay mineral formed by the breakdown of feldspar usually by hydrothermal alteration
Lapilli lithic tuff:	Fragmented rock material composed of rock fragments that were molten (lapilli) and solid rock fragments (lithic) formed by a volcanic explosion or ejection from a volcanic vent
Lava dome:	Mass of lava, created by many individual flows, that has built a dome-shaped pile of lava
Listwaenite:	Hydrothermally altered and silicified serpentinite
Low-sulphidation:	An epithermal mineral deposit formed by mixed magmatic fluids and meteoric water
Magma:	Naturally occurring molten rock material
Melange:	A large scale mixture of fragments of different rock types in a single unit, usually formed during thrusting
Mesozoic:	An era ranging from 230 to 70 million years before present that includes the Triassic, Jurassic and Cretaceous Systems
Metamorphism:	The process of large-scale changes to rock composition caused by regional scale pressure or, on a smaller scale, by thermal effects at igneous contacts
Metasediments:	Metamorphosed sedimentary rocks
Mineralising fluids:	Circulating aqueous fluids from which minerals may be deposited
Miocene:	An epoch of the Tertiary period from 24.6 to 5.1 million years before present
Molybdenite:	A mineral with the chemical composition MoS ₂
Montmorillonite:	A clay mineral
Nickel laterite:	Residual oxide deposit formed under tropical weathering of nickel-rich rocks such as serpentinites
Opal:	A hydrated, amorphous form of silica, characteristic of very high level epithermal systems and hot spring deposits
Ophiolites:	An assemblage of mafic and ultramafic igneous rocks widely believed to represent oceanic crust.
Orogenic belt:	A linear region that has been subjected to folding, and other deformation during a mountain-building episode
Paleozoic:	The era ranging from 600 to 230 million years before present
Phenocrysts:	Relatively large crystals in a finer-grained groundmass in an igneous rock
Pliocene:	An epoch of the Tertiary period from 5.1 to 2 million years before present
Porphyry deposits:	Low-grade large-tonnage deposits, principally mined for copper, molybdenum and gold or tin, normally intimately associated with intermediate to acid igneous rocks and characterised by intense and extensive hydrothermal alteration of the host rocks

Propylitic alteration:	An assemblage of the one or all of the minerals chlorite, pyrite, calcite and epidote, being a product of hydrothermal alteration, and commonly forming the outer zone of alteration associated with porphyry mineral deposits
Pyrite:	An iron-bearing mineral with the chemical composition FeS_2
Pyroclastic:	Fragmented rock material formed by a volcanic explosion or ejection from a volcanic vent.
Quartz:	A mineral with the chemical composition SiO_2
Rhyolite:	Fine-grained to glassy acid volcanic rock
Saprolite:	Rock weathered in a tropical environment to clay, though retaining the original rock texture
Schist:	A regionally metamorphosed rock characterized by a parallel arrangement of its constituent minerals
Serpentinite:	Rock formed by the alteration of ultrabasic rocks such as hartzburgite
Silcrete:	A siliceous hardpan formed under tropical weathering
Silt sampling:	Also termed sediment sampling, a geochemical exploration technique involving the collection of the silt-sized fraction of drainage channels
Slickensides:	Polished, grooved surfaces generated by movement on a fault plane
Stibnite:	The principal ore of antimony, Sb_2S_3
Stockworks:	A network of fractures filled with mineral material, commonly quartz
Subduction:	The process whereby one tectonic plate slides beneath another
Suture zone:	A zone generated by the collision of tectonic plates
Talus:	Rock fragments derived from and lying at the base of a cliff or steep rocky slope
Tectonic plate:	An areally extensive section of the Earth's crust that behaves as rigid coherent block
Tennantite-tetrahedrite:	A complex group of copper-iron sulphide minerals, also containing antimony and arsenic
Ultramafic:	Ultrabasic (silica-deficient) rocks chiefly containing magnesium- and iron-rich minerals
Volcanic arc:	A generally curved linear belt of volcanoes above a subduction zone, and the volcanic and plutonic rocks formed there
Volcanic pile:	An accumulation of lava flows and associated pyroclastic rocks
Vug:	A cavity in a rock, usually lined by crystalline material, also a cavity in a mineral vein
Vuggy silica:	The texture produced by the dissolving of minerals and rock fragments, and the replacement of the remaining matrix of the rock by silica minerals - usually quartz. This texture is common in high-sulphidation epithermal systems
XRD:	X-ray Diffraction, a technique used to identify minerals using X-rays
Zeolites:	A group of silicates, often occurring in vugs in lava flows

PART 5

STATUTORY AND GENERAL INFORMATION

1 Incorporation and Registration

- 1.1 The Company was incorporated in England and Wales with registration number 5601091 on 24 October 2005 as a public limited company with the name 'Stratex International plc'. The principal legislation under which the Company operates is the Act and the regulations made under it. The liability of the members of the Company is limited.
- 1.2 On 22 November 2005, the Company was issued with a certificate permitting it to commence business and borrow under section 117(1) of the Act.
- 1.3 Stratex Exploration is a wholly owned subsidiary of the Company. It was incorporated in England and Wales with registration number 5213577 on 24 August 2004 as a private limited company with the name 'Stratex Exploration Limited'. The principal legislation under which Stratex Exploration operates is the Act and regulations made under it.
- 1.4 Stratex Madencilik Sanayi ve Ticaret A.S. is wholly owned as to one share by the Company and as to its remaining issued share capital by Stratex Exploration Limited. It was registered with the Commercial Registry of Ankara on 3 June 2005 with number 206182 and the formation was announced in the Commercial Registry Gazette dated 8 June 2005 and numbered 6320. It has all requisite corporate power, authority and legal right to own and operate its properties and to carry on its current business.

2 Share Capital

- 2.1 On incorporation, the share capital of the Company was £3,000,000 divided into 300,000,000 Ordinary Shares of which 2 were issued, one to each of David Hall and Robert Foster as subscribers to the Company's Memorandum of Association.
- 2.2 Since incorporation, there have been no changes in the Company's authorised share capital.
- 2.3 Since incorporation, there have been the following changes in the issued share capital of the Company:
 - (a) pursuant to written resolutions of the Company passed on 21 November 2005, the Directors were authorised for the purposes of Section 80 of the Act to allot shares up to a nominal value of £2,488,000 in respect of which Section 89 was disapplied for the allotment of shares up to a nominal value of £2,088,000 and pursuant to the resolutions the Directors were empowered to allot, grant options over or otherwise dispose of such shares to such persons, on such terms and in such manner as they thought fit such authority to expire five years from the date of incorporation of the Company;
 - (b) pursuant to a share exchange agreement dated 21 November 2005, 99,999,998 Ordinary Shares were allotted and issued credited as fully paid to the shareholders of Stratex Exploration Limited and the 2 subscriber shares of the Company were credited as fully paid up; and
 - (c) save as disclosed in paragraph 2.3, there has been no issue of share capital of the Company since its incorporation.
- 2.4 The Company has granted share options to HB Corporate. Details of the Share Option Agreement are set out at paragraph 13.2 below.
- 2.5 The Strategic Alliance Agreement gives Teck Cominco and its affiliates the right to maintain their percentage shareholding in Stratex Exploration Limited. If Teck Cominco and its affiliates hold over 5 per cent of the issued shares in the Company then the Company will grant Teck Cominco the preferential right to participate in any future equity financing in order to maintain its proportionate percentage shareholding. After Admission if an event occurs, apart from a public offering or private placement for cash, in which Teck Cominco has declined to participate, which causes dilution of Teck Cominco and its affiliate's shareholding then provided Teck Cominco and its affiliate's held, prior to the dilutive event, at least 5 per cent of the issued shares of the Company in issue, Teck Cominco will have the following rights to regain its percentage shareholding prior to the dilutive event:

- (a) if the Company makes an offering that is not fully subscribed pro rata by the other shareholders existing on the day prior to the offering, Teck Cominco may take up the unsubscribed shares to a maximum number equivalent to 25% of the total offering; and
 - (b) if the Company has issued shares for non-cash consideration and under its Articles of Association or by way of a special shareholders' resolution the Company is able to comply, then Teck Cominco will at any time thereafter be entitled to subscribe for, by way of a private placement, such number of shares so as to regain its pre-dilutive event shareholding in the Company. Such private placement shall be priced at a price equal to the weighted average closing price of the Company's shares over the 10 days (immediately preceding the date on which Teck Cominco delivers notice of its intent to subscribe hereunder) on which its shares traded unless otherwise allowed under the AIM Rules.
- 2.6 By an agreement dated 21 November 2005 Paul Foord agreed to sell 951,293 Ordinary Shares to Perry Ashwood. Completion of the sale is conditional on:
- (a) Perry Ashwood remaining in continuous employment with the Company from the date of the agreement until and including 1 September 2007; and
 - (b) Perry Ashwood and Paul Foord obtaining all necessary consents and waivers to the transfer of the Ordinary Shares for the purposes the Articles of Association of the Company and any agreement among the shareholders of the Company and the Company's nominated advisers.
- 2.7 Save to the extent disapplied as disclosed in paragraph 2, the provisions of section 89 of the Act confer on shareholders rights of pre-emption in respect of the allotment of equity securities which are, or are to be, paid up in cash.
- 2.8 No shares of the Company are currently in issue with a fixed date on which entitlement to a dividend arises and there are no arrangements in force whereby future dividends are waived or agreed to be waived.
- 2.9 Save as disclosed in this paragraph 2 and in paragraphs 12 and 13 below, no share capital or loan capital of the Company has been issued and save for the Placing Shares referred to in this paragraph 2 no share or loan capital of the Company is now proposed to be issued, either fully or partly paid or for cash or any other consideration.
- 2.10 Save as disclosed in this paragraph 2 and in paragraphs 12 and 13.2 no share or loan capital of the Company or any other member of the Group is proposed to be issued or is under option or is agreed conditionally or unconditionally to be put under option.
- 2.11 Save for the issue of the Placing Shares and on the exercise of the Warrants as described in this paragraph 2 and the shares subject to the Share Option Scheme, the Company has no present intention to issue any of the authorised but unissued share capital of the Company.
- 2.12 Except as stated in this Part 5:
- (a) the Company does not have in issue any securities not representing share capital; and
 - (b) there are no outstanding convertible securities issued by the Company.

3 Memorandum and Articles of Association

- 3.1 The Memorandum of Association of the Company states that its objects include to invest in, purchase, subscribe for or otherwise acquire and hold and deal with any investments, shares, stock, debentures, debenture stock, bonds or securities of any nature whatsoever of any other company or corporation established, constituted or carrying on business in any part of the world and to carry on such other business or trade as the Directors may from time to time consider can be conveniently or advantageously carried on by the Company in the furtherance of its objectives of a general commercial company. The objects of the Company are set out in full in clause 4 of the Memorandum of Association. The liability of the members is limited.

3.2 The Company's articles of association contain, *inter alia*, provisions to the following effect:

(a) *Rights attaching to shares*

(i) Income

The profits of the Company which may be distributed in respect of any financial year or other period shall be distributed *pari passu* among the holders of the Ordinary Shares according to the nominal amounts (excluding any premium) paid up on the Ordinary Shares held by them respectively.

(ii) Capital

On a distribution of assets on liquidation or otherwise, the surplus assets of the Company remaining after payment of its liabilities shall be distributed amongst the holders of Ordinary Shares in proportion to the number of such Ordinary Shares held by them respectively after deducting in respect of any Ordinary Share not fully paid up the amount remaining unpaid thereon (whether or not then payable).

(iii) Voting

Subject to any special rights or restrictions as to voting attached to any shares by or in accordance with the articles of association and or any resolution authorising the creation of such shares, on a show of hands every member who is present in person at a general meeting of the Company shall have one vote and, on a poll, every member who is present in person or by proxy shall have one vote for every share held by him.

(b) *Variation of class rights*

Subject to the Act, all or any of the rights and restrictions attached to any class of shares may be altered, added to or abrogated with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of an extraordinary resolution passed at a separate general meeting of the holders of such shares. To any such separate general meeting the provisions of the articles of association relating to general meetings shall apply but, the necessary quorum shall be two persons holding or representing by proxy at least one-third in nominal value of the issued shares of the relevant class, that any holder of shares of the class present in person or by proxy may demand a poll and shall on a poll be entitled to one vote for every share of the class held by him and that at any adjourned meeting of such holders one holder present in person or by proxy shall be a quorum. The rights attached to any shares or class of shares shall have been deemed to have been varied or abrogated by the reduction of the capital paid up on any such shares or by the allotment of further shares ranking in priority thereto for payment of a dividend or repayment of capital but shall not, unless otherwise expressly provided by the terms of issue of such shares or by the articles of association, be deemed to be altered by the creation or issue of further shares ranking *pari passu* therewith or by a purchase by the Company of its own shares.

(c) *Alteration of Capital*

The Company may from time to time by ordinary resolution

- (i) consolidate and divide all or any of its share capital into shares of larger amount, sub-divide all or any of its shares into shares of smaller amount (subject, nevertheless, to the Act) and so that the resolution whereby any share is sub-divided may determine that as between the holders of the shares resulting from the sub-division one or more shares may have any such preferred or other special rights over, or may have such deferred or qualified rights or be subject to any such restrictions as compared with, the other or others as the Company has power to attach to unissued or new shares and cancel any shares not at the date of the resolution taken or agreed to be taken by any person;
- (ii) Subject to any consent required by law, the Company may by special resolution reduce its share capital, any capital redemption reserve and any share premium account;
- (iii) Subject to the provisions of the Act and the articles of association, all unissued shares of the Company are at the disposal of the Directors;

- (iv) Subject to the provisions of the Act, any shares may, with the sanction of a special resolution, be issued on terms that they are, or at the option of the Company are, liable to be redeemed on the terms and in the manner provided for by special resolution passed before the issue of such shares; and
- (v) Subject to the provisions of the Act, the Company may purchase all or any of its shares of any class, including any redeemable shares.
- (vi) Upon any consolidation of fully paid shares into shares of larger amounts, the Board may settle any difficulty which may arise as it thinks expedient and in particular (but without prejudice to the generality of the foregoing) may:
 - (1) as between the holders of shares to be consolidated, determine which particular shares are to be consolidated into each consolidated shares; and
 - (2) in the case of any share registered in the name of one holder or joint holders being consolidated with shares registered in the name of another holder or joint holders, make such arrangements as may be thought fit for the sale of the consolidated share or any fractions thereof and for such purpose may appoint some person to transfer the consolidated share to the purchaser and arrange either for the distribution among the persons entitled thereto of the net proceeds of such sale after deduction of expenses of sale or (when such net proceeds in respect of any holding do not exceed £3 or such greater sum as may be permitted from time to time by the London Stock Exchange) for the payment of such net proceeds to the Company.

The transferee shall not be bound to see to the application of the purchase monies nor shall his title to the shares be affected by any irregularity in or invalidity of the proceedings in reference to the sale.

- (vii) Provided that the necessary unissued shares are available, the Board may alternatively, in each case where the number of shares held by any holder is not an exact multiple of the number of shares to be consolidated into a single share, issue to each such holder credited as fully paid up by way of capitalisation the minimum number of shares required to round up his holding to such a multiple (such issue being deemed to have been effected immediately prior to consolidation) and the amount required to pay up such shares shall be appropriated at its discretion from any of the sums standing to the credit of any of the Company's reserve accounts (including share premium account and capital redemption reserve) or to the credit of profit and loss account and capitalised by applying the same in paying up such shares.

(d) *Transfers of Shares*

- (i) In the case of certificated shares any member may, subject to the articles of association, transfer all or any of his shares by an instrument of transfer in the usual common form or in any manner (whether or not by written instrument) which the Directors may approve. Any written instrument of transfer of a share shall be signed by or on behalf of the transferor (and, in the case of a share which is not fully paid by or on behalf of the transferee) and the transferor shall be deemed to remain the holder of the shares until the name of the transferee is entered in the register of members of the Company in respect thereof. All instruments of transfer, when registered, shall (except in the case of fraud) be retained by the Company but any instrument of transfer which the Board may refuse to register shall (except in the case of fraud) be returned to the party presenting the same.
- (ii) In the case of uncertificated shares and subject to the Companies Act but notwithstanding any other provision of the Articles of Association, a member is entitled to transfer his shares and other securities by means of a relevant system as referred to in the Uncertificated Securities Regulations (S.I. 1995 No. 3272) (the "Regulations") including the relevant system of which CRESTCo Limited is the operator. Any provision of the articles of association which is inconsistent with the holding of shares in uncertificated form, the transfer of shares by means of such a relevant system or the Regulations shall, to that extent, not apply.

- (iii) The Directors may refuse to register the transfer of a share which is not fully paid, providing that any such refusal will not prevent dealings in the shares from taking place on an open and proper basis.
 - (iv) The Directors may refuse to register any transfer in favour of a person known to be a minor, bankrupt or person who is mentally disordered or a patient for the purpose of any statute relating to mental health.
 - (v) The Directors may decline to register any transfer of a certificated share unless any written instrument of transfer, duly stamped, is lodged with the Company, accompanied by the relevant certificate and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer, the instrument is in respect of only one class of share and, in the case of a transfer to joint holders the number of joint holders does not exceed four.
 - (vi) The register of members may be closed by the Directors at such times and for such periods (not exceeding 30 days in any year) upon notice being given by advertisement in a leading national daily newspaper and in such other newspaper as may be required by the Act.
- (e) *Section 212 of the Act*
- Without limitation to the powers of the Directors under section 216 of the Act, where a member fails to comply with any notice (a “statutory notice”) given by the Directors under section 212 of the Act requiring such member or any other named person to give particulars of any interest in respect of shares in the Company, the Company may, no earlier than fourteen days after the service of the statutory notice, give the registered holder of such shares a notice (a “restriction notice”) stating or to the effect that, the shares in respect of which the default has occurred (“default shares”), are subject to certain sanctions for so long as the default continues. For a shareholding of less than 0.25% of the relevant class, the only sanction is that the member may be prohibited from attending and voting at meetings; for a shareholding of 0.25% or more of the relevant class, the articles of association also provide for the withholding of the payment of dividends (including shares issued in lieu of dividend) on the default shares; and, subject to those limitations approved by the London Stock Exchange, restrictions on the transfer of the default shares.
- (f) *Directors*
- (i) Unless and until the Company in general meeting shall otherwise determine, the number of Directors shall not be less than two and there shall not be any maximum number.
 - (ii) Subject to the Act and the articles of association, no Director shall be disqualified by his office from entering into any contract or arrangement with the Company either with regard to his tenure of any office or employment or as a vendor, purchaser or otherwise. Nor shall any such contract be liable to be avoided. Nor shall any Director so contracting be liable to account to the Company for any remuneration, profit or other benefit realised by any such contract or arrangement by reason of such Director holding that office or of the fiduciary relationship thereby established, but such Director shall declare the nature of his interest in accordance with the Act.
- (g) *Restrictions on Voting by Directors*
- Save as otherwise provided by the articles of association, a Director shall not vote nor be counted in the quorum on any resolution of the Directors concerning his own appointment as the holder of any office or place of profit with the Company. Save as otherwise provided by the articles of association a Director shall not vote on any resolution of the Directors concerning a matter in which he has directly or indirectly an interest or duty which is material and which conflicts or may conflict with the interests of the Company unless his interest or duty only arises because the case falls within one or more of the following paragraphs:
- (i) the giving of any guarantee, security or indemnity in respect of money lent or obligations incurred by him for the benefit of the Company or any of its subsidiaries;
 - (ii) the giving of any guarantee, security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which he himself has assumed responsibility in whole or in part under a guarantee or indemnity or by the giving of security;

- (iii) any proposal concerning his participation in any offer of shares in or debentures or other securities of the Company or any of its subsidiaries issued or to be issued pursuant to any offer or invitation to holders of securities or concerning his participation for subscription or purchase in which offer he is or is to be interested as a participant in the underwriting or sub-underwriting thereof;
 - (iv) any contract or arrangement in which he is interested by virtue of his interest in shares or debentures or other securities of the Company or by reason of any other interest in or through the Company;
 - (v) any proposal concerning retirement, death or disability benefits scheme or a share option scheme, share incentive scheme or profit-sharing scheme which either relates to both employees and Directors of the Company and/or directors of any subsidiary and does not provide any Director as such any privilege or advantage not accorded to the employees to whom such scheme or fund relates or has been approved by or is conditional on approval by the Inland Revenue for tax purposes;
 - (vi) any proposal concerning an insurance which the Company is empowered to purchase and/or maintain for the benefit of and against any liability incurred by any Directors or persons who include the Directors.
- (h) *Remuneration of Directors*
- (i) The remuneration (whether by way of salary, commission, participation in profits or otherwise) of any executive Director shall be such as the Directors may determine, and either in addition to or in lieu of his remuneration as Director.
 - (ii) Each of the Directors may be paid a fee at such rate as the Directors may from time to time determine provided that the aggregate of all such fees so paid to Directors (excluding amounts payable under any other Article) shall not exceed £250,000 per annum or such larger amount as the Company may by ordinary resolution determine.
 - (iii) Each Director may be paid his reasonable travelling, hotel and other expenses properly and reasonably incurred by him in attending and returning from meetings of the Directors or any committee of the Directors or meetings of shareholders or debenture holders of the Company or otherwise in connection with the business of the Company or the discharge of his duties as a Director. Any Director who, by request, goes to reside abroad for any purposes of the Company or who performs services which in the opinion of the Directors go beyond the ordinary duties of a Director may be paid such extra remuneration (whether by way of salary, commission, participation in profit or otherwise) as the Directors may determine and such extra remuneration shall be in addition to any remuneration provided for by or pursuant to any other Article.
- (i) *Appointments to office*
- Subject to the Act, the Directors may from time to time appoint one or more of their body to hold any other employment or executive office or place of profit with the Company for such period and upon such terms as they may determine and may revoke or terminate any of such appointments. Any such revocation or termination shall be without prejudice to any claim for damages such Director may have against the Company or the Company have against the Director for breach of any service contract between him and the Company.
- (j) *Retirement of Directors*
- Save as may be otherwise resolved by the Company in general meeting convened on special notice a person shall not be appointed as a Director if, at the time when the appointment would take effect, he would have attained the age of 70. A Director shall vacate his office at the conclusion of the annual general meeting of the Company which next follows his attaining the age of 70; but acts done by a person as Director are valid notwithstanding that it is afterwards discovered that, by reason of this Article, he should not have been appointed or his appointment had terminated. No provision in these articles of association for the automatic reappointment of retiring Directors in default of the appointment of another applies to such a retiree.

(k) *Rotation of Directors*

- (i) At every annual general meeting one-third of the Directors for the time being or, if their number is not a multiple of three, then the number nearest to and not exceeding one-third shall retire from office and each Director shall retire from office at least once every three years. A Director retiring at a meeting shall retain office until the close or adjournment of the meeting.
- (ii) The Directors to retire on each occasion shall be those subject to retirement by rotation who have been longest in the office since their last election, but as between persons who became or were re-elected Directors on the same day those to retire shall (unless they otherwise agree amongst themselves) be determined by lot. The Directors to retire on each occasion (both as to number and identity) shall be determined by composition of the Board at the date of the notice convening the annual general meeting, and no Director shall be required to retire or be relieved from retiring by reason of any change in the number or identity of Directors after the date of such notice but before the close of the meeting.
- (iii) A Director who retires at the annual General Meeting shall be eligible for re-election. If he is not reappointed he shall retain office until the meeting appoints someone in his place, or if it does not do so, until the end of the meeting.
- (iv) Subject to the provisions of the articles of association, the Company at the meeting at which a Director retires in the manner aforesaid may fill the vacated office by electing a person and in default the retiring Director shall, if willing to continue to act, be deemed to have been re-elected, unless at such meeting it is expressly resolved not to fill such vacated office or unless a resolution for the re-election of such Director shall have been put to the meeting and lost or such Director has given notice in writing to the Company that he is unwilling to be re-elected or such Director has attained any retiring age applicable to him as Director pursuant to the Companies Acts.

(l) *Borrowing Powers*

The Directors may exercise all the powers of the Company to borrow money, and to mortgage or charge the whole or any part of its undertaking, property and uncalled capital, and to issue debentures and other securities. The Directors must ensure that the aggregate amount for the time being of all borrowings of the Company and its subsidiaries (other than owing by the Company and any of its subsidiary undertakings in respect of the intra group borrowings) shall not at the date of any such borrowings, without the previous sanction of an ordinary resolution of the Company, exceed an amount equal to four times the Adjusted Capital and Reserves (as defined by the Articles of Association).

(m) *Pensions, gratuities etc.*

The Directors may, subject to the provisions of the Act, exercise all the powers of the Company to grant pensions, annuities or other allowances and benefits in favour of any person including any Director or former Director or the relations, connections or dependants of any Director or former Director, provided that no pension, annuity or other allowance or benefit (except such as may be provided for by the articles of association) shall be granted to a Director or former Director who has not been an executive Director or held any other office or place of profit under the Company or any of its subsidiaries or to a person who has no claim on the Company except as a relation, connection or dependant of such a Director or former Director without the approval of an ordinary resolution of the Company.

(n) *Dividends*

- (i) Subject to the provisions of the Act, the Directors may pay such interim dividend as they think fit.
- (ii) Subject to the Act, the Company in general meeting may declare dividends, but no dividend shall exceed the amount recommended by the Directors. Except in so far as the rights attaching to, or the terms of issue of, any share otherwise provides, all dividends shall be declared and paid according to the nominal amounts paid up on the shares (excluding any premium), but no amount paid up on a share in advance of calls shall be treated for this

purpose as paid up on such share, and all dividends shall be apportioned and paid pro rata to the amounts paid up on the shares during any portion of the period in respect of which the dividend is paid.

(o) *Unclaimed dividends*

Any dividend unclaimed for a period of 12 years after it became due for payment shall be forfeited and shall revert to the Company.

(p) *Untraced shareholders*

(i) When the registered address of a member appears to be incorrect or out of date such member may, if the Directors so resolves, be treated as if he had no registered address and thereafter the Company is not obliged to send cheques, warrants, notices or accounts to that member. No such resolution shall be proposed unless cheques or warrants sent to the registered address of such member have been returned by the Post Office or left uncashed on at least two consecutive occasions or, following one such occasion, reasonable enquiries have failed to establish any new address of such member.

(ii) If for a period of 12 years at least three dividends have become payable and not been cashed and no communication has been received from the member (or any person entitled to the member's shares by transmission), the Company may sell such shares at the best reasonably obtainable price if, after giving notice in a leading national newspaper and a newspaper circulating in the region of the member's registered address, it has not had any communication from the member (or anyone entitled to his shares or stock by transmission) within three months.

(q) *Return of Capital*

Save as otherwise provided in the articles of association and subject to the rights attached to any shares issued on any special terms and conditions, on return of assets on a winding up or otherwise the surplus assets of the Company after discharge of its liabilities shall belong to and be distributed amongst the holders of shares in proportion to the number of such shares held by them respectively after deducting in respect of any share not fully paid up the amount remaining unpaid thereon (whether or not then payable).

4 Directors' shareholdings and other interests

4.1 The interests of the Directors in the issued share capital of the Company as at the date of this document and immediately following completion of the Offer assuming full subscription under the Offer, such interests being those which are required to be notified by each Director to the Company under the provisions of section 324 or 328 of the Act or which are required to be entered in the register of interests required to be maintained pursuant to section 325 of the Act or which are interests of persons connected with the Directors within the meaning of section 346 of the Act, the existence of which is known or which could, with reasonable diligence, be ascertained by the Directors are, and will be, as follows:

<i>Director</i>	<i>Immediately before Admission</i>		<i>Following Admission</i>	
	<i>Number of Ordinary Shares</i>	<i>Percentage of issued ordinary share capital</i>	<i>Number of Ordinary Shares</i>	<i>Percentage of issued ordinary share capital</i>
David Hall	12,366,819	12.37	12,466,819	9.07
Robert Foster	6,659,056	6.66	6,859,056	4.99
Perry Ashwood ¹	none	—	300,000	0.22
Paul Foord	6,659,056	6.66	6,759,056	4.92
Gavin Burnell ²	7,610,350	7.61	7,910,350	5.76

1 Perry Ashwood is interested in 951,293 Ordinary Shares pursuant to the agreement with Paul Foord referred to at paragraph 2.6 above.

2 Gavin Burnell is the legal and beneficial owner of 4,856,469 Ordinary Shares and is a director and shareholder of Woodland Capital Limited which holds 3,053,881 Ordinary Shares.

4.2 On 21 December 2005 the Directors were granted options under the share option scheme referred to in paragraph 12 below as follows to vest after twelve months, exercisable at the Placing Price:

<i>Director</i>	<i>Options to subscribe for Ordinary Shares</i>
David Hall	345,000
Robert Foster	687,500
Perry Ashwood	572,500
Paul Foord	172,500
Gavin Burnell	172,500

- 4.3 The Directors have undertaken to HB Corporate that they will not dispose of any Ordinary Shares for a period of 12 months from the date of Admission.
- 4.4 As at 21 December 2005 (being the last practicable date prior to the publication of this document), insofar as it is known to the Directors, the following persons (in addition to those disclosed in paragraph 4.1 above) were or will immediately following Admission be interested in 3 per cent. or more of the Company's issued share capital:

	<i>Immediately before Admission</i>		<i>Following Admission</i>	
	<i>Number of Ordinary Shares</i>	<i>Percentage of issued share capital</i>	<i>Number of Ordinary Shares</i>	<i>Percentage of issued share capital</i>
RAB Special Situations (Master)				
Fund Limited	44,444,444	44.44	52,444,444	38.17
Brett Miller	4,756,469	4.76	4,756,469	3.46
Teck Cominco	8,751,903	8.75	11,201,903	8.15
Teck Cominco Arama	8,751,903	8.75	8,751,903	6.37
Orion Trust Limited	0	0	5,000,000	3.64
Fidelity Investments International	0	0	7,000,000	5.09

- 4.5 Each of Teck Cominco and Teck Cominco Arama have entered into a lock-in agreement with HB Corporate and the Company pursuant to which they undertake not to dispose of any Ordinary Shares for a period of 12 months from the date of Admission.
- 4.6 As at 21 December 2005 (being the latest practicable date prior to publication of this document) and save as disclosed in this paragraph 4, the Directors are not aware of any person who is, or will immediately following Admission, be interested (within the meaning of the Act) directly or indirectly in three per cent or more of the issued share capital of the Company or of any persons who directly or indirectly, jointly or severally, will exercise or could exercise control over the Company.
- 4.7 Save as disclosed in this document, no Director has or has had any interest, whether direct or indirect, in any transaction which is or was unusual in its nature or conditions significant to the business of the Group and which was effected by any member of the Group during the current or immediate preceding financial year, or during any earlier financial year and which remains in any respect outstanding or unperformed.
- 4.8 None of the Directors or persons connected with them within the meaning of section 346 of the Act has a related financial product (as defined in the AIM Rules) referenced to the Ordinary Shares.

5 Additional Information on the Directors

The directorships of the Directors currently held and held over the 5 years preceding the date of this document (other than of the Company and its subsidiaries are as follows:

<i>Director</i>	<i>Current directorships</i>	<i>Past directorships</i>
David Hall	GoldQuest Mining Corporation Minmet plc Horizonte Minerals Limited Exploration and Discovery Latin America (Panama) Inc. INEX, Ingenieria y Exploracion, SA	Lapp Plats plc North American Gold Inc AngloGold South America SA

Robert Foster	Bob Foster and Associates Limited Rockover Resources Ltd Ground Truth Limited Ground Modelling Technologies Ltd Resource Exploration and Development Ltd Saddleback Corporation Ltd	
Perry Ashwood	SPS Agencies Limited Tecno Mac Limited	Pythagoras International Limited
Paul Foord	Jamesford Management Consultants Ltd	Insitu Ltd Land of Leather Ltd
Gavin Burnell	Woodland Capital Limited Fairholt Media plc Israeli Acquisitor I plc	Agricola Resources plc Axia Capital Limited Leveraged Finance Limited Loan Solutions Limited NCI Vehicle Rescue plc

None of the Directors have any unspent convictions, have been declared bankrupt or have been the subject of an individual voluntary arrangement. None of the Directors were directors of any company at the time of, or within the 12 months preceding, its bankruptcy, receivership, administration, liquidation, company voluntary arrangement or composition or arrangement with its creditors generally. There have been no public criticisms of any of the Directors by any statutory or regulatory authority and no Director has ever been disqualified by a Court from acting as a Director of a Company or from acting in the management or conduct of the affairs of any company. No Director was partner in any partnership at the time or within 12 months preceding its compulsory liquidation, dissolution, administration or partnership or voluntary arrangement. None of the Directors has been contacted by the Department of Trade and Industry in connection with their conduct with respect to any of the companies set out above.

6 Directors' Service Agreements and Emoluments

The Directors have entered into agreements with the Company as follows:

- 6.1 Pursuant to an agreement dated 21 December 2005 David Hall was appointed Executive Chairman of the Company with an annual salary of £30,000 payable monthly in arrears. The appointment can be terminated by 6 months' written notice by either party.
- 6.2 Pursuant to an agreement dated 21 December 2005 Robert Foster was appointed as Chief Executive Officer of the Company with an annual salary of £60,000 payable monthly in arrears. The appointment can be terminated by 6 months' written notice by either party.
- 6.3 Pursuant to an agreement dated 21 December 2005 Perry Ashwood was appointed as Chief Financial Officer of the Company with an annual salary of £51,000 payable monthly in arrears. The appointment can be terminated by 6 months' written notice by either party.
- 6.4 Pursuant to a letter of appointment dated 21 December 2005, Paul Foord agreed to act as a non-executive director of the Company for an annual fee of £15,000. The appointment is for an initial period of 12 months from the date of appointment and is subject to termination thereafter by 3 months' written notice by either party.
- 6.5 Pursuant to a letter of appointment dated 21 December 2005, Gavin Burnell agreed to act as a non-executive director of the Company for an annual fee of £15,000. The appointment is for an initial period of 12 months from the date of appointment and is subject to termination thereafter by 3 months' written notice by either party.
- 6.6 The aggregate remuneration paid and benefits in kind granted to the Directors for the period from 24 August 2004 to 30 September 2005 amounted to £54,000. It is estimated that the aggregate remuneration (including benefits in kind) of the Directors for the financial year ending 31 December 2006, under the arrangements currently in force will amount to approximately £171,000.
- 6.7 Save as set out above, there are no existing or proposed service agreements between any of the Directors and the Company.

7 United Kingdom Taxation

The following is a summary of advice received by the Company and is intended as a general guide to certain aspects of United Kingdom law and HM Customs & Revenue practice relating to the taxation of dividends disposals, and other matters relating to this document. Persons who may be subject to tax in jurisdictions other than the United Kingdom or who are in any doubt as to their tax position should consult their professional advisers without delay.

7.1 Dividends

The Company will not be required to withhold UK tax from dividends paid on the Ordinary Shares. Any holder of Shares who is resident in the UK, or who carries on a trade, profession or vocation in the UK to which the Ordinary Shares are attributable, will generally be subject to UK tax on income in respect of any dividends paid on the Ordinary Shares. A Shareholder resident outside the UK may also be subject to foreign taxation on dividend income under local law.

Dividends paid to a UK resident company Shareholder will be assessable income of the Shareholder.

7.2 Capital gains

Any holder of Ordinary Shares who is resident or ordinarily resident in the UK in the relevant year of assessment, or who carries on a trade, profession or vocation in the UK to which the Ordinary Shares are attributable, may be subject to UK tax on capital gains or realise an allowable loss in respect of a disposal of the Ordinary Shares. In addition, a holder of Ordinary Shares who has previously been resident or ordinarily resident in the UK may in some cases be subject to UK tax on capital gains in respect of a disposal of Ordinary Shares.

A Shareholder who is not resident in the UK for tax purposes but who carried on a trade, profession or vocation in the UK through a branch, agency or, in the case of companies only, a permanent establishment and has used, held or acquired the Ordinary Shares for the purpose of such trade, profession or vocation may also be subject to UK taxation on chargeable gains on a disposal of those Ordinary Shares.

7.3 Inheritance tax

If any holder of Ordinary Shares is regarded as domiciled in the UK for inheritance tax purposes, inheritance tax may be payable in respect of the Ordinary Shares on the death of the holder or on any gift of the Ordinary Shares.

For inheritance tax purposes a transfer of assets at less than market value may be treated as a gift and particular rules may apply where the donor reserves or retains some benefit.

7.4 Stamp duty and stamp duty reserve tax

The following comments do not apply to Ordinary Shares issued or transferred into depository or clearance arrangements, to which special rules apply. Transfers of depository interests within CREST will be subject to stamp duty reserve tax at the rate of 0.5 per cent.

No liability to UK stamp duty or stamp duty reserve tax will generally arise on the issue of Ordinary Shares by the Company under the Placing.

8 Working Capital

The Directors are of the opinion, having made due and careful enquiry and after taking into account the net proceeds of the Placing receivable by the Company, that the working capital available to the Company will, from Admission, be sufficient for its present requirements, that is for at least the next 18 months from the date of Admission.

9 Minimum Subscription

In the opinion of the Directors, the minimum amount which must be raised from the Offer is £1.87 million made up as follows:

Purchase price of property –	Nil
Expenses of the Offer and commission –	£325,000 (Excluding VAT)
Repayment of borrowings –	Nil
Working capital –	£1.54 million

10 Premises

The Company uses the services of Virtual Office Services Limited which provides it with its registered office at 212 Piccadilly, London. The Company has no right to occupy any premises in the United Kingdom.

The Company leases an apartment at Iran Caddesi 53/6, G.O.P/Ankara, Turkey for use as its Turkish office. The lease runs for one year from 1 May 2005.

11 Litigation

Neither the Company or any of its subsidiaries is engaged in any litigation or arbitration and, so far as the Directors are aware, there is no litigation or claim pending or threatened against the Company or any of its subsidiaries.

12 Share Option Scheme

The Company has adopted an unapproved Employee Share Option Scheme (for the purposes of this paragraph referred to as the “Scheme”). Under the Scheme the Directors have the discretion to grant options to subscribe for Ordinary Shares up to a maximum of 10 per cent of the Company’s issued share capital. Options can be granted to any employee of the Group. The option price is not to be less than the Placing Price. The options cannot be exercised for a period of one year from the date of grant. In the event of any employee to whom options have been granted ceasing to be an employee of the Group he or she will have a set period in which to exercise those options (depending on the reasons for leaving) failing which the options will lapse.

13 Material Contracts

The following material contracts, not being a contract entered into in the ordinary course of business, have been entered into by the Company during the two years immediately prior to the date hereof and are, or may be, material:

13.1 *Provision of Nominated Adviser and Broker Services*

Under an agreement dated 21 December 2005 between the Company and HB Corporate in relation to the appointment as Nominated Adviser and Nominated Broker to the Company for the purposes of the AIM Rules the Company will pay:

- (a) an annual fee of £35,000 plus VAT (if applicable); and
- (b) all reasonable and properly incurred costs and expenses (including legal expenses) incurred after Admission by HB Corporate in connection with its appointment as Nominated Adviser and Broker plus VAT (if applicable);

to HB Corporate for acting as Nominated Adviser and Broker during and following Admission, payable quarterly in advance, with the payments being due within 14 days of the date of invoice. The annual fee is subject to annual, upwards only, review during the term of the agreement. The agreement will continue for 12 months from the date of the agreement and may be terminated by either party giving 90 days prior written notice expiring on or after the date 12 months from the date of Admission.

13.2 *Share Option Agreement*

On 21 December 2005, the Company entered into an option agreement with HB Corporate granting HB Corporate an option over new Ordinary Shares equating to 3 per cent of the issued Ordinary Shares at Admission exercisable at the Placing Price for a period of 5 years following Admission.

13.3 *Placing Agreement*

Under a Placing Agreement dated 21 December 2005 between the Company, the Directors and HB Corporate, HB Corporate were appointed as agents of the Company to use their reasonable endeavours to procure subscribers for the Placing Shares at the Placing Price. Pursuant to the Placing Agreement, the Company and its Directors have given certain warranties to HB Corporate regarding, *inter alia*, the accuracy of information in this document. The Placing is not underwritten. The Placing Agreement is conditional, *inter alia*, on Admission taking place no later than 8am on 04 January 2006 or such later date as may be agreed by the Company and HB Corporate and the Company and its Directors complying with certain obligations under the Placing Agreement. Under the Placing Agreement, the Company has agreed to pay (together with VAT where applicable):

- (a) a placing commission of up to 5 per cent on the aggregate value of the Placing Shares;

- (b) a corporate finance fee of £95,000;
- (c) an option over new Ordinary Shares equating to 3 per cent of the issued Ordinary Shares upon Admission exercisable at the Placing Price for a period of 5 years following Admission; and
- (d) all professional fees (including without limitation its legal fees) and out-of-pocket expenses incurred by Hoodless Brennan and their professional advisers for the purpose of or in connection with the Placing.

HB Corporate is entitled, in certain limited circumstances, to terminate the Placing Agreement prior to Admission and to the payment of its outstanding costs on such termination.

13.4 *Subscription and Shareholders Agreement*

Pursuant to a subscription and shareholders agreement dated 7 March 2005 between David Hall, Gavin Burnell, Woodland Capital Limited, Brett Miller, Robert Foster, Paul Foord, RAB Special Situations LP (“RAB SSL”), Teck Cominco, Teck Cominco Arama and Stratex Exploration (the “Subscription and Shareholders Agreement”), RAB SSL agreed to subscribe for a total of 1,168,000 ordinary shares of 1p each in Stratex Exploration for a total of GBP£500,000. Teck Cominco and Teck Cominco Arama were each issued 230,000 ordinary shares of 1p each pursuant to the terms of the Murat Dagı Memorandum of Understanding summarised below at paragraph 13.6.

Under the Subscription and Shareholders Agreement, Stratex Exploration Limited, David Hall, Gavin Burnell, Robert Foster and Paul Foord gave certain warranties to RAB SSL, TCL and TCAM concerning Stratex Exploration Limited.

Pursuant to the share exchange agreement dated 21 November 2005 (referred to at paragraph 2.3 (b) above), the parties to the Subscription and Shareholders Agreement agreed, *inter alia*, to terminate the agreement with effect from the date of Admission.

13.5 *Strategic Alliance Agreement*

Pursuant to the Strategic Alliance Agreement, Stratex Exploration and Teck Cominco have agreed to identify projects for acquisition by Stratex Exploration in Europe, Africa and the Middle East in order to discover and develop mineral deposits.

The Strategic Alliance Agreement grants Teck Cominco and its affiliates certain rights to maintain or regain their percentage shareholding in the Company after Admission in the event of further equity financing or a dilutive event. Details of these rights are set out at paragraph 2.5 above.

The Strategic Alliance Agreement is stated as being subject to Stratex Exploration or its holding company having listing on AIM or another market acceptable to Teck Cominco on or before 31 December 2005. If this condition is not fulfilled Teck Cominco may at its own option waive the condition or terminate the agreement.

The Strategic Alliance Agreement provides that either Stratex Exploration or Teck Cominco may recommend properties that will be subject to the potential earn-in rights of Teck Cominco. These will be selected by the Teck Cominco – Stratex Advisory Committee. If the committee recommends a property, Stratex Exploration will endeavour to acquire at least a 70% direct interest in the property. If a third party retains an interest in the target property then Stratex Exploration will try to negotiate joint venture terms with the third party as set out in the Strategic Alliance Agreement.

If Teck Cominco presents a property to the committee and it is subsequently acquired then the Strategic Alliance Agreement states that the parties will enter into an option similar to the earn-in rights described above.

Where properties have been presented by Stratex Exploration and subsequently acquired, Teck Cominco’s earn-in rights may be exercised when it has spent US\$2.5 million of expenditures on the property. The earn-in rights allow Teck Cominco to earn back an initial 51 per cent interest in the property by incurring twice the expenditures incurred by Stratex Exploration.

13.6 *Murat Dagı Memorandum of Understanding*

Teck Cominco Arama and Stratex Exploration entered into a memorandum of understanding dated 22 October 2004 relating to Murat Dagı, a property in Turkey for which Teck Cominco Arama holds certain licences and rights. The memorandum of understanding grants Stratex Exploration an option over the property subject to certain earn back rights and royalty rights of Teck Cominco Arama.

Exercise of the option is conditional. Certain of the conditions have been fulfilled or waived. The sole remaining condition is that the Company must spend, prior to 31 October 2006, a further US\$400,000 on certain expenditure. This is defined broadly as the costs and expenses of operations on the property.

Teck Cominco Arama's earn-back rights may be exercised from the date that the option is exercised by Stratex Madencilik to 60 days after notice from Stratex Madencilik that it has spent US\$2.5 million of Expenditures. The earn-back rights allow Teck Cominco Arama to earn back an initial 60% interest in the property by incurring one and a half times the expenditures incurred by Stratex Madencilik on the property up to a maximum of US\$3.75 million within three years of the date of Teck Cominco Arama's earn back notice. Teck Cominco Arama may terminate its Earn-Back at any time.

The memorandum of understanding provides that Teck Cominco Arama will have the benefit of a NSR of 1.5% However, if Teck Cominco Arama completes its earn-back the NSR ceases.

13.7 *Havran Memorandum of Understanding*

Teck Cominco Arama and Stratex Exploration have entered into a memorandum of understanding dated 21 November 2005 relating to Teck Cominco Arama's Belen, Dikmen and Ergama properties located in Turkey and consisting of licences and rights as defined in the memorandum. The memorandum grants Stratex Exploration, through its subsidiary Stratex Madencilik, an option over the properties subject to certain earn back rights and royalty rights of Teck Cominco Arama. SEL may exercise its option rights in respect of one or more of the three properties at its discretion.

Stratex Exploration may exercise the option in respect of any of the properties by:

- (a) Funding US\$250,000 of expenditure on all of the properties jointly by 31 July 2006; and
- (b) Funding US\$400,000 of additional expenditure on each property in respect of which SEL wishes to exercise its option rights, by 31 July 2007.

Expenditure has the same definition as in the Murat Dagi memorandum of understanding referred to above at paragraph 13.6. Upon exercise of the option Teck Cominco Arama will transfer 100% of its interest in the relevant property subject to certain earn-back rights (see below), to a 1.5% NSR to Stratex Exploration and a 2% NSR to Newmont (defined below).

By an agreement dated 29 July 2004, Newmont Altin Madencilik Limited Sirketi (Newmont) and Teck Cominco Arama, Newmont agreed *inter alia* to transfer all of its interest in the Dikmen Property (Licence No. AR-84162) to Teck Cominco Arama subject to a 2% NSR in favour of Newmont. The agreement provides that Teck Cominco Arama may transfer its interest in any property, the subject of the agreement, without the prior consent of Newmont provided that the transferee enters into an agreement in form and substance satisfactory to Newmont's counsel to pay the 2% NSR to Newmont. Stratex Exploration has not to date entered into the requisite agreement with Newmont and, accordingly, the interest in the Dikmen Property will not be effectively transferred to Stratex Exploration until such time as it has entered into the said agreement.

Stratex Exploration may terminate the memorandum of understanding as to any or all of the properties at any time after incurring the first US\$250,000 of Expenditures and before exercising the option. If Stratex Exploration fails to incur the first US\$250,000 of expenditure before 31 July 2006 and has not paid up the difference the memorandum terminates automatically and Stratex Exploration is required to pay up any difference between its expenditures and US\$250,000 to Teck Cominco Arama.

Stratex Madencilik will be the manager of each property from the date of the memorandum until Teck Cominco Arama exercises its earn-back rights. Once the earn-back rights are exercised Teck Cominco Arama will manage the property. The memorandum provides that a technical committee will be established with two members appointed by each party in order to oversee programmes which will be based on agreed work plans and budgets.

Teck Cominco Arama's earn-back rights may be exercised as follows:

- (a) if, after exercising the option, Stratex Madencilik incurs annual expenditure of at least US\$100,000, the earn-back rights may be exercised at any time after Stratex Madencilik has incurred US\$500,000 of cumulative expenditures on a property up to 60 days after notice from Stratex Madencilik that it has spent US\$2.5 million of cumulative Expenditures on that property.

If Teck Cominco Arama exercises its earn-back right in these circumstances it can earn back 60% by incurring two and a half times the Expenditures incurred by Stratex Madencilik on that property, subject to a maximum of US\$6.25 million, within 4 years of the date of the earn-back notice.

- (b) if, after exercising the option, Stratex Madencilik does not incur annual expenditure of at least US\$100,000 in any year, the earn-back rights may be exercised at any time within 60 days of the end of that year.

If Teck Cominco Arama exercises its earn-back right in these circumstances it can earn back 60% by incurring one and a half times the Expenditures incurred by Stratex Madencilik on that property, subject to a maximum of US\$3.75 million, within 3 years of the date of the earn-back notice.

Teck Cominco Arama may terminate its earn-back at any time, whereupon its interest will revert to its 1.5% NSR. If Teck Cominco Arama completes its earn-back in respect of any property the NSR ceases in respect of that property.

13.8 *Ruegg Engagement Letter*

Under an agreement dated 9 December 2004 between the Company and Ruegg & Co Limited (“Ruegg”) in relation to Ruegg’s appointment as corporate finance adviser to the Company in connection with a proposed private placing and subsequent admission to AIM the Company agreed to pay:

- (a) an annual fee of £10,000;
- (b) all reasonably incurred costs and expenses (including legal expenses) in connection with fundraising or corporate finance advice; and
- (c) a placing commission of 6 per cent on capital raised by the first private placing (this will not apply to the Admission Placing);

to Ruegg for acting as the Company’s corporate finance adviser during the term of the engagement, payable quarterly in advance, with the first invoice to be raised upon completion of the first private placing.

In addition, by a letter dated 18 November 2005, the Company has agreed to pay Ruegg a fee of £17,500 on Admission.

Gavin Burnell, a non-executive Director of the Company, is an employee and shareholder of Ruegg.

14 **General**

- 14.1 The auditors of the Company are CLB Littlejohn Fraser of 1 Park Place, Canary Wharf, London E14 4HJ.
- 14.2 The financial information contained in this document does not amount to full accounts within the meaning of the Act.
- 14.3 The expenses of or incidental to Admission and the Placing (including London Stock Exchange fees, printing, advertising and distribution costs, legal, accounting, corporate finance and public relations fees and expenses) payable by the Company are estimated to amount to £325,000 (exclusive of VAT), including commission of £93,500 payable pursuant to the Placing Agreement.
- 14.4 CLB Littlejohn Fraser has given and not withdrawn its written consent to the inclusion of references to the firm herein in the form and context in which they appear and to the inclusion of its reports and letters (produced at the Company’s request) in the document and have not become aware, since the date of such reports, of any matter affecting the validity of its reports at that date.
- 14.5 HB Corporate has given and not withdrawn its written consent to the issue of this document with its name included in it and references to it in the form and context in which they appear.
- 14.6 ACA Howe has given and not withdrawn its written consent to the references to it herein in the form and context in which they appear and to the inclusion of its report (produced at the request of the Company) in this document and have not become aware since the date of such report of any matter affecting the validity of its report at that date. ACA Howe accept responsibility for the information contained in Part 4 of this document. To the best of the knowledge of ACA Howe (who have taken all reasonable care to ensure such is the case) the information contained in Part 4 of this document is in accordance with the facts and makes no omission likely to affect the import of such information.
- 14.7 The information attributed to Dr S. Redwood in the document has been accurately reproduced and, as far as the Company is aware and is able to ascertain from information published by Dr S. Redwood, no facts have been omitted which would render the reproduced information inaccurate or misleading.

- 14.8 The Company's accounting reference date is 31 December.
- 14.9 The Company will be a close company (as defined in the Income and Corporation Taxes Act 1988) immediately following the Offer.
- 14.10 The nominal value of each Ordinary Share is 1p and they are being placed at 5p per Ordinary Share, giving a premium of 4p per Ordinary Share.
- 14.11 This document has been prepared in accordance with current UK tax legislation, practice and concession and interpretation thereof. Such legislation and practice may change and the current interpretation may therefore no longer apply.
- 14.12 Save for remuneration received in respect of services rendered to the Company, no payment or other benefits have been paid or given or are now proposed to be paid or given to any promoter. The Directors are the promoters of the Company.
- 14.13 Save as disclosed in this document the Directors are not aware of any exceptional factors which have influenced the Company's activities.
- 14.14 Save as described in this document, there are no patents or intellectual property rights, licences or particular contracts which are or may be of fundamental importance to the Company's business.
- 14.15 At the date of this document the Company has no intention to make any new principal investments save as set out herein.

15 Documents Available for Inspection

Copies of the following documents will be available for inspection may be inspected at the offices of Edwin Coe at 2 Stone Buildings, Lincoln's Inn, London WC2A 3TH during usual business hours on weekdays, public holidays excepted, for a period of 28 days following the date of this document:

- 15.1 the Memorandum and Articles of Association of the Company;
- 15.2 the competent person's report set out in Part 4 of this document;
- 15.3 the audited accounts for the Company;
- 15.4 CLB Littlejohn Fraser report contained in Part 3;
- 15.5 the Directors' service and other agreements referred to in Section 6 of this Part 5; and
- 15.6 this document (this will also be on the Company's website www.stratexexploration.com for a period of one month from Admission).

22 December 2005

