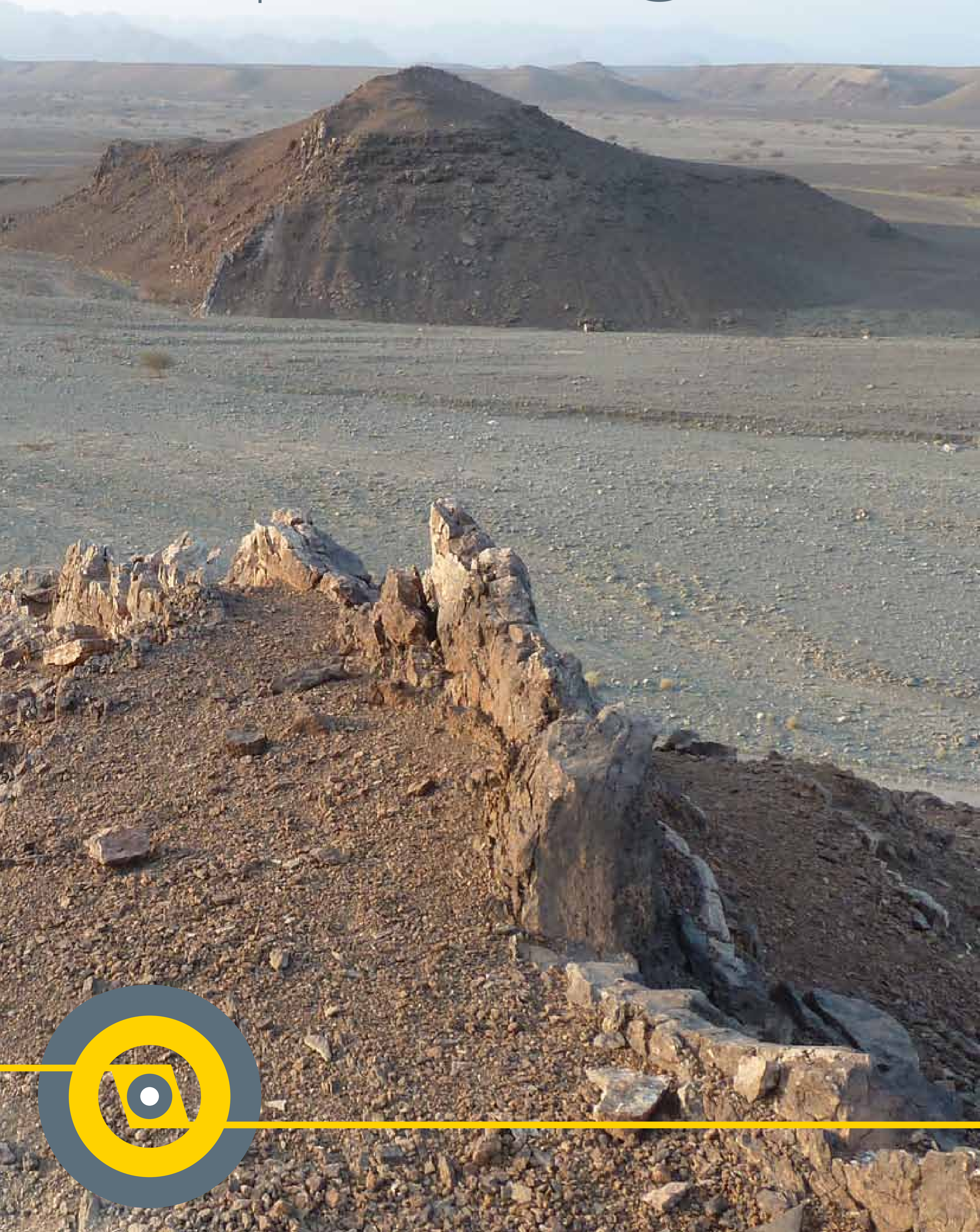
discovering the future

annual report 2011

Stratex International



Front cover: Theodore Structure, Blackrock project, Ethiopia
This page: Drilling at Ortaçam, Öksüt, Turkey

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Company overview

Stratex International is an exploration and development company focusing on gold and high-value base metals in Turkey, East Africa and West Africa.

The Group is led by a highly experienced management team supported by top-level financial and commercial colleagues at Board level. Stratex has a successful track record in forming joint-venture partnerships both with major international mining companies and with successful local private companies.

Strategy and objectives

Our strategic intent is to maximize shareholder value through the continuing development of a focused portfolio, while at the same time managing the significant risks faced by exploration companies.

Revenues will be generated by:-

- Developing defined gold resources into mines via production with qualified and experienced mining partners, and
- Discovery of new gold projects via joint-venture agreements with companies that have the technical and financial capabilities to put large resources into production, and
- Ongoing go-it-alone exploration to define new targets using the innovative exploration models and techniques that have proved so successful to date and joint-venturing or selling resulting new discoveries to a third-party company whilst retaining a royalty payment based on future metal production.

Exploration risk will be managed through a diverse, multi-stage, JV-funded portfolio. The advantages are:

- Minimal financial exposure,
- Multiple plays increase the odds of success,
- Financial risk is shouldered by the JV partners, and
- Production agreements with local companies realise the value from smaller projects.

2011 highlights

Acquisition of Silvrex Limited

Move into West Africa with access to licences in Senegal and Mauritania.

Öksüt resource upgraded to 1 million oz Au

Resource expanded into Ortaçam North and resource upgraded to 1,047,872 oz gold. Centerra now vested 50% having completed stage 1 and now embarking on stage 2.

New gold systems identified at Black Water

5 substantial vein systems identified to date at the Black Water zone within the Blackrock project, with surface rock samples returning bonanza grades of gold. Drill programme has commenced.

New gold system confirmed at Megenta

3,000m drill programme completed at Megenta, within the Tendaho licence area, as part of the AFAR agreement with Thani Ashanti. Large new gold system confirmed.

Maiden resource declared at Muratdere

Maiden resource declared indicating significant potential for exploitation of copper, gold, silver, and molybdenum. New partner undertaking due diligence.

Inlice feasibility completed

Feasibility study completed and decision taken to move to production.

New Altıntepe mining partner secured

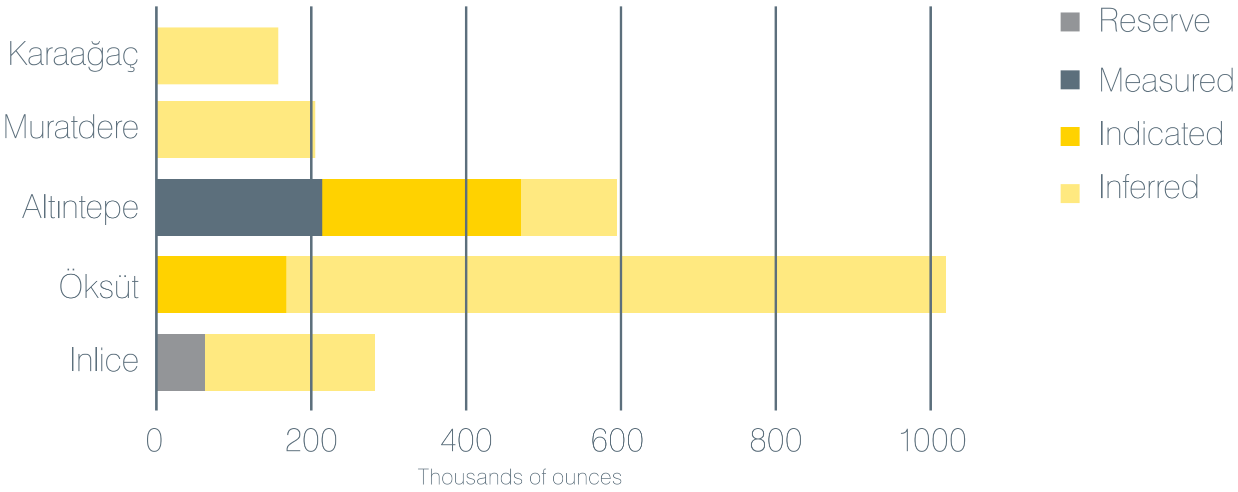
New partner signed up, moving rapidly to production.

Strategic alliance entered into with Antofagasta

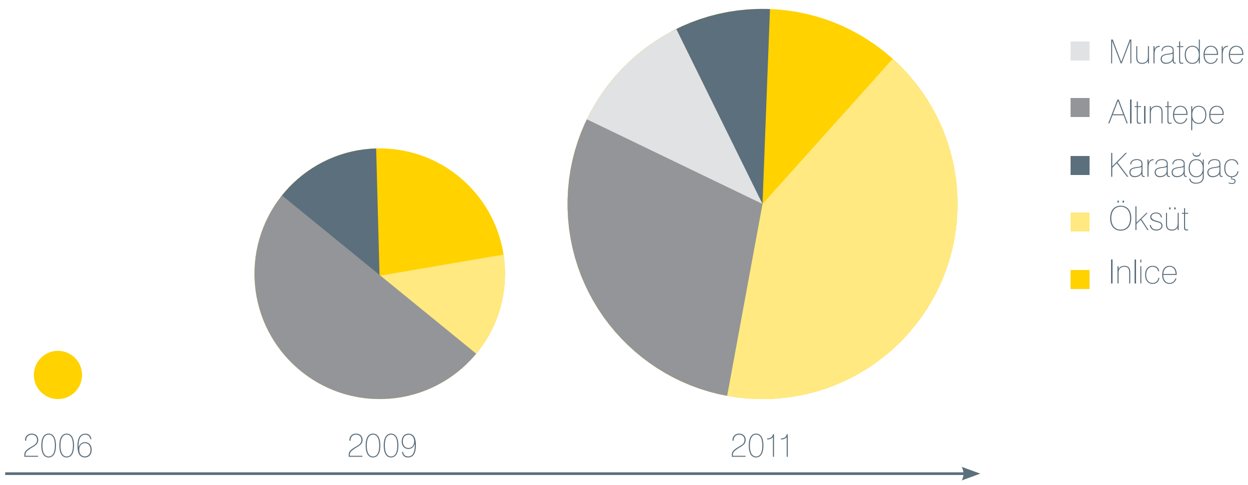
Strategic alliance formed for copper exploration in Turkey.

Gold resources and work plan

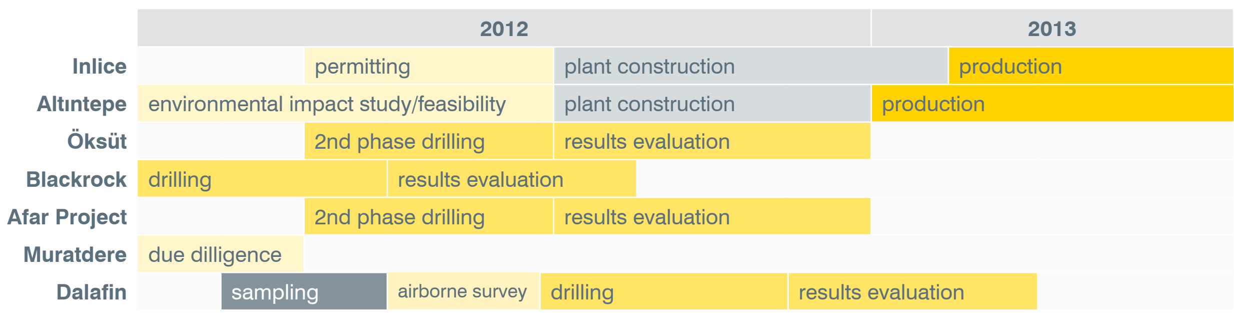
Total gold reserves and resources on a JV inclusive basis = 2.26 million oz, of which 1.1 million is oxide and transitional material.



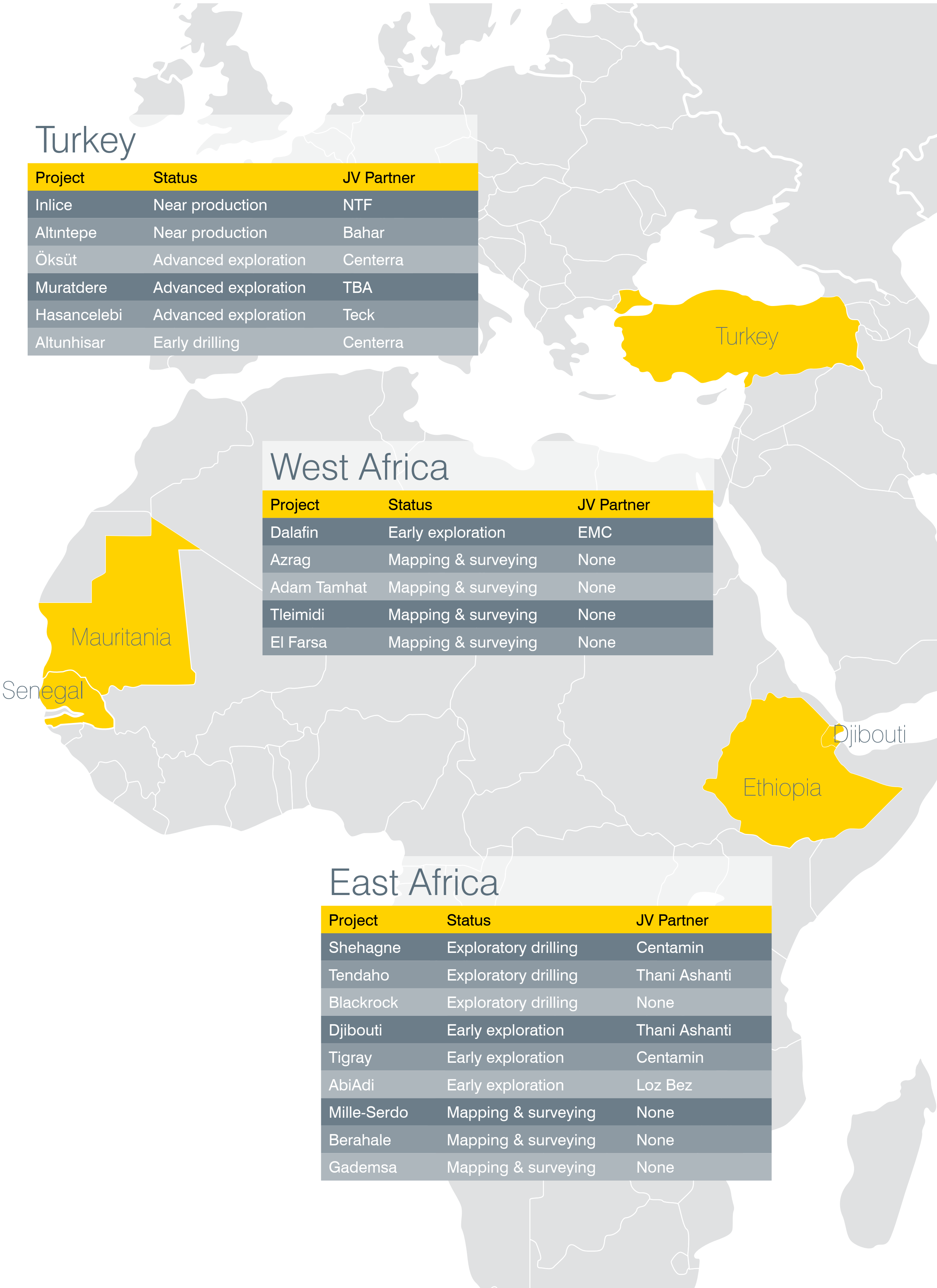
The growth in resources in the year is 94%



Work plan for 2012 and beyond



Major projects



Turkey

Project	Status	JV Partner
Inlice	Near production	NTF
Altıntepe	Near production	Bahar
Öksüt	Advanced exploration	Centerra
Muratdere	Advanced exploration	TBA
Hasancelebi	Advanced exploration	Teck
Altunhisar	Early drilling	Centerra

West Africa

Project	Status	JV Partner
Dalafin	Early exploration	EMC
Azrag	Mapping & surveying	None
Adam Tamhat	Mapping & surveying	None
Tleimidi	Mapping & surveying	None
El Farsa	Mapping & surveying	None

East Africa

Project	Status	JV Partner
Shehagne	Exploratory drilling	Centamin
Tendaho	Exploratory drilling	Thani Ashanti
Blackrock	Exploratory drilling	None
Djibouti	Early exploration	Thani Ashanti
Tigray	Early exploration	Centamin
AbiAdi	Early exploration	Loz Bez
Mille-Serdo	Mapping & surveying	None
Berahale	Mapping & surveying	None
Gademsa	Mapping & surveying	None

Chairman's statement

Stratex made significant progress in all areas of operation during the 2011 financial year.

Christopher Hall, Chairman

Stratex made significant progress in all areas of operation during the 2011 financial year. In Turkey, we have created an advanced portfolio of development projects with experienced mine developers, and in Stratex East Africa we are now ready to pursue an aggressive gold exploration programme. Towards the end of the year Stratex also acquired a series of West African licenced properties for future delineation work.

I make no apologies for repeating that Stratex is first and foremost an exploration and development company. We have neither the skills nor the desire to become constructors and operators of mines and we remain focused on exploration for major mineral deposits, principally gold. We aim to create value for shareholders using experienced partners to develop our discoveries.

Mineral exploration is characterised by high risks and potentially high rewards. The majority of exploration programmes undertaken around the world do not result in economic mines. Nevertheless by closely monitoring all our activities, risks can be mitigated and each successive stage of every programme is carefully reviewed to ensure that the potential reward justifies the additional investment.

This has been the rationale behind many of our joint ventures where we seek to share, and sometimes eliminate, our risk by bringing in a partner. In the early days the terms were very much dictated by our partners, usually a major mining company. In the last couple of years, as our success has become clear and our expertise better appreciated, we have been able to negotiate progressively better terms enabling Stratex to retain a greater share of the potential rewards.

In some cases we are now carried, without further expenditure, to the completion of a feasibility study; in others we are carried right through into production.

At the year end, Stratex had discovered some 1.5 million oz of gold, mainly oxide which is generally easier to process. Since the year end we have announced an increased resource of over 1.0 million oz at Öksüt, bringing the Company's discovery total to 2.26 million oz, a very creditable result over the 7 years since it was formed. The costs involved in this have been considerable and would have been difficult, if not impossible, but for the joint ventures which have brought in over £5.3 million to cover exploration spending. Despite that inevitable dilution of interest, we have retained an equity interest in some 1.6 million ounces.

Our explorationists are among the best in the business and this is clearly backed up by the confidence of our joint venture partners who have chosen to take an interest in our projects which we generally manage on their behalf. They include AngloGold Ashanti in partnership with the Thani Group from Dubai, Teck Resources, Antofagasta and Centerra, not forgetting our Turkish operating partners NTF and Bahar Mining.

Not only have our joint venture partners financed the work on the ground, they have also supported the company by purchasing equity. In 2011 we raised £4.3 million from our partners in share placements. Thani-Ashanti and AngloGold Ashanti have continued to show their support by following their interests through subsequent placements, including following the Silvrex acquisition.

In Turkey we now have three projects rapidly maturing to a point where real value can become apparent. At Inlice, with a modest total oxide gold reserve of almost 60,000 oz, our partners NTF are managing the project to production with a 55% interest. We have appointed GBM, a respected UK engineering firm, to act as owner's engineer for the development and construction and look forward to rapid progress once the environmental permits are granted. A review of the feasibility study is in hand and we look to an improvement in project economics.

NTF did not wish to commence work on our second production project, Altıntepe, until Inlice was in production. We therefore secured a second operating partner in Bahar Mining, a private Turkish company with experience of operating gold mines. Bahar Mining is earning a 55% interest in the 490,000 oz oxide and transition gold project by financing the project to production with no further calls for cash from Stratex. Once in production, they will receive 80% of cashflow until their investment is repaid, reverting to 55% thereafter.

Öksüt is developing into a major discovery with the announcement, after the year end, of a resource exceeding 1.0 million oz. Our partners, Centerra, have earned a 50% interest and have exercised their option to earn a total of 70% by investing a further US$3.0 million. The recent outstanding drilling results at Ortaçam North Zone, with multiple intersections of 200 m plus at over 2.0 g/t gold, are very exciting. Importantly, surface indications and early drilling of the zone were not encouraging, highlighting the importance of further work on other mineralised targets where early results were inconclusive. We remain optimistic of further success.

There has also been a significant amount of drilling in Ethiopia. At Megenta, our first discovery within the Afar joint venture, our partners Thani-Ashanti have completed their 3,000 m drill commitment. As expected, mineralisation was intersected beneath the surface structures, but textures and gold grades indicated that drilling had not tested the system deep enough to hit the targeted boiling zone believed to be an important gold concentration mechanism. Thani-Ashanti have commissioned an aeromagnetic survey and are expected to resume deeper drilling to complete their US$3.0 million earn in for 50%.

At our 95%-owned Blackrock programme we are well into a 5,000 m drill programme, concentrating initially on the Theodore and Baker structures in the Black Water zone. Drilling commenced in the south on weak epithermal quartz veins and progressed towards the north where the structures thicken markedly. Early indications from this drill programme are very encouraging.

Furthermore, regional helicopter reconnaissance has resulted in additional discoveries of gold-bearing epithermal veins. More ground has been acquired and other applications are still pending.

Stratex now has the best land position in a large, highly prospective epithermal gold province in the Afar Region of Ethiopia and Djibouti, which we believe has similar potential to the Santa Cruz district of Patagonia, where over 40 million oz have been discovered over the last 20 years. Exploration over large areas for this style of epithermal gold deposit is capital intensive with a typical 2.5 Moz plus deposit such as Cerro Negro requiring millions of dollars of exploration funding. However, discovery costs can still be well below US$100/oz, which is attractive at current gold prices. Stratex will need to invest significant amounts in Ethiopia in future years if it is to do justice to the mineral potential, and your Board is actively considering the options for this.

Stratex had taken a modest position in PLUS-listed Sheba Exploration by way of an option fee on its Shehagne gold prospect in the Arabian-Nubian Shield, northern Ethiopia. During the year Stratex earned a 60% interest in the project, having completed a 1,000 m drilling programme. At the same time, Centamin, the Egyptian gold mining company, made a successful bid for Sheba which resulted in a gain of £527,199 on the Stratex investment. Stratex has now met all of its commitments under the agreement with Sheba and is in a position to vest 60% into the Shehagne project.

In December 2011 Stratex completed a successful offer to acquire Silvrex Limited, (subsequently renamed Stratex West Africa Ltd), a private company with mineral properties in Senegal and Mauritania. The terms involved a modest front-end payment in Stratex shares and a further payment in cash or shares at our option, if over 500,000 oz of gold is discovered in any of the five licence areas acquired within three years. We believe we can achieve the same levels of success in West Africa as we have in Turkey and East Africa with a combination of superior exploration skills, risk management and industry connections. I am pleased to welcome the Silvrex managing director, John Cole-Baker, as a director of Stratex with particular responsibility for West Africa. John is a civil engineer with a wealth of high-level experience in the region.

Following an extremely successful 2011, Stratex has set itself even more challenges for the year ahead. I look forward to news flow on drilling in Turkey and Ethiopia, resource updates at Öksüt, progress towards production from Inlice and Altıntepe and commencement of a programme in West Africa. The Board is considering a number of options to secure the necessary finance for our activities. You can be assured that the enhancement of shareholder value is our prime objective, which we are determined to deliver.

Lastly, I would like to pay tribute to our dedicated team of geologists and support staff who often work in the most challenging conditions to help Stratex achieve its objectives. On behalf of the Board I thank them, and you our shareholders for your continuing support, as we embark on what looks like another exciting year for the company.

Christopher Hall
Chairman

CEO report/Business overview

Our gold resource on a JV-inclusive basis now totals 2.26 million ounces.

Stratex continues to go from strength to strength as evidenced by the increased gold resource at Öksüt, the acquisition of Silvrex Limited, giving us immediate access to Senegal and Mauritania, and the raising of additional capital from major companies through private placements.

Our gold resource on a JV-inclusive basis now totals 2.26 million ounces.

We are delighted with developments at Öksüt. The recently announced gold resource of 758,000 oz at Ortaçam North brings the total gold resource for the Öksüt project to 1.05 million oz and there is still upside for further exploration with additional targets already identified. Our excitement is shared by our partner Centerra who, having completed the first stage of the joint venture agreement and vested 50%, have now decided to embark upon the second stage whereby they can earn an additional 20% by spending a further US$3million. Second stage drilling will commence as early as possible in Q2 2012.

The Stratex Board firmly believe that one of the ways to minimise risk and to maximise the opportunity to strike it big is to build a portfolio of diverse, varying-stage projects. We are therefore constantly evaluating other territories in Africa, the Middle East, Asia, and Eastern Europe. West Africa is recognised as a highly prospective region which already hosts at least nine gold deposits and it has often attracted the interest of the Board. The acquisition of Silvrex Limited provides us with a quick and cost effective entry into this exciting area and comes with a highly experienced senior management and exploration team. In recognition of this Silvrex's Chairman and CEO, John Cole-Baker, has been appointed to the Stratex Board.

We are pleased that we have been successful in signing a new JV partner, Bahar Mining, a local Turkish mining company which has replaced NTF on the Altıntepe Project, and we are close to finalising an agreement with a Turkish partner to replace Aydeniz on the Muratdere Project. Bahar will provide a free carry for the Company through to production and our prospective partner on Muratdere, assuming a positive outcome to their due diligence exercise, will provide a free carry through to feasibility.

A disappointment in the year was the delay experienced in obtaining environmental impact approval for the Inlice mine. This has meant production at Inlice has been rescheduled to H1 2013.

Our on-going exploration work in the Rift Valley region of Ethiopia has confirmed our belief in the area with the discovery of multiple epithermal vein systems at Blackrock and encouraging drill results from the first phase of drilling at Megenta, the latter funded by Thani Ashanti Alliance, although, indications are that we need to drill deeper to reach the higher values of gold. Drilling has started at our flagship project, Blackrock, following the discovery of bonanza gold grades from surface sampling. Stratex has first-mover advantage in the area and is in an excellent position to capitalise on the huge potential of what is proving to be a major epithermal gold province.

The Board is pleased that we have been successful in attracting more than £4m of funding during 2011 from some major companies, demonstrating the quality of both our projects and our exploration capabilities.

Bob Foster, CEO

Öksüt, Turkey

Area = 111.6 km^2
Total gold resource = 1,047k oz
Total drilling to date = 13,808 m

Öksüt is a high-sulphidation gold project located in Central Anatolia and discovered by Stratex in 2007. The 111.6 km^2 licence area is hosted within Miocene andesitic lava domes and pyroclastics, with units showing structurally controlled alteration, predominantly silicification and advanced argillic alteration.

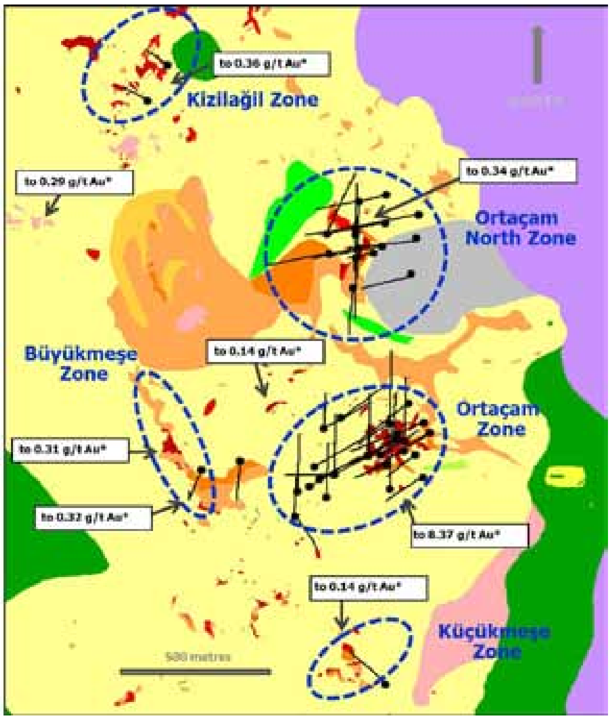
Stratex entered into a joint venture agreement with Canadian major Centerra Gold Inc on 13 August 2009. Stage 1 of the agreement was completed during 2011 by Centerra spending US$3million, and in accordance with the agreement has now vested into 50% of the project. They have now commenced Stage 2 under which they can earn an additional 20% by funding a further US$3m of exploration by December 2013 (two years after election date of 19 December 2011).

A total of 17 holes have been drilled in Ortaçam North in 2010 and 2011. Results to date have outlined a zone of gold mineralisation in an approximately vertical breccia body that cuts volcanic flow and pyroclastic rocks. All of the holes intersect multiple zones of oxidized quartz-alunite and quartz-kaolinite alteration with variable amounts of massive silica and zones of hydrothermal brecciation. The 6,213m of drilling completed in 2011 has outlined a significant zone of oxide mineralization over an area approximately 350 metres by 250 metres and the deposit is open at depth and in at least two directions to the north and east.

The total resource of 1,047,872 oz gold comprises 289,728 oz gold in the Ortaçam Zone and 758,144oz gold in the Ortaçam North Zone. Of the Ortaçam North Zone approximately 360,000 oz gold is in oxidised material with an average grade of 1.31g/t Au, and 398,000 oz gold is in partially oxidised sulphide material (sulphide materals <1%) with an average grade of 2.85g/t Au.

Results were received from preliminary cyanide-soluble gold test work carried out on samples from holes ODD45 to 49 from the Ortacam North Zone. Overall, the results are encouraging with recoveries of 92% average for oxide material and 78% average for transitional material.

Additional drilling and further metallurgical testwork are planned for the second quarter 2012 to follow up on the encouraging results.



Rock-chip sampling result prior to drilling

Drilling at Öksüt

Inlice, Turkey

Area = 43 km^2
Gold reserve = 59.6 k oz
Drilling to date = 10,713 m

The Inlice project is located 30 km west-south-west of the city of Konya and 230 km south of Ankara.

The project is subject to a joint venture agreement with NTF Insaat Ticaret Ltd Sti ("NTF") under which they were responsible for funding a feasibility study. Following the successful completion of the feasibility study the project has been vended into Inlice Madencilik A.S. in which Stratex owns 45% and NTF 55%. Inlice Madencilik A.S. will be responsible for establishing and operating the Inlice mine.

Key outcomes from the feasibility study are:

- JORC reserve 59,600oz gold
- Cash operating cost U$412/oz
- Capital expenditure US$13.9m
- IRR of 48% based on US$ 1,200/oz
- NPV of US$14.6m @ US$ 1,400/oz
- Mine is open pit, heap leaching

The start of mining has been put back due to delays in obtaining approval of the Environmental Impact Study, which will in turn delay the permitting procedures and the eventual construction of the mine. Production is now expected in H1 2013.


Inlice villages visiting the Kışladağ gold mine.

Altıntepe, Turkey

Area = 16.5 km^2
Total gold resource = 593 k oz
Total drilling to date = 4,476 m

The Altıntepe project is located near the town of Fatsa, close to the Black Sea in northern Turkey. It has an in-house estimated gold resource of 593,131oz, of which 491,426oz is oxide and transition material.

Following the withdrawal of NTF from the Altıntepe agreement, the Company announced on 6 December 2011 that it had signed a Heads of Agreement with Bahar Madencilik Sinaya ve Ticaret Ltd Sti ("Bahar"), a private Turkish contract mining company. Under the Heads of Agreement, Bahar has paid US$250,000 for the right to carry the project through to production. They will undertake an in-house feasibility study after which they will vest 55% ownership of the project. All cost up to production, including construction costs, will be borne by Bahar. The cost will be recovered via an accelerated pay-back scheme whereby Bahar will receive 80% of future net cash generated from production. Once all costs have been recovered, distributions will revert to shareholding percentages, namely 45/55. All pre-production technical studies, mine construction and mine management will be undertaken by Bahar.


Drilling at Altıntepe

Bahar Mining has completed 750 metres of confirmatory drilling and is rapidly progressing with a number of technical investigations as part of their feasibility study.

Muratdere, Turkey

Area = 24.1 km^2
Total gold resource = 204k oz
Total copper resource = 186k tonnes

Total silver resource = 3.9m oz
Total drilling to date = 4,305 m

Muratdere consists of two licences covering a substantial granodiorite-porphyry system located 250km west of Ankara. The porphyry system extends east-west for a distance of about 4,000m, with a width of between 200m and 400m.

Stratex has signed a new Heads of Agreement with a leading Turkish financial institution and investment company for a joint venture for the development the project, the previous joint venture partner having withdrawn from the project. Under the new Heads of Agreement the partner will acquire 51% upon payment of U$1.7m, with an option to obtain a further 10% for US$500,000 and 3,000m of drilling .They can then increase their share up to 70% by funding a feasibility study. The agreement is conditional upon satisfactory due diligence the outcome of which should be known in April 2012.

Some 1,000m of diamond drilling was completed during the year, partially funded by the previous partner, and a maiden JORC-compliant standard resource was computed by Wardell Armstrong International, with the following metal contents:

- 186,000 tonnes copper
- 204,296 oz gold
- 3.9 million oz silver
- 6,390 tonnes molybdenum
- 17.6 tonnes rhenium

Winter drilling at Muratdere

Shehagne/Tigray, Ethiopia

Shehagne area = 29 km^2
Tigray area = 923 km^2
Drilling at Shehagne = 1,052 m

Shehagne is located near the town of Adwa in northern Ethiopia, within the highly prospective Arabian Nubian Shield. It was the Company's first venture into Ethiopia and was facilitated by a partnership with the PLUS-listed company Sheba Exploration (UK) plc.

During the year Sheba was acquired by Centamin Egypt Ltd. Talks are presently on-going with Centamin on how best to take the exploration programme forward.

Under the terms of the original agreement Stratex committed to spending £350,000 on exploration including 1,000m of drilling for a 60% share in the project, with an option to increase to 80% by providing funding through to feasibility. During 2011 the expenditure and drilling commitments were completed paving the way for the Company to vest its 60% share.

A fence line of five drill holes across the northern part of the main Tsemmetti gold anomaly returned low-grade gold results with best intersections of 9.6 metres averaging 1.12 g/t gold and 10.62 metres averaging 0.98 g/t Au.

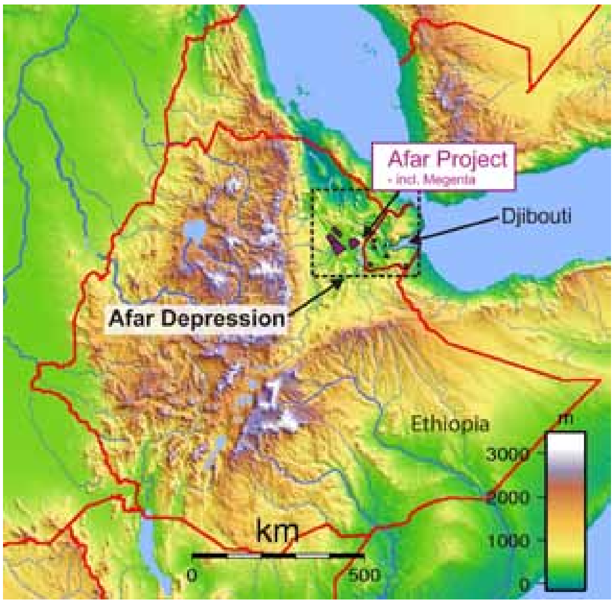
Part of the original agreement with Sheba includes the joint exploration of the Tigray licence in northern Ethiopia. The licence is within the Arabian Nubian Shield and extends to 923sq km and is contiguous with the Shehagne licence.

Only minor reconnaissance exploration work was undertaken in 2011, the main focus in Ethiopia being the exploration of the Afar region.

Shehagne

Afar Project, Ethiopia & Djibouti

Tendaho area =2,174 km^2
Djibouti area = 535 km^2
Drilling at Tendaho = 3,001 m



Map of the Afar Project.


Banded epithermal quartz vein in drill core.


Field work at Asal, Djibouti

On 12 November 2010, Stratex entered into an agreement with the Thani Ashanti Alliance, an alliance between AngloGold Ashanti Limited and Thani Investments, Dubai, to fast-track development of certain prospects in the Afar Depression. The project covers 2,709 sq. km of prospective epithermal ground and comprises five exclusive exploration licences in Ethiopia and six in neighbouring Djibouti.

Under the terms of the agreement Thani-Ashanti can earn into 51% of the Afar Project by funding US$3m of exploration over a two year period, and an additional 19% of any one of the 11 licence areas by spending a further US$4m within 4 years on that particular licence area. As part of the agreement Thani-Ashanti has also invested US$500,000 in Stratex via a private placement and acquired a 5% interest in Stratex East Africa Limited.

One of the Ethiopian licences, Megenta, identified in 2009, is the Company's first low-sulphidation epithermal discovery in the Afar Depression. It is located 260km south of the Blackrock Project and in a similar geological setting. The Company completed 3,000m of diamond drilling in 2011 funded by Thani Ashanti as part of the alliance agreement. The results are encouraging and confirm Megenta as a large new epithermal gold system. Key intersections include the following gold values:

- MG-DD-12 – 3.25 m @ 4.49g/t including 0.70 m @ 19.5g/t
- MG-DD-10 – 43.2 m @ 0.67g/t including 0.30 m @ 8.27g/t and 2.9 m @ 3.56g/t
- MG-DH-09 – 44.30 m @ 0.54g/t including 1 m @ 2.57g/t and 2.1 m @ 1.67g/t

However, drilling has so far failed to intersect the boiling zone where peak gold deposition might be expected and a follow-up programme in 2012 will include deeper holes.

Work on the Asal licence in the Republic of Djibouti confirmed the extension of the Afar gold district into Djibouti. The Asal licence is located on the south-west side of Lake Asal and covers 35sq km. Detailed work has defined a wide area of quartz and banded chalcedonic float returning best gold values of 2.54g/t, 5.07g/t and 7.80g/t. These vein samples also have classic epithermal trace element geochemistry of anomalous arsenic, mercury, antimony and tellurium as seen at Megenta.

Further work will be undertaken in 2012 in Djibouti, in Megenta, and on the other licences as part of the agreement with Thani Ashanti.

Blackrock, Ethiopia

Area = 299 km²
Drilling to date = 2,551 m

The Blackrock project covers an area of 299sq km within the northern Afar region of the Rift Valley. This remote area of northern Ethiopia is mostly below sea level, with the nearest small town of Berahale located some 18 km to the west. Exploration at the project is being undertaken by Stratex with no involvement of third party partners at this stage.

It comprises four separate areas containing multiple gold-bearing low-sulphidation veins over a north-south distance of approximately 40 km - Calcite Zone, Airstrip Zone, Black Water Zone, and Magdala Zone. The veins are all hosted by fault systems that are parallel to the Red Sea rift. Five substantial vein systems have so far been identified in the Black Water Zone, namely Stanley, Nesbitt, Oasis, Theodore and Baker.

Gold-bearing veins at Black Water zone.

Drilling at Black Water

Early outcrop samples at Black Water Zone have returned bonanza grades with up to 60.4 g/t gold from Nesbitt and 34.6 g/t gold from Oasis. The sampling programme has confirmed the presence of low-suphidation gold mineralisation and demonstrates considerable potential for the identification of further gold-bearing veins in the four zones identified to date.

A 5,000 m diamond drill programme is underway and some 2,551 m in 14 holes has been completed. Results are only presently available for the first few holes from the southern end of the Theodore structure where quartz veining is at its weakest. Veins thicken significantly towards the north where results are pending. Best intersections to date, using a 0.2g/t Au cut-off include 0.95 m averaging 0.81g/t Au, 1.45 m averaging 0.67g/t Au and 4.65 m averaging 0.51g/t Au.

Subsequent holes in the northern end of the Theodore structure have intersected much wider quartz veins increasing northward up to 5.35.m. Drilling in the northern end gives great confidence in the extension of multiple structures and the discovery of 'blind' structures under the thin veneer of recent gravels. This is also supported by the tracing of the Nesbit structure under the gravels some 600m to the south-east, where a 0.2 m wide vein in an isolated outcrop returned 26.3g/t Au.

Complex sulphide-bearing low-sulphidation quartz vein

West Africa projects

Dalafin area = 636 km²
Mauritania area = 1,985 km²

In December 2011 Stratex made a successful offer to acquire the entire share capital of Silvrex Limited, a private company with a prospective gold portfolio in Senegal and Mauritania. The acquisition will provide the Company with a significant foothold in West Africa and access to an experienced and knowledgeable management team.

The principle asset of Silvrex is an option to buy into 75% of the 636sq km Dalafin gold licence by spending US$3m over five years. The licence is located in south-eastern Senegal within the highly prospective Birimian Kedougou-Kenieba gold belt, which has been the focus of a number of multi-million-ounce gold discoveries in recent years. The total spend at the end of December 2011 was US$1m.

The first phase of exploration included extensive soil and rock sampling and pitting, leading to the identification of a number of gold-anomalous areas and some sites of artisanal gold working, all of which will be further evaluated during 2012.

Further soil and rock sampling is underway and an airborne magnetic and radiometric survey is planned for Q2 2012.

In addition to the Dalafin project, Stratex has acquired four exploration licences totalling 1,985sq km in prospective geological terranes in the western part of Mauritania. These are being evaluated and targets prioritised using satellite imagery prior to commencement of field-based exploration.

Exploration pit in laterite soil, Dalafin.

Other projects

Hasançelebi project – is a high-sulphidation epithermal gold-silver project located some 500 km south-east of Ankara in Turkey. It is subject to a joint venture agreement with Teck Madencilik which is funding US$2 million of exploration for a 51% interest. During 2011 2,039 m were drilled, with best results of 16.05 metres averaging 0.45g/t Au and 15.75 metres averaging 0.28g/t Au within the main Hasançelebi silica zones. Two holes totalling 543 metres were also drilled into a new prospect (Karakaya Tepe) near the eastern end of the main Hasancelebi system, believed to be an iron oxide – copper - gold occurrence. The two best intersections were reported from drill hole HCD 11 – 28.00 metres averaging 0.30g/t Au and 40.80 metres averaging 0.69g/t Au. The results of the 2011 programme are now being evaluated in conjunction with Teck.

Altunhisar project – is a high-sulphidation gold project located 200km east of the Konya Volcanic Belt in Turkey. During 2011 Stratex entered into a joint-venture agreement with Centerra whereby they will fund US$1.5m for a 51% interest. During 2011 821m were drilled on the Karanlikdere and Balci prospects but only low-grade intersections were reported. However reconnaissance work in the northern part of the Basobasi propsect yielded multiple values in the range 0.1-0.5 g/t gold in outcropping rocks and this area will be the focus of drilling during 2012.

Antofagasta porphyry project – On 23 May 2011 Stratex signed a Strategic Alliance Agreement with Antofagasta Minerals S.A. to undertake exploration for copper and copper-gold deposits in Turkey outside of Stratex's existing licence areas. Antofagasta will fund an initial US$1million on a 16 month target generation programme managed by Stratex.

AbiAdi project – The 967sq km AbiAdi exploration licence is located in the Arabian Nubian Shield area of northern Ethiopia. It is subject to an agreement with the independent Ethiopian company Loz Bez Mining plc. under which Stratex can earn into an initial 75% by funding US$1m of exploration work over three years, with an option to go to 85% by further expenditure of US$2 million.

Other Ethiopian licences – Stratex holds a number of other exploration licences in Ethiopia all at the very early stages of exploration, including:

- **Mille-Serdo** – 845 sq km in the Afar with evidence of epithermal mineralisation.
- **Berahale** – 1,187sq km in northern Ethiopia in an extension of the Asmara gold belt in Eritrea.

Financial review

Loss for the year

The financial results for the year are notable for a number of one-off items, which in aggregate have resulted in a significant net gain for the Company. The loss before income tax of £517,377 benefitted from exceptional gains totalling £1,332,267. The loss before tax in the previous year was £2,875,668, which included a one-off loss of £1,095,880.

Administration and expensed exploration-related costs rose by 17% to £2,025,511. The increase was driven by the doubling of expenditure in Ethiopia resulting from the start-up of the Blackrock project. The UK overhead element in the year was £528,407, which represents 14% of total expenditure including capitalised exploration costs. This is one of the key performance indicators of the Company and I am pleased to say it shows a significant improvement over last year's equivalent of 28%.

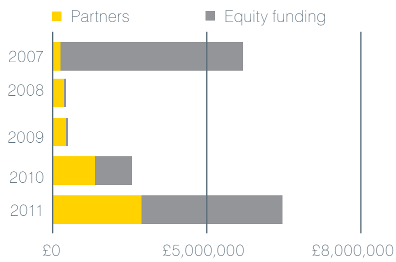
The two largest gains in the year were:

a) £805,068 arising from the decision by NTF not to continue with development of the Altıntepe project. In accordance with the agreement the company holding the Altıntepe project was transferred to Stratex together with the rights to the Altıntepe project and the debt due to NS Madencilik San. Tic. AS, the joint venture company with NTF, was waived, and

b) £527,199 on the sale of the Company's shareholding in Sheba Exploration (UK) plc. At the start of the year the Company held approximately 5% interest in Sheba and a similar number of warrants. The warrants were exercised in the year and subsequently Sheba was acquired by Centamin Egypt Ltd for which the Company received cash of £320,000 and shares in Centamin to the value of £287,199.

Cash and cash equivalents

Cash balances at 31 December 2011 totalled £3,024,565, an increase of £2,028,408 in the year. The increase was the result of raising £4,545,489 from share issues of which £4,327,393 was contributed by three of our exploration partners, and the receipt of £2,770,489 from partners' direct contributions to exploration of joint projects. Additionally £320,000 of cash was received from the sale of the shareholding in Sheba and a net £240,000 was received from the issue of shares in Rift Resources PLC.



Fund raising - the growing cost borne by our partners

Whist the Company has a healthy cash balance at the year end and has sufficient to meet working capital requirements over the next 12 months, given that it has minimal contractual commitments, the Board recognises that additional funds will be required to meet the planned 2012 exploration activities as set out in the Operations Review. The Directors are confident that the funding requirements will be secured.

Net assets and resources

The net assets of the Group as at 31 December 2011 have increased to £8,274,331 from £4,557,276 at 31 December 2010. There are three main drivers contributing to this significant increase, namely:

a) Capitalised internally generated exploration assets increased by £1,699,619, of which Blackrock contributed £690,548, Muratdere contributed £443,834 and Shehagne contributed £286,824. The weakening of the Turkish Lira against the £ reduced the value of the intangible assets held in Turkey by £452,026,

b) Waiver of the amount due to NS Madencilik of £1,110,626 in respect of Altıntepe Madencilik, and

c) Cash increased by £2,028,408, reflecting the successful raising of £4.3million from private placements with our exploration partners.

The acquisition of Silvrex in December 2011, added £608,715 to Intangible assets, however payment for the acquisition did not occur until after the year end and therefore there was no impact on the year end net assets.

To date the Company's total gold resources stand at approximately 2.26 million ounces, bolstered by the announcement in February 2012 of a further 0.7m oz of gold resource at Öksüt. The value of these resources is not reflected in the balance sheet of the Company but it is the key to its future worth. The cost of discovering these resources is an important key performance indicator and the cost at our three largest projects is well below business sector averages. The cost per oz Au at Öksüt is US$3.60, at Altıntepe is US$2.99 per oz and at Muratdere it is US$4.64 per oz. These values are based on the total cost including that borne by our partners. Based solely on the cost borne by the Company and adjusted for the ultimate share of the resources that Stratex would have assuming all partners fully vest in accordance with the respective agreements, the cost per ounce of gold is US$2.46, US$4.78 and US$15.46, respectively.

Perry Ashwood
CFO

Corporate Governance

The objective of the Company is to create value through the discovery and development of gold and high-value base metal resources. In pursuing this objective the Board has committed to the highest level of governance applicable to a Company of our size and to setting a culture that values the very highest of ethical standards in all territories in which we operate and that encourages personal and corporate integrity throughout the Group. To this end we fully support the principles set out in the UK Corporate Governance Code, as published by the Financial Reporting Council.

The Board of Directors

The Board is responsible for providing strategic direction for the Company, setting objectives and management policies and agreement on performance criteria. The Board monitors compliance with objectives and policies of the Company through monthly performance reporting, budget updates and monthly operation reviews.

Composition of the Board at 31 December 2011 was three Executive Directors; Dr. Bob Foster, David Hall, Perry Ashwood and two Non-Executive Directors, Christopher Hall and Peter Addison. John Cole-Baker joined the Board on 7 February 2012 as an executive director. The Board believes the present composition of the Board provides an appropriate mix to conduct the Company's affairs.

Nine full meetings of the Board were held in 2011. The Board delegates certain of its responsibilities to the Audit Committee of the Board and the Remuneration Committee of the Board, which have clearly defined roles and responsibilities. Due to its size the Company does not presently have a Nomination Committee.

Accountability and Audit

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

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

Comprehensive annual budgets are produced once a year and submitted to the Board for approval. Reviews of the annual budget are regularly undertaken in line with significant changes in the underlying operations and conditions. Such revisions are put forward to the Board for approval. Actual results and forecasts are compared to budget and reported, along with key operational results, to the Board members on a monthly basis.

The Board screens all potential exploration opportunities before any significant financial commitment is made to proceed.

The Company maintains robust procedures to ensure that related party transactions and potential conflicts of interest are identified, disclosed and managed. These procedures include the declaration by Directors on appointment of their interests in other businesses and review and confirmation is conducted during the year.

Corporate and Social Responsibility:
All Directors, management and staff are expected to consistently apply the highest ethical standards to their conduct to ensure that the Company's affairs and reputation are at all times maintained at the uppermost level. It does not tolerate any corrupt practices.

The Board has established a Code of Conduct incorporating the guidelines of the Bribery Act 2010 and compliance officers have been appointed with clearly defined roles of responsibility. Personnel are encouraged to be vigilant at all times and report any suspicions they may have. Implementation of the Code is monitored and contraventions are reported to the Board.

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

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

The Directors recognise the importance of building good relations with local communities situated close to the Group's operations and the Company readily contributes, where appropriate, to the development of the local infrastructure and to supporting community needs. The Employees' Handbook sets out the boundaries of acceptable business practise and the manner in which the activities of the Group are to be conducted.

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

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

During the year the Audit Committee comprised Christopher Hall (Non-Executive Chairman) and Peter Addison (Non-Executive Director). The external auditors and Perry Ashwood attend by invitation when appropriate. Two meetings of the Audit Committee were held during 2011.

No internal control issues were identified during the year.

Relationship with Shareholders

The Board is committed to providing effective communication with the shareholders of the Company. Significant developments are disseminated through stock exchange announcements, regular updates on the Company website and via its news subscription service, which is open to anyone. The Company readily responds to enquires from shareholders and the public, and Board members regularly present at such events as the Proactive Investors Forum and Mines and Money. The Board views the Annual General Meeting as a forum for communication between the Company and its shareholders and encourages their participation in its agenda. All AGMs are preceded by a presentation of the developments of the year and future prospects.

Remuneration

The role of the Remuneration Committee is to provide a formal and transparent review of the remuneration of the executive directors and senior employees and to make recommendations to the Board on individual remuneration packages. This includes the award of non-contractual performance related bonuses and share options. Remuneration packages are designed to reward, motivate, retain and recruit individuals. Bonuses are only paid in recognition of performance.

During the year the Remuneration Committee comprised Christopher Hall (Non-Executive Chairman), and Peter Addison (Non-Executive Director). No Director took part in discussions concerning the determination of his own remuneration. Two meetings of the Remuneration Committee were held during 2011.

Directors' biographies

Christopher Hall, BSc, MSc, MIMMM, CEng
Non-Executive Chairman (age 62)

Christopher Hall has over 37 years of wide-ranging experience in the mining sector. He is currently the in-house mining adviser to Grant Thornton LLP, principally assisting the Capital Markets team with clients listed on the London Stock Exchange and the AIM market. After graduating in geology, Christopher worked in exploration and as a mine geologist with Consolidated Goldfields in Australia, before returning to the UK to take an M.Sc. in Mining and Exploration Geology. This was followed by periods as a mining analyst with stockbroker Messel & Co, in the investment and mining divisions of Anglo American associate Charter Consolidated and in specialist resources fund management with Touche Remnant. He helped to establish European Mining Finance, which was the first resource company to list on AIM, serving as CEO from 1991-97. After leaving EMF he worked as a consultant, spending three years managing the UK office of international mining consultants Behre Dolbear, before joining Grant Thornton in 2005.

Dr Bob Foster, BSc, PhD, FIMMM, CEng, FGS, CGeol
Chief Executive Officer (age 63)

Bob Foster has 38 years of experience as a professional economic geologist in exploration, mining, and applied academic posts and has particular expertise in the genesis of and exploration for gold deposits, having worked in Europe, Central Asia, North and South America, and throughout Africa. Following ten years in the mining industry in Rhodesia (now Zimbabwe) he joined Southampton University in 1984 where he subsequently devoted more than 15 years to lecturing and managing a large applied research group investigating the genesis of gold deposits. He has published numerous scientific and technical papers and has been an invited keynote speaker at very many international scientific and technical conferences around the world. He was a founding member of the management team that developed an open pit gold mine in Zimbabwe in 1991-1996. Prior to joining Stratex, Bob was Minerals Manager for UK-based international consultancy group Exploration Consultants Limited.

David Hall, BSc, MSc, EuroGeol
Director (age 53)

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 28 years of experience in the exploration sector and has worked on and assessed exploration projects and mines in over 50 countries including Turkey where he worked for four and half years. From 1992, he was Chief Geologist for Minorco responsible for Central and Eastern Europe, Central Asia and Middle East. He moved to South America in 1997 as Consultant Geologist for Minorco South America, subsequently becoming Exploration Manager for AngloGold South America in 1999. David is founder and Vice - Chairman of GoldQuest Mining Corporation which has Gold Fields of South Africa as equity and joint venture partner. David is also founder and Non-Executive Chairman of Horizonte Minerals plc, an AIM-listed company focused in Brazil and Peru. David co-founded Stratex in 2004. He has authored a number of papers on the management of Exploration and Development companies and risk management of exploration.

Perry Ashwood, FCA,
Chief Financial Officer (aged 64)

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 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 taking on various interim roles with small to medium sized businesses.

John Cole-Baker BSc, MSc
Director (age 64)

John Cole-Baker has gained over 40 years of experience in infrastructure and mining projects throughout the world. He has been involved at various levels up to Project Director for infrastructure and mining development, as well as restructuring projects in Africa, Europe, the Former Soviet Union, the Middle East and the Indian sub-continent. He graduated in civil engineering from Queen's University, Belfast' and subsequently earned a Master's degree at Imperial College, London. Since the early 1990s, Mr Cole-Baker has been responsible for consultancy projects, of which a large number involved the raising of finance on various stock exchanges. During this time he was a director of a number of consulting companies including, CSA Group Limited, IMC Limited, Mackay & Schnellmann Limited. He was also Managing Director for a gold exploration company, BUMINCO, in Burundi. Other projects include pre-feasibility studies and support and advice to exploration and operational projects in India, Kosovo, Spain, Republic of Guinea, Tanzania and Sénégal, for commodities such as gold, lead, zinc, diamonds, coal and phosphate. Over the past fifteen years Mr Cole-Baker has had significant involvement in advising Governments and restructuring government institutions in Morocco, Algeria, Mauritania, Mali, Côte d'Ivoire, Mali, Burkina Faso, Nigeria, Mozambique, Madagascar, Botswana, Jordan and Armenia. He has also been commissioned by UNCTAD to advise on the promotion of investment in the mining sector.

Peter Addison,
Non-Executive Director (aged 69)

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

Directors' report

Principal activities

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

Business Review & Future Developments

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

Going concern

The statement on going concern is provided in Note 2 of the Financial Statements.

Financial Review

The results of the Group are shown on pages 23 to 53. A review of the financial results is provided on page 15. The Directors do not recommend the payment of a dividend.

Share Capital

A statement of the changes in the share capital of the Company is set out in note 24 to the financial statements

Corporate Governance & Responsibility

The Company's statement on Corporate Governance is provided on page 16.

Key performance indicators

The Board monitors the following KPI's on a regular basis:

Finance related:
- Share price versus its peer group
- Funding and cash flow forecasts
- Overheads as percentage of total expenditure

Project related:
- JORC resources
- Resource cost per ounce
- Metres drilled
- Acquisition of new licence areas
- Exploration expenditure by project

Substantial shareholdings

As at 20 March 2012, in addition to the shareholding of certain Directors, the Company was aware of the following holdings of 3% or more in the Company's issued share capital:

	Number of shares	% of issued share capital
AngloGold Ashanti	41,785,104	11.5
Teck Resources Limited	35,727,487	9.8
Forest Nominees	25,913,800	7.1
Mr. N Graham	22,277,300	6.1
Richmond Capital LLP	18,145,000	5.0

Teck Resources Limited's interest includes 8,751,903 held by Teck Madencilik Sanayi Ticaret AS, a wholly owned subsidiary of Teck Resources Limited.

Directors & their interests

The current Directors and their biographies are set out on page 17.

John Cole-Baker was appointed as an Executive Director on 7 February 2012. With the exception of John Cole-Baker all the Directors of the Company were Directors throughout the year.

In compliance with the Company's Articles of Association, David Hall will retire by rotation and John Cole-Baker, having been appointed since the last AGM will retire and both, being eligible, offer themselves for re-election.

The remuneration of Directors is set out in Note 11 of the Financial Statements. The beneficial interests of the Directors in the issued share capital and share options of the Company were as follows:

	As at 31 December 2011		As at 31 December 2010	
	Ordinary 1p shares	Options	Ordinary 1p shares	Options
Christopher Hall	107,143	2,250,000	107,143	1,500,000
Dr Bob Foster	7,031,277	5,210,604	7,031,277	3,787,500
Perry Ashwood	1,534,485	4,754,857	1,534,485	3,472,500
David Hall	12,522,374	4,195,000	12,522,374	3,445,000
Peter Addison	142,857	2,250,000	142,857	1,500,000
Total	21,338,136	18,660,461	21,338,136	13,705,000

No Director sold shares in the Company during the year and no Director-held share options were exercised or lapsed during the year. Since the year end David Hall's shareholding has increased to 12,584,624 and Dr Bob Foster's shareholding has increased to 7,093,527. John Cole-Baker has acquired 575,669 shares since 31 December 2011.

Risk Management

Exploration Industry Risks:
Mineral exploration is speculative in nature, involves many risks and is frequently unsuccessful. Following any discovery, it can take a number of years from the initial phases of drilling and identification of mineralization until production is possible, during which time the economic feasibility of production may change. Substantial expenditures are required to establish mineral reserves through drilling, to determine metallurgical processes to extract minerals from rock and other natural resources and to construct mining and processing facilities. As a result of these uncertainties, no assurance can be given that the exploration programmes undertaken by the Group will result in any new commercial mining operations being brought into operation.

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

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

Financial Risks:
Details of the Group's financial risk management objectives are set out in Note 3 to the financial statements.

Statement of Directors' Responsibilities

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

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

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

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

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

The maintenance and integrity of the website is the responsibility of the Directors. The work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the information contained in the Financial Statements since they were initially presented on the website. Legislation in the United Kingdom governing the preparation and dissemination of the Financial Statements and other information included in annual reports may differ from legislation in other jurisdictions.

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

Directors' Statement as to disclosure of information to auditors.

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

Group's policy on payment of creditors

The Group seeks to maintain good relations with all of its trading partners. In particular, it is the Group's policy to abide by the terms of payment agreed with each of its suppliers.

At 31 December 2011 the number of creditor days in respect of trade creditors was 30 (2010: 29).

Post year end events

Details of post year end events are set out in Note 33 to the financial statements.

Auditors

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

Approved by the Board and signed on its behalf.

P C Ashwood
Company Secretary
180 Piccadilly, London,
W1J 9HF
23 March 2012

Independent Auditor's Report to the members of Stratex International Plc

We have audited the Financial Statements of Stratex International Plc for the year ended 31 December 2011, which comprise the Statement of Consolidated Comprehensive Income, the Statements of Consolidated and Company Financial Position, the Statements of Consolidated and Company Cash Flows, the Statements of Consolidated and Company Changes in Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the Parent Company Financial Statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone, other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and Auditor

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

Scope of the audit of the Financial Statements

An audit involves obtaining evidence about the amounts and disclosures in the Financial Statements sufficient to give reasonable assurance that the Financial Statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Group's and the Parent Company's circumstances, and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the Directors, and the overall presentation of the Financial Statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited Financial Statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on Financial Statements

In our opinion:

- the Financial Statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2011 and of the Group's loss for the year then ended;
- the Group Financial Statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company Financial Statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the Financial Statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

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

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

Alistair Roberts (Senior statutory auditor)
For and on behalf of Littlejohn LLP
Statutory Auditor
1 Westferry Circus
Canary Wharf
London, E14 4HD

23 March 2012

Financial Statements

Statement of Consolidated Comprehensive Income

	Notes	Year ended 31 December 2011 £	Year ended 31 December 2010 £
Continuing operations			
Revenue			-
Administration expenses	9	(2,025,511)	(1,733,837)
Project impairment	14	(83,747)	(58,656)
Other income	8	902,511	125,045
Operating loss		**(1,206,747)**	**(1,667,448)**
Finance income		23,478	21,965
Share of loss of associate company	15	(139,176)	(134,305)
Gain on acquisition of subsidiary company	15	805,068	-
Loss on sale of subsidiary company	18	-	(1,095,880)
Loss before income tax		**(517,377)**	**(2,875,668)**
Income tax credit/(expense)	12	72,880	(8,373)
Loss for the year		**(444,497)**	**(2,884,041)**
Other comprehensive income for the year			
Exchange differences on translating foreign operations	27	(736,516)	(257,552)
Other comprehensive income for the year, net of tax		(736,516)	(257,552)
Total comprehensive loss for the year		**(1,181,013)**	**(3,141,593)**
Loss for the year attributable to:			
Equity shareholders of the Parent Company		(436,628)	(2,884,041)
Non-controlling interests		(7,869)	-
Loss for the year		**(444,497)**	**(2,884,041)**
Total comprehensive loss for the year attributable to:			
Equity shareholders of the Parent Company		(1,173,144)	(3,141,593)
Non-controlling interests		(7,869)	-
Total comprehensive loss for the year		**(1,181,013)**	**(3,141,593)**
Loss per share for losses from continuing operations attributable to the equity holders of the Company (expressed in pence per share).			
- basic and diluted	25	(0.14)	(1.02)

The notes on pages 30 to 53 form part of these financial statements

Statement of Consolidated Financial Position

	Notes	As at 31 December 2011 £	As at 31 December 2010 £
Assets			
Non-Current Assets			
Furniture, fittings and equipment	13	199,627	257,984
Intangible assets and goodwill	14	5,222,106	2,522,766
Investments accounted for using the equity method	15	335,263	376,645
Investments	17	-	72,167
Trade and other receivables	20	230,427	160,877
Deferred tax asset	21	186,114	165,067
		6,173,537	**3,555,506**
Current Assets			
Trade and other receivables	20	1,177,620	1,223,577
Financial assets at fair value through profit or loss	16	217,466	-
Cash and cash equivalents	23	3,024,565	996,157
		4,419,651	**2,219,734**
Held-for-sale assets	22	106,647	198,619
		4,526,298	**2,418,353**
Total Assets		**10,699,835**	**5,973,859**
Equity			
Capital and reserves attributable to equity holders of the Company			
Ordinary shares	24	3,508,972	2,873,264
Share premium	24	13,233,163	9,323,382
Reserves	27	(551,100)	37,009
Accumulated losses		(8,050,236)	(7,676,379)
Total attributable to owners of the Company		**8,140,799**	**4,557,276**
Non-controlling interest		133,532	-
Total equity		**8,274,331**	**4,557,276**
Liabilities			
Non-Current Liabilities			
Employee termination benefits		12,264	9,470
Deferred consideration	6	361,797	-
Deferred tax liabilities	21	98,366	47,656
		472,427	**57,126**
Current Liabilities			
Trade and other payables	28	1,953,077	1,359,457
Total equity and liabilities		**10,699,835**	**5,973,859**

The notes on pages 30 to 53 form part of these financial statements

The financial statements were approved and authorised for issue by the Board of Directors on 23 March 2012 and were signed on its behalf by:

Christopher Hall
Non-Executive Chairman

Perry Ashwood
Chief Financial Officer

Statement of Consolidated Changes in Equity

		Attributable to owners of the Company						
		Share Capital	Share Premium	Other reserves (see note 27)	Accumulated Loss	Total	Non-controlling Interest	Total Equity
	Notes	£	£	£	£	£	£	£
Balance at 1 January 2010		**2,495,469**	**8,443,778**	**282,253**	**(4,816,479)**	**6,405,021**	**-**	**6,405,021**
Issue of shares	24	372,295	930,736	-	-	1,303,031	-	1,303,031
Cost of share issue		-	(62,132)	-	-	(62,132)	-	(62,132)
Share-based payments		-	-	36,449	-	36,449	-	36,449
Share options exercised and cancelled		5,500	11,000	(24,141)	24,141	16,500	-	16,500
Total contributions by and distributions to owners of the Company		**377,795**	**879,604**	**12,308**	**24,141**	**1,293,848**	**-**	**1,293,848**
Comprehensive income for the year:								
- loss for the year		-	-	-	(2,884,041)	(2,884,041)	-	(2,884,041)
- other comprehensive income		-	-	(257,552)	-	(257,552)	-	(257,552)
Total comprehensive income for the year		**-**	**-**	**(257,552)**	**(2,884,041)**	**(3,141,593)**	**-**	**(3,141,593)**
Balance at 31 December 2010		**2,873,264**	**9,323,382**	**37,009**	**(7,676,379)**	**4,557,276**	**-**	**4,557,276**
Issue of shares	24	584,964	3,742,429	-	-	4,327,393	-	4,327,393
Share-based payments		-	-	92,378	-	92,378	-	92,378
Share options and warrants exercised and cancelled		50,744	167,352	(62,771)	62,771	218,096	-	218,096
Total contributions by and distributions to owners of the Company		**635,708**	**3,909,781**	**29,607**	**62,771**	**4,637,867**	**-**	**4,637,867**
Non-controlling interest arising on business combination		-	-	-	-	-	10,000	10,000
Decrease in ownership interest		-	-	118,800	-	118,800	131,401	250,201
Total decrease in ownership		**-**	**-**	**118,800**	**-**	**118,800**	**141,401**	**260,201**
Total transactions with owners of the Company		**635,708**	**3,909,781**	**148,407**	**62,771**	**4,756,667**	**141,401**	**4,898,068**
Comprehensive income for the year:								
- loss for the year		-	-	-	(436,628)	(436,628)	(7,869)	(444,497)
- other comprehensive income		-	-	(736,516)	-	(736,516)	-	(736,516)
Total comprehensive income for the year		**-**	**-**	**(736,516)**	**(436,628)**	**(1,173,144)**	**(7,869)**	**(1,181,013)**
Balance at 31 December 2011		**3,508,972**	**13,233,163**	**(551,100)**	**(8,050,236)**	**8,140,799**	**133,532**	**8,274,331**

The notes on pages 30 to 53 form part of these financial statements

Statement of Consolidated Cash Flows

	Notes	Year ended 31 December 2011 £	Year ended 31 December 2010 £
Cash flow from operating activities			
Net cash used in operating activities	30	(1,171,260)	(2,121,339)
Cash flow from investing activities			
Purchase of furniture, fittings and equipment	13	(56,224)	(185,797)
Purchase of investment	15,17	(193,659)	(32,167)
Purchase of intangible assets	14	(4,470,106)	(1,687,448)
Proceeds from sale of subsidiary company		-	656,863
Proceeds from sale of investments	16	320,000	-
Interest received		23,478	21,965
Net cash outflow in investing activities		**(4,376,511)**	**(1,226,584)**
Cash flow from financing activities			
Proceeds from issue of share capital	24	4,545,489	1,319,531
Share capital issue costs		-	(62,132)
Funds received from project partners	14	2,770,489	1,359,038
Cash from non-controlling interests in subsidiary	6	260,201	-
Net cash generated from financing activities		**7,576,179**	**2,616,437**
Net increase/(decrease) in cash and cash equivalents		**2,028,408**	**(731,486)**
Cash and cash equivalents at beginning of the period		996,157	1,727,643
Cash and cash equivalents at end of the period	**23**	**3,024,565**	**996,157**

Non-cash transaction
The major non-cash transactions of the Group during the year were the acquisition of Silvrex Limited and the acquisition of Rift Resources PLC (see note 6). Also, as part of the proceeds from the sale of the shares in Sheba Exploration (UK) Ltd the Group received 266,666 ordinary shares in Centamin Egypt Ltd (see note 16).

The notes on pages 30 to 53 form part of these financial statements

Statement of Company Financial Position

	Notes	As at 31 December 2011 £	As at 31 December 2010 £
Assets			
Non-Current Assets			
Furniture, fittings and equipment	13	3,704	2,556
Investments	17	-	72,167
Investment in subsidiaries	18	8,539,769	4,944,796
		8,543,473	**5,019,519**
Current Assets			
Trade and other receivables	20	3,552,237	3,347,970
Financial assets at fair value through profit or loss	16	217,466	-
Cash and cash equivalents	23	2,605,778	912,811
		6,375,481	**4,260,781**
Total assets		**14,918,954**	**9,280,300**
Equity			
Capital and reserves attributable to equity holders of the Company			
Ordinary shares	24	3,508,972	2,873,264
Share premium	24	13,233,163	9,323,382
Other reserves		676,367	646,760
Accumulated losses	32	(3,747,784)	(3,659,421)
Total equity		**13,670,718**	**9,183,985**
Liabilities			
Non-Current Liabilities			
Deferred consideration	6	361,797	-
		361,767	**-**
Current Liabilities			
Trade and other payables	28	886,439	96,315
Total equity and liabilities		**14,918,954**	**9,280,300**

The notes on pages 30 to 53 form part of these financial statements
The financial statements were approved and authorised for issue by
the Board of Directors on 23 March 2012 and were signed on its behalf by:

Christopher Hall
Non-Executive Chairman

Perry Ashwood
Chief Financial Officer

Statement of Company Changes in Equity

	Notes	Share Capital £	Share Premium £	Share Option Reserve £	Accumulated Loss £	Total Equity £
Balance at 1 January 2010		**2,495,469**	**8,443,778**	**634,452**	**(3,037,578)**	**8,536,121**
Issue of shares	24	372,295	930,736	-	-	1,303,031
Cost of share issue		-	(62,132)	-	-	(62,132)
Share-based payments		-	-	36,449	-	36,449
Share options exercised and cancelled		5,500	11,000	(24,141)	24,141	16,500
Total contributions by and distributions to owners of the Company		**377,795**	**879,604**	**12,308**	**24,141**	**1,293,848**
Comprehensive income for the year						
Loss for the year		-	-	-	(645,984)	(645,984)
Total comprehensive income for the year		**-**	**-**	**-**	**(645,984)**	**(645,984)**
Balance at 31 December 2010		**2,873,264**	**9,323,382**	**646,760**	**(3,659,421)**	**9,183,985**
Issue of shares	24	584,964	3,742,429	-	-	4,327,393
Share-based payments		-	-	92,378	-	92,378
Share options and warrants exercised and cancelled		50,744	167,352	(62,771)	62,771	218,096
Total contributions by and distributions to owners of the Company		**635,708**	**3,909,781**	**29,607**	**62,771**	**4,637,867**
Comprehensive income for the year: - Loss for the year		-	-	-	(151,134)	(151,134)
Total comprehensive income for the year		**-**	**-**	**-**	**(151,134)**	**(151,134)**
Balance at 31 December 2011		**3,508,972**	**13,233,163**	**676,367**	**(3,747,784)**	**13,670,718**

The notes on pages 30 to 53 form part of these financial statements

Statement of Company Cash Flows

	Notes	Year ended 31 December 2011 £	Year ended 31 December 2010 £
Cash flow from operating activities			
Net cash used in operating activities	30	(982,854)	(840,492)
Cash flow from investing activities:			
Purchase of furniture, fittings and equipment	13	(3,594)	(54,554)
Purchase of Investment	17	(40,000)	(32,167)
Acquisition of subsidiary company		(73,306)	(1,000)
Sale of financial assets		320,000	-
Funding of subsidiary companies		(2,308,847)	(699,018)
Interest received		236,079	135,645
Net cash used in investing activities		**(1,869,668)**	**(651,094)**
Cash flow from financing activities			
Proceeds from issue of share capital	24	4,545,489	1,319,531
Share capital issue costs		-	(62,132)
Borrowing from subsidiary		-	(539,213)
Net cash generated from financing activities		**4,545,489**	**718,186**
Net increase/(decrease) in cash and cash equivalents		**1,692,967**	**(773,400)**
Cash and cash equivalents at beginning of the period		912,811	1,686,211
Cash and cash equivalents at end of the period	**23**	**2,605,778**	**912,811**

The major non-cash transactions of the Company during the year were the acquisition of Silvrex Limited and the acquisition of Rift Resources PLC (see note 6). Also, as part of the proceeds from the sale of the shares in Sheba Exploration (UK) Ltd the Company received 266,666 ordinary shares in Centamin Egypt Ltd (see note 16).

The notes on pages 30 to 53 form part of these financial statements

Notes to the financial statements

1. General information

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

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

2. Summary of significant accounting policies

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

2.1 Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU), IFRIC interpretations and those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost convention as modified by the measurement of certain investments at fair value.

Going Concern
It is the prime responsibility of the Board to ensure the Company and the Group remains a going concern. At 31 December 2011 the Group had cash and cash equivalents of £3,024,565 and no borrowings. A further £538,576 has been received in February 2012. The majority of the exploration costs in Turkey for the next 12 months and a significant portion of the exploration costs in Ethiopia will be borne by our exploration partners. The Company has minimal contractual expenditure commitments and the Board considers the present funds sufficient to maintain the working capital of the Group for a period of at least 12 months from the date of signing the annual report and financial statements. For these reasons the Directors continue to adopt the going concern basis in the preparation of the financial statements. The Board acknowledges that additional funds will be required to meet the exploration activities planned for 2012, including the funding of $500,000 of exploration work by 31 December 2012 at the Dalafin project in order to vest 51%, and further exploration work is planned for Ethiopia but no formal commitments have been entered into. In addition, the Company will be required to fund its share of the capital cost of the proposed mine at Inlice, which is expected to be approximately US$6m. The Directors have a reasonable expectation that they will secure the necessary funding when required.

Accounting Policies
Changes in accounting policy and disclosures

(a) New and amended standards adopted by the Group
There are no IFRSs or IFRIC interpretations that are effective for the first time for the financial year beginning 1 January 2011 that would be expected to have a material impact on the Group.

(b) New and amended standards and interpretations mandatory for the first time for the financial year beginning 1 January 2011 but not currently relevant to the Group

The following standards and amendments to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2011 or earlier periods, but not currently relevant to the Group.

A revised version of IAS 24 ''Related Party Disclosures" simplified the disclosure requirements for government-related entities and clarified the definition of a related party. This revision was effective for periods beginning on or after 1 January 2011.

An amendment to IFRS 1 ''First-time Adoption of International Financial Reporting Standards" relieved first-time adopters of IFRSs from providing the additional disclosures introduced in March 2009 by ''Improving Disclosures about Financial Instruments" (Amendments to IFRS 7). This amendment was effective for periods beginning on or after 1 July 2010.

Amendments to IFRS 7 ''Financial Instruments: Disclosures" were designed to help users of financial statements evaluate the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position. These amendments were effective for periods beginning on or after 1 July 2011.

Amendments to IAS 32 ''Financial Instruments: Presentation" addressed the accounting for rights issues that are denominated in a currency other than the functional currency of the issuer. These amendments were effective for periods beginning on or after 1 February 2010.

IFRIC 19 ''Extinguishing Financial Liabilities with Equity Instruments" clarified the treatment required when an entity renegotiates the terms of a financial liability with its creditor, and the creditor agrees to accept the entity's shares or other equity instruments to settle the financial liability fully or partially. This interpretation was effective for periods beginning on or after 1 July 2010.

An amendment to IFRIC 14 ''IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction", on prepayments of a minimum funding requirement, applies in the limited circumstances when an entity is subject to minimum funding requirements and makes an early payment of contributions to cover those requirements. The amendment permitted such an entity to treat the benefit of such an early payment as an asset. This amendment was effective for periods beginning on or after 1 January 2011.

(c) New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2011 and not early adopted

The Group's and Parent Company's assessment of the impact of these new standards and interpretations is set out below.

IFRS 10 ''Consolidated Financial Statements" builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. This standard is effective for periods beginning on or after 1 January 2013, subject to EU endorsement. The Directors are assessing the possible impact of this standard on the Group's and Parent Company's Financial Statements.

IFRS 11 ''Joint Arrangements" provides for a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form (as is currently the case). The standard addresses inconsistencies in the reporting of joint arrangements by requiring a single method to account for interests in jointly controlled entities. This standard is effective for periods beginning on or after 1 January 2013, subject to EU endorsement. The Directors are assessing the possible impact of this standard on the Group's and Parent Company's Financial Statements.

IFRS 12 ''Disclosure of Interests in Other Entities" is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. This standard is effective for periods beginning on or after 1 January 2013, subject to EU endorsement. The Directors are assessing the possible impact of this standard on the Group's and Parent Company's Financial Statements.

IFRS 13 ''Fair Value Measurement" improves consistency and reduces complexity by providing, for the first time, a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. It does not extend the use of fair value accounting, but provides guidance on how it should be applied where its use is already required or permitted by other standards. This standard is effective for periods beginning on or after 1 January 2013, subject to EU endorsement. The Directors are assessing the possible impact of this standard on the Group's and Parent Company's Financial Statements.

IAS 27 ''Separate Financial Statements" replaces the current version of IAS 27 ''Consolidated and Separate Financial Statements" as a result of the issue of IFRS 10 (see above). This revised standard is effective for periods beginning on or after 1 January 2013, subject to EU endorsement. The Directors are assessing the possible impact of this standard on the Group's and Parent Company's Financial Statements.

IAS 28 ''Investments in Associates and Joint Ventures" replaces the current version of IAS 28 ''Investments in Associates" as a result of the issue of IFRS 11 (see above). This revised standard is effective for periods beginning on or after 1 January 2013, subject to EU endorsement. The Directors are assessing the possible impact of this standard on the Group's and Parent Company's Financial Statements.

Amendments to IAS 1 ''Presentation of Financial Statements" require items that may be reclassified to the profit or loss section of the income statement to be grouped together within other comprehensive income (OCI). The amendments also reaffirm existing requirements that items in OCI and profit or loss should be presented as either a single statement or two consecutive statements. These amendments are effective for periods beginning on or after 1 July 2012, subject to EU endorsement. The Directors are assessing the possible impact of these amendments on the Group's and Parent Company's Financial Statements.

Amendments to IAS 19 ''Employment Benefits" eliminate the option to defer the recognition of gains and losses, known as the ''corridor method"; streamline the presentation of changes in assets and liabilities arising from defined benefit plans, including requiring remeasurements to be presented in other comprehensive income; and enhance the disclosure requirements for defined benefit plans, providing better information about the characteristics of defined benefit plans and the risks that entities are exposed to through participation in those plans. These amendments are effective for periods beginning on or after 1 January 2013, subject to EU endorsement, and are not expected to have an impact on the Group's or Parent Company's Financial Statements.

IFRIC 20 ''Stripping Costs in the Production Phase of a Surface Mine" clarifies when stripping costs incurred in the production phase of a mine's life should lead to the recognition of an asset and how that asset should be measured, both initially and in subsequent periods. This interpretation is effective for periods beginning on or after 1 January 2013, subject to EU endorsement. The Directors are assessing the possible impact of this standard on the Group's and Parent Company's Financial Statements.

Amendments to IFRS 7 "Financial Instruments: Disclosures" require disclosure of information that will enable users of financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities, on the entity's financial position. These amendments are effective for periods beginning on or after 1 January 2013, subject to EU endorsement. The Directors are assessing the possible impact of these amendments on the Group's and Parent Company's Financial Statements.

Amendments to IFRS 9 "Financial Instruments" and IFRS 7 "Financial Instruments: Disclosures" require entities to apply IFRS 9 for annual periods beginning on or after 1 January 2015 instead of on or after 1 January 2013. Early application continues to be permitted. The amendments also require additional disclosures on transition from IAS 39 "Financial Instruments: Recognition and Measurement" to IFRS 9.

Amendments to IAS 32 "Financial Instruments: Presentation" add application guidance to address inconsistencies identified in applying some of the criteria when offsetting financial assets and financial liabilities. This includes clarifying the meaning of "currently has a legally enforceable right of set-off" and that some gross settlement systems may be considered equivalent to net settlement. These amendments are effective for periods beginning on or after 1 January 2014, subject to EU endorsement, and are not expected to have an impact on the Group's and Parent Company's Financial Statements

2.2 Basis of consolidation

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

Subsidiaries are entities controlled by the Group. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases. The acquisition method is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured at fair value of the assets and equity instruments acquired, and the liabilities incurred or assumed at the date of exchange. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement.

Any contingent consideration is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or a liability is recognised in accordance with IAS 39 either in profit or loss or as a change in other comprehensive income. The unwinding of the discount on contingent consideration liabilities is recognised as a finance charge within profit or loss.

Acquisition related costs are expensed as incurred.
The Group measures goodwill at the acquisition date as the excess of the fair value of the consideration transferred, plus the recognised amount of any non-controlling interests, less the recognised amount of the identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the Group. All significant intercompany transactions and balances between group entities are eliminated on consolidation.

Associates are all entities over which the Group has significant influence but not control over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20% and 50% of the voting rights. References to joint venture agreements do not refer to arrangements which meet the definition of joint ventures under IAS 31 “Interests in Joint Ventures” and therefore these Financial Statements do not reflect the accounting treatments required under IAS 31.

Investments in associates and jointly controlled entities are accounted for using the equity method of accounting and are initially recognised at cost.

The Group’s share of its associates’ post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in reserves is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment.

When the Group’s share of losses exceeds its interest in an equity-accounted investee the carrying amount of the investment, including any other unsecured receivables, is reduced to zero, and the recognition of further losses is discontinued, unless the Group has incurred obligations or made payments on behalf of the investee.

Unrealised gains on transactions between the Group and equity–accounted investees are eliminated to the extent of the Group’s interest in the investee. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Accounting policies of equity–accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group. Dilution gains and losses arising in investments in equity–accounted investees are recognised in profit or loss.

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions. Gains or losses on disposals to non-controlling interests are recorded in equity.

2.3 Foreign currency translation

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

(b)Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

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

(i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position.

(ii) income and expenses in profit or loss for each statement of comprehensive income presented are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(iii) all resulting exchange differences are recognised in other comprehensive income. On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of monetary items receivable from foreign subsidiaries for which settlement is neither planned nor likely to occur in the foreseeable future are taken to other comprehensive income. When a foreign operation is sold, exchange differences that were recorded in equity are recognised in profit or loss as part of the gain or loss on sale.

2.4 Property, plant and equipment

Fixtures and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

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

Motor vehicles	25%
Field equipment	33%
Furniture & fittings	20% - 33%
Office and computer equipment	25% - 33%
Software	33%

2.5 Intangible assets

(a) Goodwill
Goodwill that arises on the acquisition of subsidiaries is presented with intangible assets and subsequently it is measured at cost less accumulated impairment losses.

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

2.6 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision makers. The chief operating decision makers, who are responsible for allocating resources and assessing performance of the operating segments, have been identified as the executive Board of Directors.

2.7 Impairment of non-financial assets

Exploration and evaluation assets with indefinite useful economic lives are assessed for impairment annually. The assessment is carried out by allocating exploration and evaluation assets to cash-generating units, which are based on specific projects or geographical areas. Where the exploration for and evaluation of mineral resources in cash-generating units does not lead to the discovery of commercially viable quantities of mineral resources and the Group has decided to discontinue such activities at that unit, the associated expenditures will be written off to profit or loss.

In assessing the carrying values of its major exploration and evaluation assets, the Directors have used five year cash flow projections for each of the projects where a JORC - compliant resource has been calculated, namely Altıntepe (593,100 oz Au), Öksüt (1,047,872 oz Au) and Muratdere (204,960 oz Au). The projections are based on a market value for gold of US$1,500 per ounce, recovery rates of 80%-90%, cash operating costs of $415 per ounce and a discount rate of 10% and the calculations have been tested for sensitivity to changes in the key assumptions. The cash break-even point for all three projects at a market value for gold is approximately $500 per ounce.

Certain of the other exploration projects are at an early stage of development and no JORC-compliant resource estimate has been completed. In these cases the Directors have assessed the impairment of the projects based on future exploration plans and estimates of geological and economic data. The Board does not believe that the key assumptions will change so as to cause the carrying values to exceed the recoverable amounts.

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

Assets that are subject to amortisation and depreciation are reviewed for impairment whenever events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (i.e. cash-generating units). If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

2.8 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand, and demand deposits with banks and other financial institutions.

2.9 Financial instruments

(a) Classification
The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(i) Financial Assets at Fair Value Through Profit or Loss
Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term.

(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. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise Trade and Other Receivables and Cash and Cash Equivalents in the Statement of Financial Position.

(iii) Available-for-Sale Financial Assets
Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the asset within 12 months of the end of the reporting period.

(b) Recognition and Measurement
Regular purchases and sales of financial assets are recognised on the trade date – the date on which the Group commits to purchasing or selling the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred, and the Group has transferred substantially all of the 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 are subsequently carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of financial assets at fair value through profit or loss are presented in profit or loss within "Other income/(losses)" in the period in which they arise.

Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognised in other comprehensive income.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in profit or loss as "gains and losses from investment securities".

(c) Offsetting Financial Instruments
Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

(d) Impairment of Financial Assets

(i) Assets Carried at Amortised Cost
The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset, or a group of financial assets, is impaired. A financial asset, or a group of financial assets, is impaired, and impairment losses are incurred, only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event"), and that loss event (or events) has an impact on the estimated future cash flows of the financial asset, or group of financial assets, that can be reliably estimated.

For the loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred), discounted at the financial asset's original effective interest rate. The asset's carrying amount is reduced, and the loss is recognised in profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

(ii) Assets Classified as Available-for-Sale
The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset, or a group of financial assets, is impaired. A significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss. Impairment losses recognised in profit or loss are not reversed through profit or loss.

2.10 Held-for-sale assets

Held-for-sale assets comprise exploration and evaluation costs of exploration projects previously treated as non-current intangible assets where their carrying value is to be recovered principally through a sale transaction and a sale is considered highly probable. Held-for-sale assets are stated at the lower of carrying amount and fair value less costs to sell. Impairment losses are recognized in profit or loss.

2.11 Deferred income tax

Deferred tax is accounted for using the 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 bases used in the computation of taxable profit. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

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

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

2.12 Share-based payments

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

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

2.13 Share capital

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

2.14 Trade receivables

Trade receivables are amounts due in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not they are presented as non-current assets. Trade receivables are recognised initially at fair value, and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2.15 Trade payables

Trade payables are obligations to pay for goods and services that have been acquired in the ordinary course of business. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities. Trade payables are recognised initially at fair value, and subsequently measured at amortised cost using the effective interest method.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, or issue new shares.

3. Risk management

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

3.1 Financial risk management

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

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

The Group's only exposure to interest rate fluctuations is restricted to the rates earned on its short term deposits. These deposits returned an interest rate of between 0.6% and 1.9% during the past year.

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Turkish Lira, Ethiopian Birr and US Dollar. Foreign exchange risk arises from future commercial transactions and net investments in foreign operations. The Group does not hedge its exposure to foreign currencies and recognises the profits and losses resulting from currency fluctuations as and when they arise.

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

The Company will continue to make substantial expenditures related to its exploration and development activities. The financial exposure of the Group has been substantially reduced as a result of entering into agreements with third parties. The Group's policy for the funding of additional costs is primarily though equity issues.

3.2 Capital risk management

The Company’s objectives when managing capital are to safeguard the Company’s ability to continue as a going concern, in order to provide returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, or issue new shares.

4. Critical accounting estimates and judgments

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the reporting date. Actual results may vary from the estimates used to produce these financial statements. The most significant judgment for the Group is the assumption that exploration at the various sites will ultimately lead to a commercial mining operation. Failure to do so could lead to the write-off of the intangible assets relating to the particular site, see Note 2.7.

The Group is subject to income taxes in numerous jurisdictions. Judgement is required in determining the worldwide provision for such taxes. The Group recognises liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will affect the current and deferred income tax assets and liabilities in the period in which such determination is made. A deferred tax asset of £172,212 has been recognised in respect of temporary timing differences relating to the Group's intangible assets Should these timing differences not reverse, the Group may need to revise the carrying value of this asset.

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

(i) Fair Value Estimation
The fair value of the Group's Financial assets at fair value through profit or loss amounting to £217,466 (2010: nil) is the unadjusted bid price quoted on the London Stock Exchange as at 31 December 2011.

(i) Acquisition of Subsidiary and estimated impairment of goodwill
The cost of the acquisition of Silvrex Limited includes a deferred consideration of £3,820,000 which is contingent on the discovery of no less than 500,000 oz gold within three years at any of the acquired licence areas. The Directors have assessed the probability of achieving this as 10% based on the information available at the time and using their experience as qualified geologists. The resulting number has been discounted to present value. This has given rise to goodwill of £926,546. The territories in which the licences are located are known to have the potential for major gold and precious metal discoveries and the Directors consider this level of goodwill a fair cost to gain access to the territories and to the knowledge and experience of the senior staff of Silvrex Limited.

The Group assesses at the end of each reporting period whether there is objective evidence that the goodwill, is impaired, or that the deferred consideration requires recalculating. Any reduction in the value of the goodwill or increase in the deferred consideration will be included in profit or loss.

5. Segment reporting

The Company's main exploration operations are located in Turkey and East Africa. In December 2011 the Company started operations in West Africa through the acquisition of Silvrex Limited (see note 6). The Group's head office is located in the UK and provides corporate and support services to the Group and researches new areas of exploration opportunities. The management structure and the management reports received by the Directors and used to make strategic decisions reflect the split of operations.

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

	Turkey £	Exploration East Africa £	West Africa £	UK Support & other £	Offsetting adjustments £	Group Total £
At 31 December 2011						
Intangible assets	2,104,600	1,582,245	608,715	-	-	4,295,560
Goodwill	-	-	926,546	-	-	926,546
Furniture, fittings and equipment	52,616	143,307	-	3,704	-	199,627
Investment in associate	335,263	-	-	-	-	335,263
Other assets	1,253,741	608,050	9,999	8,891,255	(5,820,208)	4,942,837
Liabilities	(3,549,960)	(3,027,144)	(407,934)	(1,260,672)	5,820,208	(2,425,502)
Net assets	**196,260**	**(693,542)**	**1,137,326**	**7,634,287**	**-**	**8,274,331**
Additions to furniture, fittings and equipment	12,407	40,223	-	3,594	-	56,224

	Turkey £	Exploration East Africa £	West Africa £	UK Support & other £	Offsetting adjustments £	Group Total £
At 31 December 2010						
Intangible assets	2,077,466	445,300	-	-	-	2,522,766
Furniture, fittings and equipment	91,667	163,761	-	2,556	-	257,984
Investment in associate	376,645	-	-	-	-	376,645
Other assets	1,591,619	162,517	-	4,444,522	(3,382,194)	2,816,464
Liabilities	(3,659,116)	(1,038,190)	-	(101,471)	3,382,194	(1,416,583)
Net assets	**478,281**	**(266,612)**	**-**	**4,345,607**	**-**	**4,557,276**
Additions to furniture, fittings and equipment	20,783	164,612	-	402	-	185,797

The capitalised cost of the principal projects and the additions during the year are as follows:

	Capitalised cost		Additions in year	
	2011 £	2010 £	2011 £	2010 £
Turkey				
Altıntepe	850,854	898,432	118,373	(171,696)
Muratdere	631,628	335,927	443,834	145
Öksüt	509,424	617,017	-	28,951
Hasançelebi	110,172	133,441	-	-
Altunhisar	2,522	92,649	-	21,407
Konya	-	-	-	45,503
Other	-	-	-	59,336
Total	**2,104,600**	**2,077,466**	**562,207**	**(16,354)**
East Africa				
Blackrock	690,548	-	690,548	-
Shehagne	480,455	193,631	286,824	98,326
Tendaho	167,636	95,036	72,600	89,572
Tigray	116,466	108,334	8,132	108,334
Abi Adi	58,256	13,269	44,987	13,269
Djibouti	18,728	18,496	-	18,729
Other	50,156	16,534	34,321	16,534
Total	**1,582,245**	**445,300**	**1,137,412**	**344,764**
West Africa				
Dalafin	480,879	-	480,879	-
Mauritania	127,836	-	127,836	-
Total	**608,715**	**-**	**608,715**	**-**
Total Intangible assets	**4,295,560**	**2,522,766**	**2,308,334**	**328,410**

Intangible assets are net of funds received from the Company's partners under various joint venture agreements and amount to £2,770,489 (2010: £1,359,038).

The allocation of losses for the year by segment is as follows:

	Exploration activities				
	Turkey £	East Africa £	West Africa £	UK Support & other £	Group Total £
2011					
Administration expenses	(804,548)	(639,022)	(11,207)	(528,407)	(1,983,184)
Depreciation charge	(5,897)	(34,220)	-	(2,210)	(42,327)
Impairment losses	(83,747)	-	-	-	(83,747)
Other income/(losses)	60,038	-	(53,506)	619,723	626,255
Finance income	-	-	-	23,478	23,478
Exchange gains/(losses)	7,470	(32,114)	-	300,900	276,256
Associate company	(139,176)	-	-	-	(139,176)
Gain on acquisition of subsidiary	-	-	-	805,068	805,068
Intercompany charges	(113,996)	(172,699)	-	286,695	-
Income tax	79,449	-	-	(6,569)	72,880
Loss for year	**(1,000,407)**	**(878,055)**	**(64,713)**	**1,498,678**	**(444,497)**
2010					
Administration expenses	(800,834)	(324,834)	-	(575,352)	(1,701,020)
Depreciation charge	(18,196)	(4,932)	-	(9,689)	(32,817)
Impairment losses	(58,656)	-	-	-	(58,656)
Other income/(losses)	57,991	(8,783)	-	75,837	125,045
Finance income	-	-	-	21,965	21,965
Associate company	(134,305)	-	-	-	(134,305)
Loss on sale of subsidiary	-	-	-	(1,095,880)	(1,095,880)
Intercompany charges	(120,284)	(68,521)	-	188,805	-
Income tax	(8,373)	-	-	-	(8,373)
Loss for year	**(1,082,657)**	**(407,070)**	**-**	**(1,394,314)**	**(2,884,041)**

Costs and liabilities are allocated based on the nature of the underlying transaction. Assets are allocated based on where they are located. Transactions between segments are recorded at cost.

6. Acquisition of subsidiaries

Silvrex Limited

On 22 December 2011 the Company obtained total control of Silvrex Limited, a private UK company with a prospective gold portfolio in Senegal and Mauritania. The portfolio comprises an option to acquire 75% of the Dalafin gold project in Senegal, and four wholly-owned licences in Mauritania.

Stratex has been successful in recognising under-developed target areas and in evaluating their prospectivity in both Turkey and East Africa. The acquisition of Silvrex provides the Company with an exciting new opportunity to apply the same approach to a relatively undeveloped region of West Africa and adds another geographical dimension to the existing portfolio.

No profit or loss from Silvrex has been included in the Group's results for the current year. If the acquisition had occurred on 1 January 2011, the Directors estimate that Silvrex would have contributed losses of £508,407 to the Group's results.

Details of the consideration:	
	£
Issue of 10,619,456 ordinary shares	743,362
Deferred consideration	361,797
Total	**1,105,159**

The liability of £743,362 relating to the acquisition was met through the issue of shares at a listed share price of £0.07 per share.

The Company has agreed to pay the selling shareholders an additional consideration of £3,820,000 and settle certain outstanding loans of £76,159 on identification of a JORC-compliant resources of not less than 500,000 oz gold in either of the Dalafin licence or the four Mauritanian licences before 31 December 2014. A fair value of £361,797 has been placed on the contingent consideration based on the Directors assessing the probablity of the resource figure being achieved of 10% and a discount rate of 2.75% per annum.

Assets and liabilites acquired:	
	£
Intangible assets (note 14)	608,715
Cash and cash equivalents	3,792
Prepayments and other current assets	6,207
Deferred tax payable	(88,681)
Loans and other payables	(161,430)
Indebtedness to Stratex International Plc	(154,280)
Accruals	(3,543)
Total	**210,780**

Goodwill was recognised as a result of the acquisition as follows:	
	£
Total consideration	1,105,159
Pre-exisiting cost of investment in Silvrex Limited	32,167
Fair value of net assets acquired	(210,780)
Total	**926,546**

Acquisition-related costs of £53,506 have been charged to administration expenses in the Statement of Comprehensive Income for the year ended 31 December 2011.

The potential undiscounted amount of all future payments that the Group could be required to make under this arrangement is between £nil and £3,896,159.

The fair value of the acquired identifiable intangible assets of £608,715 is based on the Director's valuation.

The goodwill is attributable to the cost of gaining access to the region and having available the local knowledge of, and good relationships established by, the Silvrex exploration team. West Africa is an exciting gold region that the Board has been interested in for some time. The acquisition of Silvrex provides the Company with an ideal opportunity to replicate the successful approach adopted in East Africa by leveraging an existing well established local operation to explore for additional greenfield exploration prospects. None of the goodwill recognised is expected to be deductible for tax purposes.

Rift Resources PLC

On 28 September 2011 the Company aquired a 66.7% interest in Rift Resource PLC, a UK company newly-formed during 2011 for the purpose of exploring for potash and other industrial minerals in Ethiopia.

The existance of potash has been identified on one of the Company's existing licenced areas in the Afar region of Ethiopia and the Company has acquired a licence to exploit the potash. The Company's focus is solely precious and base-metal exploration and, as potash is not considered a core product, the licence has been assigned to Rift Resources PLC as total consideration for its shareholder interest. A fair value of £20,000 has been placed on the value of the licence and the shares acquired. No goodwill is included in the investment.

At the time of acquisition, Rift had no assets or liabilities other than cash amounting to £2,002.

Subsequent to the acquisition, additional shares were issued for the total proceeds of £250,000, thereby reducing Stratex's shareholding to 49.5%. An increase of £118,800 in equity has been recognised as a result of the transaction.

As at 31 December 2011, Rift Resources PLC was under the control of the Company as two of its four directors are directors of Stratex and the Company had control of its operating policies.

The loss for the period since incorporation and included in the Group's results for the current year is £15,582.

7. Operating loss

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

	2011 £	2010 £
Auditor's remuneration		
Fees payable for the audit of parent and consolidated financial statements	37,896	31,075
Tax and other services pursuant to legislation	3,180	2,926
Depreciation of tangible assets	42,327	32,817
Finance income	23,478	21,965
Impairment losses on intangible assets	83,747	58,656

8. Other income/(losses)

	2011 £	2010 £
Other income	291,513	61,489
Exchange gains and losses	276,256	63,556
Change in value of financial assets (note 16)	(69,733)	-
Change in value of held-for-sale assets (note 22)	(69,218)	-
Profit on sale of financial assets (note 16)	527,199	-
Costs associated with the acquisitions of subsidiary company (note 6)	(53,506)	-
Total for year	**902,511**	**125,045**

9. Expenses by nature

	2011 £	2010 £
Personal expenses	676,218	496,130
Exploration related expenses	445,005	776,206
Legal and professional expenses	281,187	232,917
Depreciation expense	42,327	32,817
Other expenses	580,774	195,767
Total for year	**2,025,511**	**1,733,837**

10. Personal expenses

	2011 £	2010 £
Wages and salaries	508,357	422,775
Social security costs	67,056	31,766
Share options granted to Directors and employees	92,378	36,449
Employee benefits-in-kind	3,604	3,658
Employee termination benefits	4,823	1,482
Total for year	**676,218**	**496,130**
Average number of employees, including Directors	45	17

The amount of wages and salaries capitalised during the year as part of intangible assets and not included above is £509,183 (2010:£93,817).

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

11. Directors' remuneration

	Salary £	Fees £	Bonus £	Share options £	Benefits £	Total £
2011						
C Hall	6,367	32,905	15,000	9,062	-	63,334
Dr R Foster	109,235	-	25,000	25,865	1,801	161,901
P C Ashwood	94,206	-	25,000	22,186	1,803	143,195
D J Hall	111,335	-	25,000	8,903	-	145,238
P Addison	6,000	32,575	10,000	11,718	-	60,293
	327,143	**65,480**	**100,000**	**77,734**	**3,604**	**573,961**

	Salary £	Fees £	Bonus £	Share options £	Benefits £	Total £
2010						
C Hall	5,700	20,675	-	9,164	-	35,539
Dr R Foster	101,614	-	-	4,075	1,768	107,457
P C Ashwood	82,982	-	-	4,079	1,890	88,951
D J Hall	73,221	-	-	4,093	-	77,314
P Addison	5,700	15,300	-	9,943	-	30,943
	269,217	**35,975**	**-**	**31,354**	**3,658**	**340,204**

The Company does not operate a pension scheme and no contributions have been made to pensions schemes during the year (2010: nil).

12. Income tax

Analysis of income tax (expense)/credit:

	2011 £	2010 £
UK corporation tax charge for the year	-	-
Foreign tax:		
Current tax charge for the year	(6,569)	-
Deferred credit/(expense) for the year	79,449	(8,373)
Total tax on loss for the year	**72,880**	**(8,373)**

The Group does not anticipate a corporation tax charge for the year due to the availability of tax losses. The Group did not recognise deferred income tax assets of approximately £1,502,000 (2010: £1,177,000). These were in respect of UK losses amounting to approximately £4,686,000 (2010: £3,616,000), losses in Turkey of approximately £1,393,000 (2010: £976,000), and losses in Djibouti of approximately £161,000 (2010: £93,000). These losses can be carried forward and used against future taxable income at rates of 26.25%, 20%, and 25% respectively.

Reconciliation of current tax

	2011 £	2010 £
Loss before tax	(517,377)	(2,875,668)
Current tax credit at 26% (2010: 28%)	(134,518)	(805,187)
Effects of:		
Expenses not deductible for tax purposes	127,654	347,866
Non-taxable income	(305,215)	-
Capital allowances in excess of depreciation	(3,090)	(25,559)
Tax losses carried forward - UK	184,134	244,656
Tax losses carried forward - outside UK	131,035	238,224
Overseas tax charge	(6,569)	-
Origination and reversal of temporary differences	79,449	(8,373)
Tax credit/(charge)	**72,880**	**(8,373)**

13. Furniture, fittings and equipment

Group	Motor Vehicles £	Field Equipment £	Office Furniture and Equipment £	Total £
Cost or valuation				
At 1 January 2010	**63,947**	**14,326**	**211,136**	**289,409**
Exchange movements	(380)	(22)	(75)	(477)
Additions	129,354	16,898	39,545	185,797
Disposals	-	(116)	(1,064)	(1,180)
At 31 December 2010	**192,921**	**31,086**	**249,542**	**473,549**
Exchange movements	(10,555)	(433)	(33,538)	(44,526)
Additions	-	26,771	29,453	56,224
Disposals	-	-	(2,583)	(2,583)
At 31 December 2011	**182,366**	**57,424**	**242,874**	**482,664**
Depreciation				
At 1 January 2010	**(22,320)**	**(1,197)**	**(109,691)**	**(133,208)**
Exchange movements	389	(191)	1,026	1,224
Additions	(24,427)	(6,677)	(52,840)	(83,944)
Disposals	-	42	321	363
At 31 December 2010	**(46,358)**	**(8,023)**	**(161,184)**	**(215,565)**
Exchange movements	6,903	156	24,020	31,079
Additions	(43,736)	(15,600)	(41,582)	(100,918)
Disposals	-	-	2,367	2,367
At 31 December 2011	**(83,191)**	**(23,467)**	**(176,379)**	**(283,037)**
Net Book Value				
at 1 January 2010	**41,627**	**13,129**	**101,445**	**156,201**
at 31 December 2010	**146,563**	**23,063**	**88,358**	**257,984**
at 31 December 2011	**99,175**	**33,957**	**66,495**	**199,627**

During the year £58,681 (2010: 51,127) of the charge for depreciation was transferred to Intangible Assets. Depreciation expense of £42,237 (2010:£32,817) was included in loss for the year.

Company	Motor Vehicles £	Field Equipment £	Office Furniture and Equipment £	Total £
Cost or valuation				
At 1 January 2010	-	**12,425**	**43,974**	**56,399**
Additions	43,125	3,346	8,083	54,554
Transfer to subsidiary company	(43,125)	(15,771)	(23,077)	(81,973)
At 31 December 2010	**-**	**-**	**28,980**	**28,980**
Additions	-	-	3,594	3,594
Disposals	-	-	(2,583)	(2,583)
At 31 December 2011	**-**	**-**	**29,991**	**29,991**
Depreciation				
At 1 January 2010	**-**	**(584)**	**(23,861)**	**(24,445)**
Additions	(898)	(2,460)	(6,363)	(9,721)
Transfer to subsidiary company	898	3,044	3,800	7,742
At 31 December 2010	**-**	**-**	**(26,424)**	**(26,424)**
Additions	-	-	(2,230)	(2,230)
Disposals	-	-	2,367	2,367
At 31 December 2011	**-**	**-**	**(26,287)**	**(26,287)**
Net Book Value				
at 1 January 2010	**-**	**11,841**	**20,113**	**31,954**
at 31 December 2010	**-**	**-**	**2,556**	**2,556**
at 31 December 2011	**-**	**-**	**3,704**	**3,704**

14. Intangible assets and Goodwill

The goodwill arises from the acquisition of Silvrex Limited (see Note 6)

Exploration assets represent the cost of evaluating and development of the Group's exploration projects and are net of funds received from the Group's partners under various joint venture agreements, amounting to £2,770,489 (2010: £1,359,038).

Group	Goodwill £	Exploration assets £	Total £
Cost or valuation			
At 1 January 2010	**-**	**3,607,182**	**3,607,182**
Exchange movements	-	89,141	89,141
Additions	-	328,410	328,410
Impairment write-offs	-	(58,656)	(58,656)
Disposal	-	(1,316,288)	(1,316,288)
Transfer to intangible assets held for sale	-	(127,023)	(127,023)
At 31 December 2010	**-**	**2,522,766**	**2,522,766**
Exchange movements	-	(451,793)	(451,793)
Additions	-	1,699,619	1,699,619
Acquisition of subsidiary companies (note 6)	926,546	608,715	1,535,261
Impairment write-offs	-	(83,747)	(83,747)
At 31 December 2011	**926,546**	**4,295,560**	**5,222,106**

The impairment write-offs represent the writing down to nil carrying value for those projects where the Directors have decided that no further exploration or evaluation work will be undertaken as these projects are no longer considered economically viable. The Board considers there is no change in value of the goodwill between the acquisition date of 22 December 2011 and the year end.

Company	Exploration assets £	Total £
Cost or valuation		
At 1 January 2010	**100,769**	**100,769**
Transfer to subsidiary company	(100,769)	(100,769)
At 31 December 2010 and 2011	**-**	**-**

15. Investments accounted for using the equity method

The Group owns 45% of NS Madencilik Sanayi ve Ticaret AS and invested an additional £153,659 in the company during the year.

Group	2011 £	2010 £
At 1 January	**376,645**	**-**
Exchange movements	(55,865)	(31,576)
Additions at fair value	153,659	542,526
Share of losses	(139,176)	(134,305)
At 31 December	**335,263**	**376,645**

NTF Insaat Ticaret Ltd Sti, the major shareholder in NS Madencilik Sanayi ve Ticaret AS, notified the Company on 26 July 2011 that they would not be proceeding with the development of the Altıntepe project and under the terms of the agreement dated 12 June 2009 the ownership of the joint-venture company Altıntepe Madencilik Sanayi ve Ticaret AS was transferred fully to Stratex Gold AG for nil cost, and the debt owed to NSM by Stratex Gold AG, amounting to £805,068, was waived. Under the same agreement, Stratex's shareholding in NS Madencilik Sanayi ve Ticaret AS was reduced to 45% from 46% as a result of the NTF achieving the funding commitment on the Inlice project. The investment in NSM is not impaired as a result of the above.

Summary financial information of NSM , not adjusted for the percentage ownership held by the Group, is:

Group	Ownership £	Exploration Assets £	Net current Assets £	Group share of net assets £	Group share of loss £
At 31 December 2010	**46%**	**1,609,144**	**331,492**	**542,526**	**(134,305)**
At 31 December 2011	**45%**	**1,714,627**	**40,172**	**585,246**	**(139,176)**

16. Financial assets at fair value through profit or loss

Group and Company	2011 £	2010 £
At 1 January	**-**	**-**
Additions	287,199	-
Change in fair value	(69,733)	-
At 31 December	**217,466**	**-**

During the year the Company exercised its warrants in Sheba Exploration (UK) at a cost of £40,000. The Company's interest in Sheba Exploration (UK) Ltd was subsequently acquired by Centamin Egypt Ltd in return for £320,000 in cash and 266,666 ordinary shares in Centamin Egypt Ltd (see note 17). The shares in Centamin Egypt Ltd are listed on the London Stock Exchange and the market value at the date of acquisition was £287,199. The market value as at 31st December 2011 is £217,466. The adjustment in the value of the shares has been recognised in Other Income/(Losses) in profit or loss for the year.

17. Investments

Group and Company	2011 £	2010 £
At 1 January	**72,167**	**40,000**
Additions (note 16)	40,000	32,167
Disposal (note 16)	(80,000)	-
Re-classified to Investments in subsidiaries (note 18)	(32,167)	-
At 31 December	**-**	**72,167**

As a result of the acquisition of the entire share capital of Silvrex Limited (see Note: 6) the cost of the original holding of £32,167 has been reclassified to Investment in subsidiaries.

18. Investments in subsidiaries

Cost of shares in subsidiary companies:

Group and Company	2011 £	2010 £
At 1 January	**1,562,435**	**1,561,435**
Re-classified from Investments	32,167	-
Additions to cost of investments	1,124,959	1,000
At 31 December	**2,719,561**	**1,562,435**
Loans to subsidiary companies	5,820,208	3,382,361
At 31 December	**8,539,769**	**4,944,796**

Investments in subsidiaries are stated at cost.

Subsidiary companies of the Group at 31 December 2011 are:

	Country of incorporation	% owned by Company	% owned by subsidiary	Nature of business
Stratex Exploration Ltd	UK	100	-	Holding company
Stratex Gold AG	Switzerland	100	-	Holding company
Stratex East Africa Limited	UK	95	-	Exploration
Silvrex Limited	UK	100	-	Exploration
Rift Resources PLC	UK	49.5	-	Exploration
Stratex Madencililk Sanayi Ve Ticaret Ltd. Sti	Turkey	-	100	Exploration
Öksüt Madencilik Sanayi ve Ticaret AS	Turkey	-	100	Exploration
Altıntepe Madencilik Sanayi ve Ticaret AS	Turkey	-	100	Exploration
Stratex Djibouti SARL	Djibouti	-	100	Exploration
NS Madencilik Sanayi ve Ticaret AS	Turkey	-	45	Holding company

(a) On 27 January 2010, 54% of the wholly-owned subsidiary NS Madencilik Sanayi ve Ticaret AS ("NSM") was sold to NTF Insaat Ticaret Ltd Sti ("NTF") in return for an immediate payment of US$1million (£656,863). The book value of the net assets sold to NTF amounted to £1.3million. Under the provisions of IAS 27 (revised) "Consolidated and Separate Financial Statements", any remaining interest in the entity is re-measured to fair value and a gain or loss is recognised in profit or loss. On this basis the total loss on disposal amounted to £1,095,880 and the portion of the loss which is attributable to re-measuring the Group's remaining 46% interest to fair value amounted to £556,238. Net exchange losses of £17,024 recorded in equity prior to the date of disposal were reclassified and recognised in the profit and loss as part of the loss on disposal. The sale was part of an agreement with NTF for fast-tracking of the development the Inlice and Altıntepe gold projects in Turkey. Under the terms of the agreement, in addition to the payment of US$1miilion, NTF committed up to US$2million of funding for a feasibility study at Inlice and US$0.5million for a scoping study at Altıntepe, with an option to earn 54% of the Altıntepe project by spending up to a further US$2million on a feasibility study. These future commitments have not been taken into account in calculating the loss on sale.

(b) NTF notified the Company on 27 July 2011 that it had decided not to continue with the development of the Altıntepe project and in accordance with the agreement dated 12 June 2009 the joint venture company Altıntepe Madencilik Sanayi ve Ticaret AS was transferred back to Stratex Gold AG for nil cost. Under the same agreement, the Company's shareholding in NS Madencilik Sanayi ve Ticaret AS was reduced from 46% to 45% as a result of NTF meeting their funding commitment on the Inlice project.

(c) Rift Resources PLC was acquired on 28 September 2011 and Silvrex Limited was acquired on 22 December 2011 (see note 6).

19. Financial instruments by category and credit quality

By category:

Group	2011 Loans and receivables £	2011 Assets at fair value through profit or loss £	2011 Held-for-sale assets £	2010 Loans and receivables £	2010 Held-for-sale assets £
Assets per Statement of Financial Position at 31 December					
Held-for-sale assets	-	-	106,647	-	198,619
Trade and other receivables excluding pre-payments	554,952	-	-	1,111,634	-
Financial assets at fair value through profit or loss	-	217,466	-	-	-
Deposits and guarantees given	230,427	-	-	160,878	-
Cash and cash equivalents	3,024,565	-	-	996,157	-
Total	**3,809,944**	**217,466**	**106,647**	**2,268,669**	**198,619**

Company	2011 Loans and receivables £	2011 Assets at fair value through profit or loss £	2010 Loans and receivables £
Assets per Statement of Financial Position at 31 December			
Trade and other receivables excluding pre-payments	3,496,428	-	3,308,376
Financial assets at fair value through profit or loss	-	217,466	-
Cash and cash equivalents	2,605,778	-	912,811
Total	**6,102,206**	**217,466**	**4,221,187**

By quality:

Trade receivables:

Trade receivables comprises VAT due from Turkish and UK governments of £578,213 (2010: £561,076) and receivables from exploration partners of £33,265 (2010: 550,558). None of the exploration partners have external credit ratings. In 2010, £423,512 was at default with a partner and has since been fully covered.

Cash at bank and short-term deposits:

External rating	2011 £	2010 £
AAA	242,709	-
A	269,552	205,959
B	2,427,909	762,465
Other	73,934	25,668

The balance is cash-in-hand

20. Trade and other receivables

The fair value of trade and other receivbles equate to their carrying values, which also reresents the Group's maximum exposure to credit risk. No collateral is held as security.

	Group		Company	
	2011	2010	2011	2010
	£	£	£	£
Receivables from exploration partners	33,265	550,558	-	-
Deposits and guarantees given	230,427	160,878	-	-
Amounts due from Group companies	-	-	3,496,428	3,308,376
VAT recoverable	578,213	561,076	8,798	7,816
Pre-payments and other current assets	566,142	111,942	47,011	31,778
Total	**1,408,047**	**1,384,454**	**3,552,237**	**3,347,970**
Non-current	230,427	160,877	-	-
Current	1,177,620	1,223,577	3,552,237	3,347,970
Total	**1,408,047**	**1,384,454**	**3,552,237**	**3,347,970**

Of the total trade and receivables, £900,752 is denominated in Turkish Lira, £474,030 is denominated in sterling and £33,265 is denominated in US$.

The age of the receivables that are past due but not impaired is:

	2011	2010
	£	£
0-120 days	-	105,890
120-360 days	-	211,693
Over 360 days	-	105,929
Total	**-**	**423,512**

21. Deferred tax assets and liabilities

	Group		Company	
	2011	2010	2011	2010
	£	£	£	£
Deferred tax assets				
Temporary timing differences arising on:				
Intangible assets	172,212	155,465	-	-
Employee termination benefits	2,453	1,894	-	-
Non-accrued financial expenses	11,449	7,708	-	-
Total	**186,114**	**165,067**	**-**	**-**
Deferred tax liabilities				
Temporary timing differences arising on:				
Acquisition of subsidiary (note 6)	(88,681)	-	-	-
Payables	(7,431)	(42,122)	-	-
Tangible and intangible assets	(2,254)	(5,534)	-	-
Total	**(98,366)**	**(47,656)**	**-**	**-**
Net deferred tax asset	**87,748**	**117,411**	**-**	**-**

The movement in the year on the net deferred tax assets is:

	Group		Company	
	2011	2010	2011	2010
	£	£	£	£
At 1 January	**117,411**	**125,004**		
Acquisition of subsidiary (note 6)	(88,681)	-	-	-
Exchange movements	(20,431)	780	-	-
Charge for the year	79,449	(8,373)	-	-
At 31 December	**87,748**	**117,411**	**-**	**-**

22. Held-for-sale assets

The intangible assets held for sale relate to projects previously included in non-current intangible assets.
The Company has entered into negotiations with third parties for the sale of these projects and these negotiations are expected to be finalised in 2012. The assets are stated at fair value less costs to sell. The change for the year has been included in Other Income/(Loss) in profit or loss.

The movement in the year is:

Group	2011 £	2010 £
At 1 January	**198,619**	**70,000**
Exchange movements	(22,754)	1,596
Charge for the year	(69,218)	127,023
At 31 December	**106,647**	**198,619**

23. Cash and cash equivalents

	Group		Company	
	2011	2010	2011	2010
	£	£	£	£
Cash at bank and on hand	656,885	252,473	238,098	169,127
Short - term deposits	2,367,680	743,684	2,367,680	743,684
At 31 December	**3,024,565**	**996,157**	**2,605,778**	**912,811**

24. Share Capital

Group and Company	Number of shares	Ordinary shares £	Share premium £	Total £
At 1 January 2010	**249,546,923**	**2,495,469**	**8,443,778**	**10,939,247**
Shares issued for cash	37,229,443	372,295	930,736	1,303,031
Cost of share issue	-	-	(62,132)	(62,132)
Exercise of share options	550,000	5,500	11,000	16,500
At 31 December 2010	**287,326,366**	**2,873,264**	**9,323,382**	**12,196,646**
Shares issued for cash	58,496,467	584,964	3,742,429	4,327,393
Exercise of share options	2,732,000	27,320	97,080	124,400
Exercise of share warrants	2,342,399	23,424	70,272	93,696
At 31 December 2011	**350,897,232**	**3,508,972**	**13,233,163**	**16,742,135**

The following issues of shares for cash were made during the year:

- 6,523,669 shares were issued to Thani Ashanti Alliance on 9 January 2011 at a cost of 4.83p per share, followed by a further 1,200,000 shares on 18 October 2011 at 7.72p per share.

- 38,860,104 shares were issued to AngloGold Ashanti on 26 June 2011 at a cost of 7.72p per share, followed by a further 1,550,000 shares on 18 October 2011 at 7.72p per share.

- 10,362,694 shares were issued to Antofagasta on 29 September 2011 at a cost of 7.72p per share.

25. Loss per share

The calculation of the basic loss per share is based on the loss attributable to the equity holders of the Company and a weighted average number of ordinary shares in issue during the year, as follows:

	2011 £	2010 £
Loss attributable to equity holders of the Company	444,497	2,884,041
Weighted average number of ordinary shares in issue	321,482,912	284,130,351
Basic loss per share (pence per share)	**(0.14)**	**(1.02)**

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

At the year end there were 21,037,879 share options that could potentially dilute the earnings per share in future. Since the year end the Compnay has issued 12,254,456 shares, which will also dilute earnings per share in future.

26. Share options

The Directors have discretion to grant options to Group employees to subscribe for Ordinary Shares up to a maximum of 10% of the Company's issued share capital. The Company runs two schemes, one is the Enterprise Management Incentive scheme and the other is the unapproved Share Option scheme.

As at 31 December 2011, the Company had in issue 12,187,144 (2010: 10,570,000) options to Group employees granted under the Enterprise Management Incentive scheme and 8,483,327 (2010: 5,730,00) to Group employees granted under the unapproved scheme. The options under both schemes are exercisable from one to three years from the grant date and lapse on the tenth anniversary of the grant date or on the holder ceasing to be an employee of the Company. A further 367,408 (2010: 2,425,030) options are in issue to third parties granted for the provision of services.

The granting of the share options has been accounted for as equity-settled share-based payment transactions. The total expenses recognised in the loss for the year arising from share-based payments was £92,378 (2010: £36,449). The Group has no legal or constructive obligation to re-purchase or settle the options in cash.

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	2011		2010	
Group and Company	Number of options	Weighted average exercise price pence	Number of options	Weighted average exercise price pence
Outstanding at 1 January	**18,725,030**	**3.3**	**19,615,030**	**3.3**
Cancelled	(10,000)	3.0	(272,500)	3.3
Forfeited	(215,000)	7.2	(67,500)	3.3
Granted	5,269,849	6.7	-	-
Exercised	(2,732,000)	5.1	(550,000)	3.0
Outstanding at 31st December	**21,037,879**	**4.1**	**18,725,030**	**3.3**
Exercisable at 31st December	15,960,030	3.0	17,809,000	3.2

The weighted average share price on the date of exercise of the options exercised in 2011 was 6.95 pence per share.

The weighted average contractual life of the outstanding options at 31 December 2011 was 8.04 years (2010:7.2 years).

Details of share options outstanding at 31 December 2011 are as follows:

Exercisable period		Number of options				Option price
Start date	Expiry date	Outstanding 1 January 2010	Exercised	Granted/ (cancelled)	Outstanding 31 December 2011	pence
4 January 2007	4 January 2017	2,122,000	(2,122,000)	-	-	5.0
30 April 2009	30 April 2019	16,258,500	(610,000)	(25,000)	15,623,500	3.0
28 September 2009	28 September 2019	41,500	-	-	41,500	4.3
1 December 2009	1 December 2012	303,030	-	-	303,030	4.0
4 January 2011	4 January 2014	-	-	64,378	64,378	9.3
7 January 2011	7 July 2021	-	-	1,263,327	1,263,327	9.4
1 June 2011	1 June 2021	-	-	2,617,144	2,617,144	7.0
7 June 2011	7 June 2021	-	-	1,125,000	1,125,000	6.9
Total options outstanding		**18,725,030**	**(2,732,000)**	**5,044,849**	**21,037,879**	**4.1**

In addition to above, 200,000 options were issued on 3 May 2011 and subsequently cancelled before the year end.

The fair value of the share options has been measured by use of the Black-Scholes pricing model. The expected volatility was determined by calculating the historical volatility of the Company's share price over the last two years.

The inputs and assumptions made in applying the Black-Scholes pricing model are as follows:

	Options granted in 2011				
	4 January	7 January	3 May	1 June	7 June
Share price at date of grant (pence)	9.32	9.38	7.26	7.00	6.88
Fair value at grant date (pence)	2.32	4.42	3.28	3.38	3.32
Expected volatility	48%	48%	48%	48%	48%
Expected dividends	nil	nil	nil	nil	nil
Option life (years)	10	10	10	10	10
Risk-free Interest rate	3%	3%	3%	3%	3%

27. Other reserves

Group	Merger reserve £	Share option reserve £	Translation reserve £	Transaction with non-controlling interest £	Total £
Balance at 1 January 2010	**(485,400)**	**634,452**	**133,201**	**-**	**282,253**
Share-based payments	-	36,449	-	-	36,449
Share options exercised and cancelled	-	(24,141)	-	-	(24,141)
Other comprehensive income	-	-	(257,552)	-	(257,552)
Balance at 31 December 2010	**(485,400)**	**646,760**	**(124,351)**	**-**	**37,009**
Share-based payments	-	92,378	-	-	92,378
Share options exercised and cancelled	-	(62,771)	-	-	(62,771)
Decrease in ownership interest (note 6)	-	-	-	118,800	118,800
Other comprehensive income	-	-	(736,516)	-	(736,516)
Balance at 31 December 2011	**(485,400)**	**676,367**	**(860,867)**	**118,800**	**(551,100)**

Merger reserve

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

28. Trade and other payables

	Group		Company	
	2011 £	2010 £	2011 £	2010 £
Trade payables	587,302	130,770	85,558	53,738
Amounts due on acquisition of subsidiary company (note 6)	743,362	-	743,362	-
Amounts due to related parties and employees	375,048	1,154,908	-	18,943
Social security and other taxes	10,519	25,588	10,519	10,553
Accrued expenses	236,846	48,191	47,000	13,081
At 31 December	**1,953,077**	**1,359,457**	**886,439**	**96,315**

29. Related party transactions

Transactions with operational partners:

	Transaction value for the year ended 31 December		Receivable/(Payable) as at 31 December	
	2011 £	2010 £	2011 £	2010 £
Teck Madencilik Sanayi Ticaret AS	396,484	245,224	(34,770)	-
Thani Ashanti Alliance Ltd	962,464	127,046	33,265	127,046
Centerra Exploration B.V.	1,370,959	-	(187,407)	-
Antofagasta Minerals S.A.	170,352	-	(69,639)	-

Teck Madencilik Sanayi Ticaret AS, Thani Ashanti Alliance Ltd and Antofagasta Minerals S.A. are operational partners and shareholders in the Company and the transactions are refunds of exploration cost. Centerra Exploration B.V. is an operational partner.

Transactions with Director:

	Transaction value for the year ended 31 December		Payable as at 31 December	
	2011 £	2010 £	2011 £	2010 £
Bob Foster Associates Limited	33,420	26,112	4,487	2,356

Bob Foster Associates Limited provides administration services to the Company on a cost only basis and Bob Foster is a director of both companies.

Christopher Hall and David Hall were directors of Rift Resources PLC at 31 December 2011 and John Cole-Baker was a director of Silvrex Limited.

Transactions with non-controlling interest:

During the year Stratex Gold AG invested an additional £153,659 in NS Madencilik Sanayi ve Ticaret AS, bringing the total investment to £585,246 and maintaining its 45% shareholding. The Company invested £20,000 in Rift Resources PLC.

Disposal of interest in a subsidiary without loss of control:

On 27 May 2011, the Company disposed of a 5% interest in Stratex East Africa Ltd for nil value. This resulted in an increase in non-controlling interest of £53 and a decrease in equity attributable to owners of the Parent of £53.

On 1 October 2011 the Company disposed of a 17.2% interest in Rift Resources PLC for nil value. This resulted in an increase in non-controlling interest of £250,200 and a decrease in equity attributable to owners of the Parent of £200.

Parent company and ultimate controlling party:

During the year the Company provided funds amounting to £2,308,847 (2010: £ 760,301) to its subsidiary companies for the exploration activities and charged its subsidiary companies £105,000 (2010: £94,000) for the provision of management services. The total receivable from subsidiaries at 31 December 2011 was £9,316,636 (2010: £6,690,737).

The Directors believe that there is no controlling party.

30. Cash used in operations

	Group		Company	
	2011 £	2010 £	2011 £	2010 £
Loss before income tax	**(517,377)**	**(2,875,668)**	**(151,134)**	**(645,984)**
Adjustments for:				
Issue of share options	92,378	36,449	92,378	36,449
Depreciation	100,918	83,943	2,230	9,721
Project impairment write-offs	83,747	58,656	-	-
Fixed asset write-offs	216	817	216	-
Share of losses of associated companies	139,176	134,305	-	-
Loss on sale of subsidiary company	-	1,095,880	-	-
Expenses related to acquisition of subsidiary	-	-	53,506	-
Profit on sale of financial asset	(527,199)	-	(527,199)	-
Gain on acquisition of subsidiary	(805,068)	-	-	-
Revaluation of financial assets	69,733	-	69,733	
Change in value of held-for-sale assets	69,218	-	-	-
Interest income on short term deposits	(23,478)	(21,965)	(23,449)	(21,925)
Interest income on intercompany indebtedness	-	-	(212,630)	(113,720)
Intercompany management fees	-	-	(129,000)	(94,000)
Foreign exchange movements on operating activities	(477,785)	(186,594)	-	-
Changes in working capital, excluding the effects of exchange differences on consolidation:				
Trade and other receivables	(20,162)	(529,562)	(204,267)	13,590
Trade and other payables	644,423	82,400	46,762	(24,623)
Cash used in operations	**(1,171,260)**	**(2,121,339)**	**(982,854)**	**(840,492)**

31. Contingencies and capital commitments

The Group has a contingent liabilities of £3,896,159 in connection with the acquisition of Silvrex Limited (see note 6).

32. Parent company Statement of Comprehensive Income

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

Company	2011 £	2010 £
At 1 January	**(3,659,421)**	**(3,037,578)**
Loss for the year	(151,134)	(645,984)
Share options exercised and cancelled	62,771	24,141
At 31 December	**(3,747,784)**	**(3,659,421)**

33. Events after the reporting period

The following events have taken place after the reporting period:

a) Having expended US$3million on the Öksüt project and thereby fulfilling the commitments under the agreement dated 13 August 2009, Centerra Exploration B.V. acquired a 50% interest in Öksüt Madencilik Sanayi ve Ticaret AS on 17 January 2012. This was facilitated by issuing additional Öksüt share capital to Centerra at nil cost, amounting to Turkish Lira 3,519,998 (£1.2million).

b) 10,619,456 shares in the Company have been issued to complete the acquisition of Silvrex Limited (see note 6).

No other significant events have taken place since 31 December 2011.

Notice of Annual General Meeting

The Annual General Meeting of Stratex International Plc (the "Company") will be held at the offices of Northland Capital Partners Ltd, 60 Gresham Street, London, EC2V 7BB, on 14 May 2012, at 3:00pm. The business of the meeting will be to consider and, if thought fit, pass the following Resolutions:

Ordinary resolutions

1 To receive the Director's Report and Financial Statements for the year ended 31 December 2011.

2 To re-elect Christopher Hall who has retired by rotation

3. To re-elect John Cole-Baker who has retired having been appointed since the previous AGM

4 To re-appoint Littlejohn LLP as auditors and to authorise the Directors to fix their remuneration.

5 THAT, in addition to the existing authorities, and in accordance with section 551 of the Companies Act 2006 (the "Act") the Directors be and they are hereby generally and unconditionally authorised to allot shares in the Company or grant rights to subscribe for or convert any securities into rights ("Rights") up to an aggregate nominal amount of £1,000,000 and such power shall expire (unless previously revoked, varied or extended by the Company at a general meeting) five years after the passing of this resolution save that the Company may before such expiry make an offer or agreement which would or might require shares or Rights to be granted in pursuance of such offer or agreement as if the power conferred hereby had not expired.

Special resolution

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

By order of the Board

P C Ashwood
Company Secretary
180 Piccadilly, London, W1J 9HF
23 March 2012

Notes: Eligibility to attend and vote

1 To be entitled to attend and vote at the Annual General Meeting (and for the purpose of determining the number of votes a member may cast), members must be entered on the Register of Members of the Company by 3:00pm on 14 May 2012.

Appointment of proxies

2 As a member of the Company, you are entitled to appoint a proxy to exercise all or any of your rights to attend, speak and vote at the Meeting and you should have received a proxy form with this notice of meeting. You can only appoint a proxy using the procedures set out in these notes and the notes to the proxy form.

3 A proxy does not need to be a member of the Company but must attend the Meeting to represent you. Details of how to appoint the Chairman of the Meeting or another person as your proxy using the proxy form are set out in the notes to the proxy form. If you wish your proxy to speak on your behalf at the Meeting you will need to appoint your own choice of proxy (not the Chairman) and give your instructions directly to them.

4 You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share.

5 If you do not give your proxy an indication of how to vote on any resolution, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the Meeting.

Appointment of proxy using hard copy proxy form

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

To appoint a proxy using the proxy form, the form must be completed and signed and sent or delivered to the Company's registrars, Share Registrars Limited, Suite E, First Floor, 9 Lion & Lamb Yard, Farnham, Surrey GU9 7LL, to be received by Share Registrars Limited no later than 48 hours before the time of the Annual General Meeting.

7 In the case of a member which is a company, the proxy form must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the proxy form is signed (or a duly certified copy of such power or authority) must be included with the proxy form.

Appointment of proxy by joint members

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

Changing proxy instructions

9 To change your proxy instructions simply submit a new proxy appointment using the methods set out above.

Note that the cut-off time for receipt of proxy appointments (see above) also applies in relation to amended instructions; any amended proxy appointment received after the relevant cut-off time will be disregarded. Where you have appointed a proxy using the hard-copy proxy form and would like to change the instructions using another hard-copy proxy form, please contact Share Registrars Limited. If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.

Termination of proxy appointments

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

By sending a signed hard copy notice clearly stating your intention to revoke your proxy appointment to Share Registrars Limited, Suite E, First Floor, 9 Lion & Lamb Yard, Farnham, Surrey GU9 7LL. In the case of a member which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice. In either case, the revocation notice must be received by Share Registrars Limited no later than 48 hours before the time of the Annual General Meeting. If you attempt to revoke your proxy appointment but the revocation is received after the time specified then, subject to the paragraph directly below, your proxy appointment will remain valid. Appointment of a proxy does not preclude you from attending the Meeting and voting in person. If you have appointed a proxy and attend the Meeting in person, your proxy appointment will automatically be terminated.

Communication

11 Except as provided above, members who have general queries about the Meeting should contact Share Registrars Limited on 01252 821390 or by email to enquiries@shareregistrars.uk.com (no other methods of communication will be accepted).

12 You may not use any electronic address provided either in this notice of annual general meeting or any related documents (including the proxy form) to communicate with the Company for any purposes other than those expressly stated.

Documents available for inspection

13 The following documents will be available for inspection during normal business hours at the Company's registered office up until the date of the Annual General Meeting and at the place of the meeting from 9.30am on 14 May 2012 until the end of the meeting:

a. the auditor's consolidated accounts of the Company for the financial period ended 31 December 2011; and

b. the Register of Directors' interests in the capital of the Company and copies of the service contracts of the Directors of the Company.

Corporate Information

Directors

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

Secretary

P C Ashwood

Company number

5601091

Registered Office

180 Piccadilly
London
W1J 9HF
United Kingdom

Turkey Office

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Ticaret Ltd. Sti.
Çukurambar Kızılırmak
Mahallesi
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B-Blok Kat: 20 No: 79-80
Çankaya-Ankara,
Turkey

Ethiopia Office

Stratex East Africa Limited
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Djibouti Office

Stratex Djibouti SARL
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LT15 / AB F
Djibouti
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Senegal Office

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Senegal

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Nominated advisor

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