Stratex International

stratex international plc

annual report 2006

Unveiling the next generation of gold mines in Turkey...

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

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

- Teck Cominco Limited, a major Canadian mining company, is a founder shareholder in Stratex and currently holds 13.35 % equity in Stratex.
- All exploration opportunities are reviewed by the joint Stratex — Teck Cominco Advisory Committee, which aims to minimize risk and expenditure, and maximize potential for success.
- Teck Cominco can earn in to 51% working interest in properties identified by Stratex by spending 2 times Stratex's expenditure. Teck Cominco's earn-in-right is only effective once Stratex has expended $2.5 m
- Teck Cominco has options to earn back 60% working interest in Karaağac and Dikmen prospects by spending 1.5 times and 2.5 times Stratex's expenditure respectively, following acquisition by Stratex.

Inlice, Turkey

Highlights

- Admitted to AIM on 4 January 2006, raising £1,870,000.
- A further share placing during year raised £1,175,000.
- Amassed 90 Licences covering 1,073 km^2 over10 locations since incorporation.
- New grass roots discovery at Inlice, the first confirmed important new gold discovery in Turkey of the 21st century.
- Drilling programme commenced at Karaağac and has confirmed that the zone is strongly anomalous in gold at depth.
- Additional grass roots find at Hasençelebi in central Turkey has confirmed the presence of gold.

Chairman's Statement

"Stratex's share performance has been strong since joining AIM on 4 January 2006 at 5p, having increased 75% since admission, making it amongst the leading performers of new entrants to AIM"

Board members and the General Manager Turkey

Dear Shareholder,

It gives me great pleasure to report our maiden full year results and update shareholders on the progress we have made in Turkey. Through discoveries we have assembled a quality portfolio of exploration assets including the first significant gold discovery of the 21st century in Turkey - Inlice where three drill rigs are currently active with a view to delivering our first resource statement in Q2 2007. We control over 300 square kilometres of a potential new gold +/- copper district at Konya, as well as other exciting prospects in our portfolio. In line with this progress, Stratex's share performance has been strong since it joined AIM on 4 January 2006 at 5p, having increased 75% since Admission, making it amongst the leading performers of new entrants to AIM.

In 2006, the groundwork preparation was completed, which will position the Company well for future growth. It is our belief that the best way of creating value in the minerals sector is by discovery, which we believe can be demonstrated by the Inlice gold discovery in the Konya district. This time last year the Inlice project was not yet drill tested but, following the 2006 drilling programme, we now have a number of very encouraging intersections including:

INDD-1 13.2 metres grading 5.92 g/t Au;
INDD-10 16.5 metres grading 8.53 g/t Au;
INDD-11 19.0 metres grading 6.97 g/t Au;
INDD-13 15.0 metres grading 7.69 g/t Au;
INDD-15 13.2 metres grading 8.17 g/t Au;
INDD-19 15.0 metres grading 5.96 g/t Au.

We are well on the way to defining an initial resource figure for the project but the real value, we believe, is in the exploration potential of the property. With three drill rigs active on the property we are drilling to define a resource and also to test the Bati, Ana West and Merkez Zones. A new intersection in any of these areas will have significant implications for the scale of the project.

In November 2006, the world-renowned porphyry and epithermal economic geologist Dr. Richard Sillitoe visited the Inlice and Konya projects with Dr. Stewart Redwood, consultant economic geologist. Dr. Sillitoe made a striking comparison between the Konya volcanic district and the Maricunga gold district in Chile. In the early 1980's the Maricunga district had no known gold or copper mineralisation, but is now an over 40 million ounce gold district with significant copper resources. The analogy with Konya is encouraging in terms of styles of mineralisation and type and age of the volcanic rocks hosting the mineralisation. Until the recent discoveries by Stratex there was no known record of gold mineralisation in the entire Konya Volcanic Belt.

Additionally, Inlice is hosted by the type of Miocene volcanic terrain, which elsewhere in Turkey is well-endowed with mineralisation (e.g. Kısladağ gold mine of Eldorado Gold with reserves of 5 million ounces of gold and the Ağı Dağı high-sulphidation discovery in the Biga Peninsula), thus lending strong support to the potential of our newly discovered Konya district. Commencement of drilling of the Doğanbey porphyry gold prospect 15 kilometres northwest of Inlice in April 2007 is the next important step in our exploration of the district.

The importance of portfolio development is high in our strategy and the Company has a strong pipeline of projects. Using the same technique to identify silica alteration as for the Konya area, we have identified a Konya look-alike area in the Hasançelebi district east of Malatya. One gold-bearing system has been identified and a number of other zones await investigation. In north-western Turkey the Muratdere prospect has the hallmarks of a large porphyry copper–gold-molybdenum system and we plan to start exploration drilling in April 2007.

We have exercised our option from Teck Cominco Limited over the Muratdaği project, having expended US$500,000 on exploration. The Company completed 2,300 metres of drilling and has confirmed the presence of gold mineralisation in the Karaağac prospect. We will be reviewing the work programme and may seek to add further value by joint venturing the project whilst focusing our funds on priority projects. In addition Stratex has an option from Teck Cominco Limited over the Biga group of properties (Dikmen, Ergama, and Belen prospects) in the highly strategic Biga Peninsula gold belt.

The Board is keen to develop the Company's profile in the London market and elsewhere and has appointed Hanson Westhouse Limited as our new Nominated Advisor and Broker. Hanson Westhouse is highly experienced in the resource sector and we look forward to working closely with its team and building our investor profile.

The availability and retention of quality experienced people is a major issue in the exploration and mining industry. We are fortunate to have a high quality, experienced management team including, Dr. Bob Foster, C.E.O., and Bahri Yildiz our Turkish General Manager. Due to the progress we have made over the last year and the rapid identification of targets, we are actively recruiting new geologists to boost the team as well as supplying continual training to our young and highly motivated Turkish staff.

In our opinion, the other critical issue in the sector is lack of new discoveries and thus projects with the ability to be developed into new mines. There is evidence of the increasing demand for all metals, which is beneficial for those mines currently in production. However, each mine has a finite resource and the current boom is depleting these resources rapidly. The supply side, through the Exploration & Development sector, is becoming progressively more important. We believe the best way to create value in our business is not by recycling old projects, nor by acquiring known well-explored mineralised properties, but by genuine discoveries of new mineral occurrences with the potential to be developed into large deposits. With Inlice, and other potential deposits in its portfolio, Stratex has demonstrated that it has the ability to deliver these new discoveries.

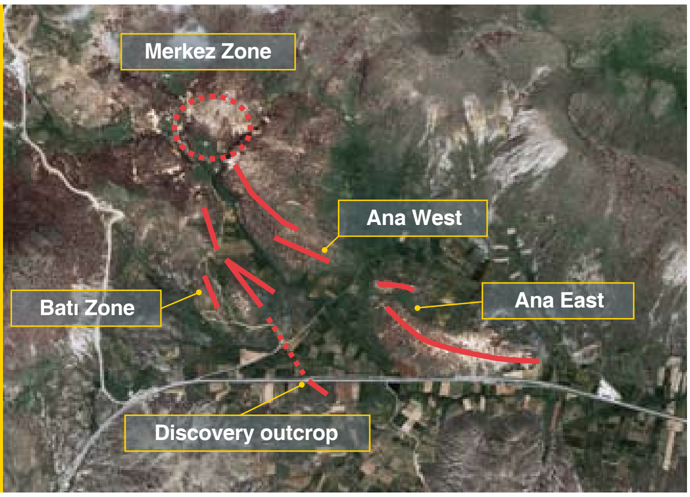
2007 promises to be another exciting year in Stratex's development, and I thank you for your continuing support.

David J. Hall
Chairman

Inlice drill hole INDD-7

Business Review

> "The Inlice prospect is an exciting new gold discovery and, following an extensive programme of surface sampling and drilling, it is the Company's belief that it is the first confirmed important new gold discovery in Turkey of the 21st century."



Aerial view of Inlice

Introduction

Stratex International is an exploration and development company focusing on gold and other high-value base metals.

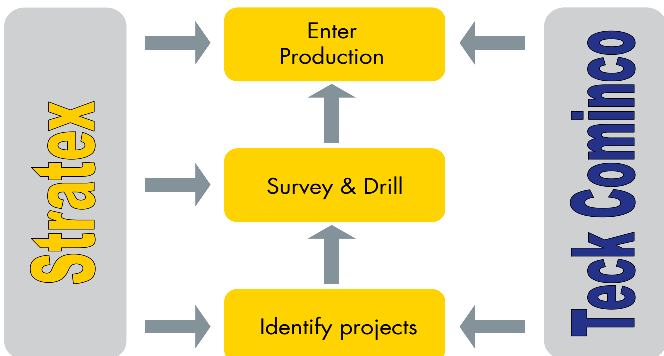
Stratex has entered into a Strategic Alliance Agreement with Teck Cominco Limited (TCL) to explore for resources throughout Europe, the Middle East and Africa. Under the Agreement, TCL is entitled to exercise an option granted to it by the Company to take prospects forward to pre-feasibility and, where appropriate, feasibility studies and ultimately production. The Directors aim to minimise risk though joint funding and utilisation of the technical expertise and mining capabilities of TCL. In the event that TCL does not elect to exercise its option on a particular property Stratex would have the right to negotiate financing and production arrangements with other parties.

The Company has, in its own rights and through its formal agreement with TCL, identified a number of opportunities in Turkey and is now in the process of evaluating their exploration and resource potential. Ten licence blocks with a total area of 1,073 km^2 have been acquired since exploration commenced in April 2005; of these, an option on the Muratdaği group of licences (145 km^2) held by TCL was exercised by meeting exploration expenditure commitments and a second group of licence blocks, the Biga group including the Dikmen property, is the subject of a similar option agreement that has yet to be fully exercised. The licences are all located in the central and western part of Turkey. During 2006 drilling commenced at two sites, Inlice (in the Konya area) and Karaağac (within the Muratdaği licence block). Up to 31 December 2006, a total of 2,414 m of diamond drilling had been completed on the Inlice property and 660 m of diamond drilling plus 1,703 m of reverse circulation (RC) drilling on Karaağac.

Strategic Review

The strategic intent is to maximize shareholder value through the continuing development of its portfolio. Revenues will be generated by:-

- Developing a defined resource into a mine in collaboration with Teck Cominco Limited (TCL) - should TCL decide to exercise its option to earn into a project. Under these circumstances TCL would manage the mine development process and subsequent exploitation; or
- Where Teck Cominco decides not to exercise its option to earn into the project, Stratex would either:
  - Enter into a joint-venture agreement with a mid-tier mining company that would have the technical and financial capabilities to put the resource into production, or
  - Sell the resource to a third-party company whilst retaining a royalty payment based on future metal production



The Directors believe that the lack of funding directed to international exploration over the past decade has created a serious imbalance in the projected supply-demand equation for a number of commodities over the next few years. Adding to this imbalance is the high level of demand from the emerging economies of China and India. The outcome is a serious shortage of potential economic production sites and a shrinking pool of tested expertise.

Stratex believes it has the right quality of people with many years technical experience, much based in the field, and strong on-the-ground representation in Turkey to respond to this demand. The Directors are committed to high-quality innovative exploration based on this in-house expertise and focused primarily on gold, silver, zinc, copper and molybdenum, whilst other mineral opportunities, if robust and in appropriate jurisdictions, would be considered. With two projects already being investigated by drilling, at least two more properties identified for drilling during Q2 2007, and a pipeline of high-priority exploration prospects in its portfolio, the Company is well-placed to take advantage of the projected high demand-levels for metals over the next few years.

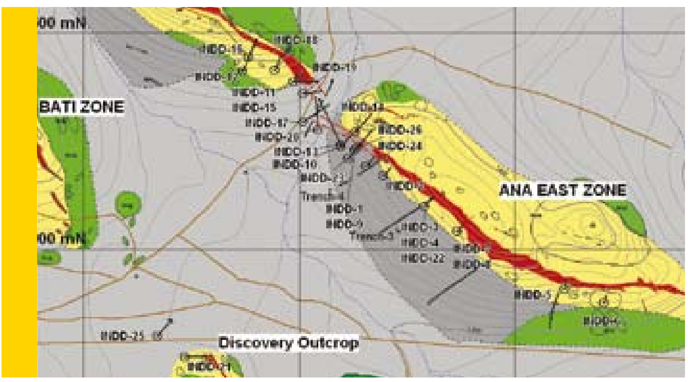
Operating Review

All activities in Turkey are undertaken by the Company's wholly-owned Turkish subsidiary Stratex Madencilik Sanayi ve Ticaret Ltd Şti. The Group's current mineral prospects are all located in central and western Turkey, a region in which a considerable number of volcanic-associated gold and gold-copper deposits have been discovered during the past decade. Gold and copper mineralization in this part of the country is mostly associated with former centres of volcanic activity of Miocene age (between 12 million years and 5 million years old).

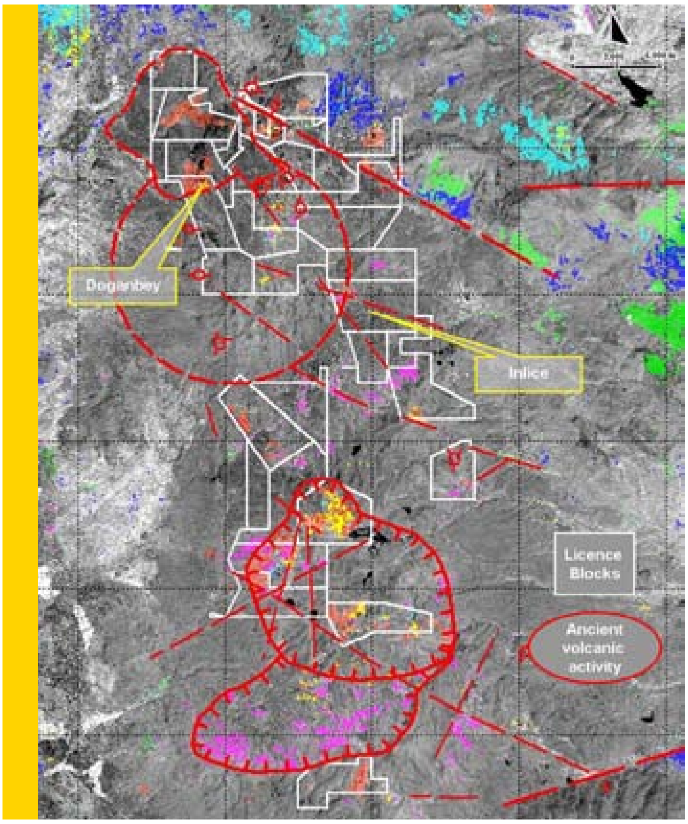
Descriptions of these prospects together with relevant key performance indicatiors (KPI's) are provided below:

Inlice and the Konya district

KPI's:	
No of licences	31
Area licenced (km^2)	375
Number of diamond drillholes	21
Total metres drilled	2,414
Intangible asset cost.	£320k



Drill plan of the Inclice property



Konya licence areas

The Inlice prospect is an exciting new gold discovery and, following an extensive programme of surface sampling and drilling, it is the Company's belief that it is the first confirmed important new gold discovery in Turkey of the 21st century. Most importantly it is a grassroots discovery in an area that, to the best of the Company's knowledge, has not previously been explored for gold and demonstrates the enormous potential for further mineral exploration in Turkey.

During late 2005 and early 2006 the Company moved swiftly to identify and acquire through licensing, a total of 375 km^2 of ground within the wider Miocene volcanic belt, as a result of which some twenty additional zones of alteration and mineralization have been noted. One such prospect, Doğanbey, has already been targeted for exploratory drilling in Q2, 2007, to investigate a porphyry gold system.

Within the Inlice licence area the Company has drill-tested the first of at least three mineralized zones – the Ana Zone, which comprises a steeply dipping ledge of hard grey silica-replaced rock that has been traced along strike for a distance of 1,500 m. Nineteen diamond drillholes have been drilled to date, resulting in the delineation of at least 600 m of strike length that the Company believes has the potential to be mined by a combination of open pit and underground methods. Most importantly, the drilling revealed the continuity of the silica zone beneath a small valley separating the Ana East and Ana West zones. Recognition that such hard

Business Review continued

weathering-resistant rocks need not necessarily have any surface expression considerably enhances the exploration potential of the licence area.The Company's own geologists believe, on the basis of work undertaken during 2006, that the Ana Zone averages almost 3 g/t gold over a width of approximately 18 m and along a strike length of slightly more than 600 m. Within this gold-enriched portion, a higher grade core averaging 7.4 g/t gold over a width of 12.5 m is believed to persist along a distance of approximately 245 m.

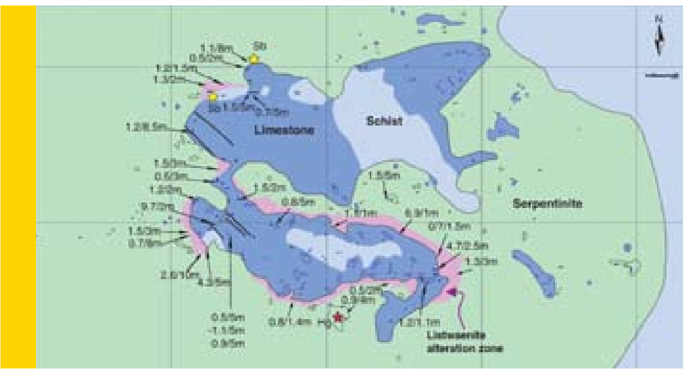
Further drilling is to be undertaken during early 2007 to facilitate independent calculation of this first-stage resource whilst investigating other mineralized zones in the same licence area.

The Company is confident of being able to define additional gold resources at Inlice and believes that the prospect has the right geological and scale parameters to host a major deposit. The ideal objective is a resource of 2 million ounce (US$1 billion in-situ value) and the Company's ongoing exploration programme is designed to evaluate this possibility.

Inlice is only a small part of the total Konya area under licence and the 2006 exploration effort has very effectively highlighted the considerable exploration potential of this volcanic belt. The Company has recognized that much of the silica mineralization and alteration can variously be related to three specific centres of ancient volcanic activity and this has proved valuable in terms of focusing the exploration effort. In addition to the Doğanbey zone, important zones of alteration have now been defined at Cukurağil, Oğlakçi, Gavur Göllü, Mesudiye, and Ortakaraören. Silica ledges and extensive alteration have been recorded in all of these zones together with anomalous values of gold and other elements. These and other less-well known zones will be an important focus of the Company's activities during 2007.

Karaağac and the Muratdaği licence block

KPI's:	
No of licences	17
Area licenced (km^2)	145
Number of RC drill holes	37
Number of diamond drill holes	9
Total depth drilled (metres)	2,363
Intangible asset cost.	£243k



Karaagac drill plan

Dikmen prospect

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

Detailed geological mapping of outcropping rocks in this hilly terrain in 2005 led to identification of a gently undulating blanket-like thrust (fault) zone and underlying altered limestone unit that extend over an area of approximately 3.5 km^2 - the Karaağac prospect. Systematic chip sampling of the outcropping thrust zone and altered limestone yielded numerous values in excess of 0.5 g/t gold and high values of 2 m @ 9.71 g/t gold and 1 m @ 6.92 g/t gold along approximately 7 km of the exposed thrust contact.

A programme of diamond drilling and RC drilling commenced in August 2006 and has confirmed that the zone is strongly anomalous in gold at depth. Nine diamond drillholes totaling 660 m and 37 reverse circulation holes totaling 1,703 m were drilled up to 31 December 2006 and a total of 42 rock samples were collected. Drilling has been suspended over the winter months due to the presence of snow. One of the earliest diamond drillholes returned a value of 13 m @ 1.33 g/t gold and the majority returned strongly anomalous gold values. The drilling results are now being evaluated in detail pending a decision on further drilling in 2007.

Biga group

KPI's:	
No of licences	8
Area licenced (km^2)	77
Intangible asset cost.	£84k

The Biga group of properties comprises Dikmen, Ergama, and Belen licence blocks that are held on option from Teck Cominco Limited. First-stage committed expenditures for the group as defined by agreement with TCL have been met during 2006 and Stratex needs to complete $400,000 of exploration expenditure


Muratdere prospect

on any one property during 2007 to achieve 100% ownership of that property.

Following a review of geological and geochemical databases provided for each licence block, Stratex identified the porphyry-hosted copper-gold-molybdenum occurrence of the Dikmen licence as a key target. Previous exploration work identified a porphyry-granite complex that extends for a distance of at least 4,400 m and ranges in width from 50m to 1,000 m. Disseminated, stockwork, and veinlet-style mineralization has been identified intermittently along 3,000 m of the porphyry-granite complex, with the largest area of such mineralization estimated to be 800 m x 200 m. The extent of the mineralization is also defined by anomalous values of gold, copper, and molybdenum in stream sediments and soils across the length and breadth of the porphyry-granite complex.

Geological mapping and rock and soil sampling by Stratex was completed during the latter part of 2006 and a limited exploration drilling campaign to confirm the potential of the property is under consideration for 2007, pending final analysis of the new data.

Exploration of the Ergama property completed in late 2006 has also led the Company to believe that specific silica ledges similar to those at Inlice may merit drilling. Previous exploration by Newmont in early 2004 returned best outcrop values of 2.4 m grading1.52 g/t gold and 3m grading 1.32 g/t gold and also identified some wide low-grade mineralization zones, one example being 21.7 m grading 0.84 g/t gold. A limited programme of eight reverse circulation drillholes by Newmont yielded best values of 2 m grading 1.85 g/t gold, 2 m grading 1.36 g/t gold from 8 m, and 4 m grading1.17 g/t gold and confirmed the presence of additional broad low-grade intercepts - 22 m grading 0.44 g/t gold and 37 m grading 0.35 g/t gold from 15 m including 3 m at 1.07 g/t gold from 32 m. In the opinion of Stratex, these gold values clearly demonstrate that Ergama is a “fertile” gold-bearing system and one that requires further evaluation. Following a critical analysis of all data generated by Newmont and Stratex, the Company will commence drilling in Q2 2007.

Muratdere

KPI’s:	
No of licences	4
Area under licence (km^2)	30
Intangible asset cost.	£54k

The Muratdere property was first identified by the Turkish government’s Mineral Research and Exploration Institute (MTA) following work undertaken in the period 1999-2001. Systematic soil sampling over the property by MTA yielded up to 1,100 ppb (1.1 g/t) gold, 1,450 ppm copper, and 120 ppm molybdenum, and rock samples gave maxima of 1,200 ppm (1.2 g/t) gold, greater than 1% copper (the copper content exceeded the level measurable by the analytical technique used), and 1,000 ppm molybdenum.

MTA drilled two holes on what Stratex believes to be the edge of the main mineralized part of the porphyry body; drillhole MTA2 gave an intersection of 194 m @ 0.2% copper and 0.02% molybdenum and the upper 10 m of the hole is reported to have averaged 0.5% copper. No gold values were reported. Full results of the drilling still remain confidential to MTA.

Recently completed geological mapping by Stratex has demonstrated that the porphyry system extends east-west for a distance of at least 4,000 m and has a width of between 200 m and 400 m. Mineralization consists of narrow sulphide-bearing quartz veins and disseminated sulphide minerals in the rock. Collection of 22 samples by Stratex across the eastern end of the porphyry wherever rocks were exposed yielded 12 samples with copper exceeding 500 ppm and maxima of 6,520 ppm and 4,560 ppm in samples containing visible copper oxides. Gold was anomalous, with values up to 0.16 g/t, and molybdenum to 419 ppm.

During the second half of 2006 the company undertook detailed soil sampling over the full extent of the poorly exposed porphyry body to define the distribution of the mineralization and associated alteration patterns. The soil sampling, on a 100 m x 50 m grid (358 samples), demonstrated that the system is anomalous in gold (>10 ppb) and copper (>100 ppm) along the complete strike. Molybdenum values are anomalous at the >10 ppm level along the 2,700 m-long eastern lobe, with a significant number of values in the range 102-414 ppb (0.01-0.04 %). The high molybdenum values are broadly coincident with gold in the range 100-416 ppb (0.01-0.04%), and two gold-molybdenum-rich areas are clearly coincident with high values of copper in the range 1,000-2,000 ppm (0.1-0.2 %).

The Company regards Muratdere as a particularly promising prospect. Ground-based geophysical surveys (magnetic and induced polarization) are scheduled for early 2007 to generate combined geophysical-geochemical targets for a subsequent exploration drilling campaign during Q2/Q3 2007.

Business Review continued

Other prospects

KPI's:	
No of licences	30
Area licenced (km^2)	445
Intangible asset cost	£30k

The Company has been very active in seeking new exploration opportunities throughout Turkey and has acquired a further 445 km^2 of ground, much of it targeted on Miocene volcanic rocks similar to those of the Konya area. A number of such opportunities will be the subject of detailed exploration during 2007. High amongst priorities will be the Hasancelebi prospect in the Malatya district of central Turkey, where multiple silica zones similar to those of Inlice and up to 30 m in width have been traced over a distance of 5,000 m. A small historical programme of non-systematic grab sampling of outcropping rock returned reported gold values up to 0.9 g/t. Stratex has secured a commanding foothold in the surrounding volcanic terrain with a number of mineralized zones now held under licence. There are striking similarities between this area and the Konya volcanic area and the Company will be undertaking a comprehensive programme of stream sediment sampling, geological mapping, and outcrop sampling during 2007.

The 2007 programme

Whilst exploration, by its very nature, has to remain flexible and ready to re-focus as results are generated and priorities change, the Company has put in place a wide-ranging and aggressive work programme comprising resource and exploration drilling at Inlice, exploration drilling on a number of properties, and grassroots exploration on early-stage but high-priority licence areas that could well be brought to drill-ready status before year end. This programme can be summarised briefly as follows:

- **Inlice:** At least 2,000 m of resource diamond drilling will be completed on the Ana Zone and a similar amount of diamond drilling on the other zones within the immediate Inlice licence area. Further resource drilling is a very real likelihood on both the Ana Zone and on the other zones, depending on the outcomes of the early programme.

Drilling at Inlice

- **Konya:** The initial priority here will be exploratory drilling of the Doğanbey porphyry gold system; early success will lead to a more systematic drilling programme. Elsewhere in the Konya volcanic terrain those zones of silica mineralization and alteration that were the subject of preliminary studies during 2006 will be further investigated by a combination of geological mapping and outcrop sampling. New areas will be screened using stream sediment sampling to rapidly identify high-priority areas for detailed exploration.

- **Karaağac:** Following the evaluation of the large database generated by the 2006 drilling programme, a decision will be made to either continue the drilling programme to delineate a resource or seek a third party to take the project forward whilst the Company focuses its efforts on those projects it believes will offer a better return for its exploration investment.

- **Biga group:** A very focused programme of exploration drilling is under consideration for the Dikmen and Ergama prospects. This drilling would either add immediate confidence and value to the prospects or allow the Company to make an informed decision to re-direct attention elsewhere.

- **Muratdere:** Geophysical exploration will be undertaken as soon as the winter snows permit and will be followed by a scout diamond drilling programme of at least 2,000 m. Allowance has also been made for a more extensive programme dependant on the outcome of the initial drilling.

- **Hasançelebi:** Given the similarities to the Konya area in terms of styles of mineralization and multiplicity of alteration zones, the Company regards this project as being of considerable importance. Detailed mapping and outcrop sampling of the Hasançelebi prospect will be undertaken as soon as possible and reconnaissance stream sediment sampling and outcrop sampling of the other zones in the Miocene volcanic terrain will also be fast-tracked. Diamond drilling of key prospects in the latter part of the year is a distinct possibility.

- **New acquisitions:** The Company believes that there is considerable scope for the identification of new exploration opportunities in Turkey similar to those of Konya and Hasançelebi and will continue to take steps to identify and acquire these through judicious use of satellite imagery, in-house expertise and familiarity with the metallogenic heritage of the country, and reconnaissance fieldwork. This work is ongoing.

- **Outside Turkey:** Opportunities and prospects beyond the borders of Turkey are constantly being sought and the Company will be prepared to invest time and money in what is regarded as being of real value. However the Company's comparator projects are its numerous excellent drill-ready and priority-exploration properties in Turkey. As a result it is the Company's considered view that opportunities outside Turkey will have to rate very highly indeed to merit serious effort.

Financial Review

Results

The results for the year to 31 December 2006 and the period from incorporation to 31 December 2005 were as follows:

	2006 £	2005 £
Turnover	–	–
Exploration costs capitalised as intangible assets	695,192	76,480
Exploration related costs expensed	237,548	95,077
Administration costs	331,987	151,664
Total costs	**1,264,727**	**333,221**
% Administration costs	26.2%	45.5%
Loss on ordinary activities	569,535	256,741
Less: Interest received	66,351	9,770
Loss before taxation	**503,184**	**246,971**
Loss per share	0.34p	0.33p

One of the KPI's the Company focuses on in the control of costs is administration costs as a percentage of total costs. This was high in 2005 as the business was in a start-up stuation and has now reduced to 26.2% in 2006, our first full year of operation, and a further reduction is expected in 2007.

Share Capital

During the year the Company issued the following share capital:

- On admission to AIM on 4 January 2006, 37.4 million shares were issued at 5p per share for cash of £1,870,000.
- On 25 August 2006, 15.67 million shares were issued at 7.5p per share for cash of £1,175,000.
- On 18 December 2006, 0.55 million shares were issued at 9.2p per share to Teck Cominco Limited in exercise of its option to acquire the Biga properties under the terms of the agreement dated 1 July 2005.

Total shares in issue at 31 December 2006 were 153.6 million.

Cash Flow and working capital

A total of £2,722,661 was raised on financial activities including bank interest receivable of £66,351. The use of funds during the year was:

- £644,592 was invested in intangible assets being the Company's mining activities in Turkey.
- £30,612 was invested in furniture, fittings and equipment
- £662,264 was spent on operating activities.

This left a balance of cash at 31 December 2006 of £1,563,170. The Directors consider that the Group has sufficient funds to meet current working capital requirements.

Intangible Assets

At 31 December 2006 the Group had intangible fixed assets of £731,701 which is the carrying value of its investment in exploration projects in Turkey. The Directors believe that these investments are fully recoverable in the future based on the information available at the present time and under current conditions.

Corporate Responsibility

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

People

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

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

Social

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

The Employees Handbook sets out the boundaries of acceptable business practice and the manner in which the activities of the Group are to be conducted.

Environment

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

Risk Factors

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

Exploration risks

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

Business Review continued

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

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

The risks inherent in taking on new prospects is mitigated to some extent by the fact that, in accordance with the Strategic Alliance Agreement with Teck Cominco, all new opportunities must be brought before the Advisory Committee for consideration before further investment can be made in the prospect. The Advisory Committee comprises highly experienced representatives from both the Company and Teck Cominco and is chaired by an experienced third party consultant geologist.

Political Risks

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

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

Dependence on Key Personnel

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

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

Uninsured Risks

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

Financing

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

Directors & Managerial Biographies

David Hall, BSc, MSc (age 46)
Executive Chairman
David Hall is a graduate in geology from Trinity College Dublin and holds a Masters Degree in Mineral Exploration from Queens University, Kingston, Ontario. He has 24 years of experience in the exploration sector and has worked on and assessed exploration projects and mines in over 40 countries including Turkey where he worked for 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 became Exploration Manager for AngloGold South America in 1999. In April 2002 he became an Executive Director of MinMet plc and then Operations Director in September 2002. Subsequently David was instrumental in spinning off Minmet's assets in the Dominican Republic into TSX-V company GoldQuest Mining Corporation of which he is now President and C.E.O. GoldQuest's major equity partners are two of the world's leading gold mining companies - Gold Fields of South Africa and Placer Dome.

Dr Bob Foster, BSc, PhD, FIMM, CEng, FGS, CGeol (age 58)
Chief Executive Officer
Bob Foster has 33 years of experience as a professional economic geologist in exploration, mining, and applied academic posts and has particular expertise in the genesis of and exploration for gold deposits, having worked in Europe, Central Asia, North and South America, and throughout Africa. Following ten years in the mining industry in Rhodesia (now Zimbabwe) he joined Southampton University in 1984 where he subsequently devoted more than 15 years to lecturing and managing a large applied research group investigating ore-forming processes and mineral exploration strategies on regional and area scales and within operating mines. He has published numerous scientific and technical papers and has been an invited keynote speaker at very many international scientific and technical conferences around the world. During his time at Southampton University he also undertook numerous consultancy projects with major and junior mining companies and was a founding member of the management team of Pan-African Mining Pvt Ltd that developed the open pit Ayrshire gold mine in Zimbabwe in 1991-1996. He also directed a major gold exploration programme for associated company Pan-Reef Mining in Zimbabwe during 1994-1996. For six years prior to joining Stratex , Bob was Minerals Manager for UK-based international consultancy group Exploration Consultants Limited.

Perry Ashwood, FCA, (aged 59)
Chief Financial Officer
Perry Ashwood qualified as a Chartered Accountant in 1971, training with Spain Brothers & Co. and KPMG. Shortly after qualifying he spent 5 years with British Oxygen Ltd in their Corporate Office before moving to Rank Xerox Ltd in 1978. Perry was with Xerox for 20 years and held various positions ranging from Group Chief Accountant to Finance Director, Central & Eastern Europe. During his time with Xerox, he held both technical accounting roles, including involvement in internal controls and audit, and operational roles with extensive involvement in; Turkey, Egypt, India and Russia . He also spent 3 years on assignment in the USA at corporate headquarters where his major focus was on acquisitions, divestments and joint ventures. He joined Intermec International Inc in 1998 as Finance Director, Europe , Middle East & Africa before becoming an independent consultant in 2000. Since then he has undertaken various interim roles with small to medium sized businesses including start-up operations.

Paul Foord, B.Sc, MBA, ACCA, IPD (age 52)
Non-Executive Director
Paul Foord has 30 years experience in finance, strategy and consulting. An early career as an accountant in Gulf Oil and an MBA from Cranfield led to consulting for Price Waterhouse and Gemini Consulting. He has held a number of management posts including Strategy Director for Group Victoire, Finance Director for Willis Coroon, and Chief Operating Officer and Finance Director for the Land of Leather group.

Mr Bahri Yildiz, BSc (age 50)
General Manager Turkey
Bahri Yildiz is a Turkish national with an industrial career spanning 26 years dedicated to mineral exploration and mining geology throughout Turkey. A geology graduate of the Middle East Technical University , Bahri commenced his career in 1980 with the government's General Directorate of Mineral Research and Exploration (MTA) where he spent ten years managing a wide range of projects relating to exploration for precious and base metals. This was followed by three years as Exploration Manager with Turkish company Yurttaslar Madencilik before he joined Dardanel Madencilik, the Turkish subsidiary of major Canadian mining company Inco Ltd in 1992 as Senior Geologist. During his final four years with Dardanel he was Exploration Manager and responsible for generating and supervising a wide range of exploration programmes throughout Turkey . Following closure of the Turkish office in 2003 he became an independent consultant before joining Stratex in April 2005.

Directors' Report

The Directors submit their report and the audited financial statements of Stratex International plc for the year ended 31 December 2006.

Certain matters that are required to be disclosed within the Directors' Report have been included within the Business Review. These matters include a review of operations, future plans and risk and opportunities.

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

Business Review
A review of the activities of the Group is provided in the Chairman's Statement and the Business Review. The results of the Group are shown on page 19.

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 11 on page 29.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

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

The maintenance and integrity of the website is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the information contained in the financial statements since they were initially presented on the Company's 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.

Directors and Directors' interests
The current Directors and their biographies are set out on page 11. All the Directors of the Company were Directors throughout the year.

In compliance with the Company's Articles of Association, Paul Foord and David Hall will retire by rotation and, being eligible, offer themselves for re-election.

Gavin Burnell resigned from the Board of Directors on 31 January 2007.

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

	Number of shares held at 31 December 2006	Number of shares held at 31 December 2005
D J Hall	12,466,819	12,366,819
Dr. R Foster	6,859,056	6,659,056
P C Ashwood	443,172	–
P Foord	6,759,056	6,659,056
G Burnell	4,956,469	4,756,469

Notes:
(a) In addition, Woodland Capital Limited, of which Gavin Burnell is a director and shareholder, owns 2,953,881 shares (31December 2005: 2,853,881 shares)
(b) By an agreement dated 21 November 2005, Paul Foord agreed to sell 951,293 shares to Perry Ashwood conditional upon Perry Ashwood remaining in continuous employment with the Company until and including 1 September 2007.

The interests of the Director's in options to subscribe for ordinary shares of the Company at 31 December 2006 were as follows:

	Exercise price	Latest exercise date	As at 31 December 2005	Granted during the year	**As at 31 December 2006**
D J Hall	5.0p	4 January 2016	–	345,000	345,000
	8.5p	8 August 2016	–	800,000	800,000
Dr. R Foster	5.0p	4 January 2016	–	687,500	687,500
	8.5p	8 August 2016	–	800,000	800,000
P C Ashwood	5.0p	4 January 2016	–	572,500	572,500
	8.5p	8 August 2016	–	700,000	700,000
P Foord	5.0p	4 January 2016	–	172,500	172,500
	8.5p	8 August 2016	–	500,000	500,000
G Burnell	5.0p	4 January 2016	–	172,500	172,500
	8.5p	8 August 2016	–	500,000	500,000

These options vest one year after the date of grant. No options were exercised or lapsed during the year.

The market price of the Company's shares as at 31 December was 8.75 pence per share and the range during the year was 5.625 pence per share to 9.125 pence per share.

Disclosure of information to Auditors

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

Directors' Report continued

Substantial shareholdings

As at the 21 February 2007, in addition to those mentioned above the Company was aware of the following holding of 3% or more in the Company's issued share capital.

	Number of shares in Stratex International plc	% of issued share capital
Credit Suisse Client Nominees (UK) Limited	38,210,000	24.87%
Teck Cominco Limited	20,505,006	13.35%
Rock (Nominees) Limited	12,000,000	7.81%
Orion Trust Limited	9,000,000	5.86%
Pershing Keen Nominees Limited	6,435,685	4.19%
Teawood Nominees Limited	6,016,666	3.92%
Brewin Nominees (Channel Islands) Limited	5,126,900	3.34%

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

Group's policy on payment of creditors

The company seeks to maintain good relations with all of its trading partners. In particular, it is the company's policy to abide by the terms of payment agreed with each of its suppliers. As at 31 December 2006 the number of creditors days in respect of trade creditors was 30 (2005:28).

Charitable and political donations

The Company made no charitable or political donations during the year (2005: nil)

Auditors

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

By order of the Board

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

15 March 2007

Corporate Governance Report

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

Details of the Group's compliance are provided below:

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

Composition of the Board during the year was three Executive Directors; David Hall, Dr. Bob Foster and Perry Ashwood, and two Non-Executive Directors; Paul Foord and Gavin Burnell, which the Board believes provides an appropriate mix to conduct the company's affairs. All directors have been members of the Board for the full year. Gavin Burnell, resigned from the Board on 31 January 2007. The Company is in the process of recruiting a replacement non-executive director.

Biographies of the Directors are provided on page 11.

The Board meets regularly during the year. Five full meetings were held in 2006 in addition to two telephone meetings. Financial and operational performance of the Group is monitored on a monthly basis and results are reviewed against budgets and operational plans.

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

During the year the Audit Committee comprised Paul Foord (Chairman), Perry Ashwood and Gavin Burnell. The external auditors attend by invitation. Two meetings of the Audit Committee have been held during 2006.

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

During the year the Remuneration Committee comprised Paul Foord (Chairman), and Gavin Burnell. No director participates in the determination of his own remuneration. Two meetings of the Remuneration Committee have been held during 2006.

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

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

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

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

Corporate Governance Report continued

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

Going Concern

United Kingdom company law requires the Directors to consider whether it is appropriate to prepare the financial statements on the basis that the Group is a going concern. In considering this matter the Directors have reviewed the Group's budget for 2007. This included consideration of the cash flow implications of the budget and operating plan. The Directors see no reason why the Group and the Company should not continue in operational existence for the foreseeable future. For this reason they have adopted the going concern basis in preparing the Group's financial statements.

Shareholder Relations

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

Corporate and Social Responsibility

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

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

The Group adheres totally to all local environmental regulations.

Independent Auditors Report to the Shareholders of Stratex International Plc

We have audited the Group and Parent Company Financial Statements of Stratex International plc for the period ended 31 December 2006 which comprise the Consolidated Income Statement, the Consolidated and Parent Company Balance Sheets, the Consolidated Cash Flow Statement, the Consolidated Statement of Changes in Equity, the accounting policies and the related notes 1 to 26. These Financial Statements have been prepared under the accounting policies set out therein.

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

Respective Responsibilities of Directors and Auditors

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

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

We report to you our opinion as to whether the Financial Statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation. We also report to you whether, in our opinion, information given in the Directors' Report is consistent with the Financial Statements.

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

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

Basis of Opinion

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

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

Opinion

In our opinion:

- the Financial Statements give a true and fair view, in accordance with IFRS as adopted for use in the European Union, of the state of the Group's and the Parent Company's affairs as at 31 December 2006 and of the Group's and Parent Company's loss and cash flows for the year then ended;
- the Financial Statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation; and
- the information given in the Directors' Report is consistent with the Financial Statements.

CLB Littlejohn Frazer

1 Park Place
Canary Wharf
London E14 4HJ

Chartered Accountants
and Registered Auditors
15 March 2007

Consolidated Balance Sheet

	Note	As at 31 December 2006 £	2005 £
ASSETS			
Non-current assets			
Property, plant and equipment	7	**27,961**	3,570
Intangible assets	8	**731,701**	79,302
Trade and other receivables	9	**41,457**	15,035
Deferred tax assets	13	**16,151**	–
		817,270	97,907
Current assets			
Trade and other receivables	9	**140,550**	27,675
Cash and cash equivalents	10	**1,563,170**	177,977
		1,703,720	205,652
Total assets		**2,520,990**	303,559
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Ordinary shares	11	**1,536,167**	1,000,000
Share premium	11	**2,170,743**	–
Other reserves	12	**(534,656)**	(484,138)
Accumulated losses		**(719,693)**	(246,971)
Total equity		**2,452,561**	268,891
LIABILITIES			
Non-current liabilities			
Employee termination benefits	17	**1,152**	–
Deferred income tax liabilities	13	**593**	–
		1,745	–
Current liabilities			
Trade and other payables	14	**66,684**	34,668
		66,684	34,668
Total equity and liabilities		**2,520,990**	303,559

The financial statements were approved by the Board of Directors on 15 March 2007, and signed on its behalf by:

David J. Hall
Chairman

P.C. Ashwood
Chief Financial Officer

Consolidated Income Statement – by function of expense

	Note	Year Ended 31 December 2006 £	Period from 24 August 2004 to 31 December 2005 £
Revenue		–	–
Cost of sales		–	–
Gross profit		–	–
Administrative expenses	15	(570,879)	(256,834)
Exchange gains – net		1,344	93
Operating loss		(569,535)	(256,741)
Finance income	18	66,351	9,770
Loss before income tax		(503,184)	(246,971)
Income tax credit	19	16,158	–
Loss for the year attributable to equity holders of the Company		(487,026)	(246,971)
Loss per share for losses attributable to the equity holders of the Company during the year (expressed in pence per share)			
- basic and diluted	20	(0.34)	(0.33)

There are no recognised gains or losses other than the results for the year as set out above.

Consolidated Statement of Changes in Equity

	Notes	Share Capital £	Share Premium £	Merger Reserve £	Accumulated Loss £	Translation Reserve £	Total Equity £
Balance on incorporation		–	–	–	–	–	–
Issue of ordinary shares	11	1,000,000	–	–	–	–	1,000,000
Merger reserve	12	–	–	(485,400)	–	–	(485,400)
Consolidated loss for the period		–	–	–	(246,971)	–	(246,971)
Movement on translation reserve	12	–	–	–	–	1,262	1,262
Balance at 31 December 2005		**1,000,000**	**–**	**(485,400)**	**(246,971)**	**1,262**	**268,891**
Issue of ordinary shares	11	536,167	2,559,433	–	–	–	3,095,600
Share options – value of employee services		–	–	–	14,304	–	14,304
Cost of share issue	11	–	(388,690)	–	–	–	(388,690)
Consolidated loss for the year		–	–	–	(487,026)	–	(487,026)
Movement on translation reserve	12	–	–	–	–	(50,518)	(50,518)
Balance as 31 December 2006		**1,536,167**	**2,170,743**	**(485,400)**	**(719,693)**	**(49,256)**	**2,452,561**

Consolidated Cash Flow Statement

	Note	Year Ended 31 December 2006 £	Period from 24 August to 31 December 2005 £
Cash flows from operating activities			
Net cash used in operating activities	21	**(662,264)**	(265,021)
Cash flows from investing activities			
Purchases of property, plant and equipment		**(30,612)**	(4,892)
Purchases of intangible assets		**(644,592)**	(76,480)
Interest received		**66,351**	9,770
Net cash used in investing activities		**(608,853)**	(71,602)
Cash flows from financing activities			
Proceeds from issuance of ordinary shares		**2,656,310**	514,600
Net cash used in financing activities		**2,656,310**	514,600
Net increase in cash and cash equivalents		**1,358,193**	177,977
Cash and cash equivalents at beginning of the period		**177,977**	–
Cash and cash equivalents at end of the year	10	**1,563,170**	177,977

Company Balance Sheet

	Note	As at 31 December 2006 £	2005 £
ASSETS			
Non-current assets			
Property, plant and equipment	7	**4,083**	–
Investments	23	**1,957,090**	1,000,000
		1,961,173	1,000,000
Current assets			
Trade and other receivables	9	**24,187**	–
Cash and cash equivalents	10	**1,495,050**	–
		1,519,237	–
Total assets		**3,480,410**	1,000,000
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Ordinary shares	11	**1,536,167**	1,000,000
Share premium	11	**2,170,743**	–
Accumulated losses		**(405,026)**	–
Total equity		**3,301,884**	1,000,000
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities	13	**–**	–
		–	–
Current liabilities			
Trade and other payables	14	**178,526**	–
Total liabilities		**178,526**	–
Total equity and liabilities		**3,480,410**	1,000,000

The financial statements were approved by the Board of Directors on 15 March 2007 and signed on its behalf by:

David J. Hall
Chairman

P.C. Ashwood
Chief Financial Officer

Notes to the Financial Statements

1. General information

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

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

2. Summary of significant accounting policies

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

2.1 Basis of preparation

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

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

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. Accordingly the financial information for the current period and comparatives has been presented as if Stratex Exploration Ltd had been owned by Stratex International plc throughout the current and prior periods.

Notwithstanding that the first period of accounts for Stratex International plc are for the period from 24 October 2005 to 31 December 2006, comparatives have been prepared for the period ended 31 December 2005 as Stratex International plc did not trade prior to 31 December 2005.

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

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

2.3 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

(c) Group companies

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

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

Notes to the Financial Statements continued

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

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

2.4 Property, plant and equipment
Furniture, fittings and equipment are stated at cost less accumulated depreciation.

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

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

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

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

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

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

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

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

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

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

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

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

Equity instruments issued by the Company are recorded on the basis of the proceeds recieved, net of direct issue costs.

2.9 Deferred income tax

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

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

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

No liability to UK corporation tax arose on ordinary activities for the current period or prior periods. The Group has losses to be carried forward on which no deferred tax asset is recognised.

2.10 Share based incentives

The fair value of the employee services received in exchange for the grant of share options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted. At each balance sheet date the Group revises its estimate of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the income statement, and a corresponding adjustment to equity over the remaining vesting period.

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

3. Financial risk management

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

(a) Liquidity

In keeping with similar sized mineral exploration groups its continued future operations depend on the ability to raise sufficient working capital. The Group has no borrowings and finances itself through the issue of equity share capital. The Company listed on AIM on 4 January 2006 and raised £1,870k and a further £1,175k was raised on 25 August 2006 by means of a share placing. The Directors are of the opinion that the Group has sufficient funds to meet requirements for the foreseeable future.

All cash, with the exception of that required for immediate working capital requirements, is held on short term deposit. These deposits returned an average interest rate of between 4.5% and 5.2% during the year.

(b) Foreign currency risks

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

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

Notes to the Financial Statements continued

4. Accounting estimates and judgments

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

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

5. Segment reporting

At 31 December 2006 the Group operated in two main geographical areas. The home country of the Company is the UK. The area of principal operation is Turkey.

	Operating loss		Total assets		Total liabilities	
	2006	2005	**2006**	2005	**2006**	2005
	£	£	**£**	£	**£**	£
Exploration related costs:						
- Turkey	**(228,092)**	(91,629)	**996,912**	130,789	**6,208**	6,354
- Non Turkey	**(9,456)**	(3,448)	**–**	–	**–**	–
Administration costs - UK	**(331,987)**	(151,664)	**1,524,078**	172,770	**62,221**	28,314
	(569,535)	(256,741)	**2,520,990**	303,559	**68,429**	34,668

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

6. Operating loss

The operating loss before taxation is stated after:

	2006	2005
	£	£
Auditors remuneration - audit	**11,632**	4,265
Depreciation	**4,600**	1,478

In addition the auditors have been paid £27,169 for services provided in connection with the Company's admission to AIM on 4 January 2006, which has been charged to the Share Premium Account, and £3,000 for other services.

7. Property, plant and equipment

Group	Cost £	Accumulated Depreciation £	Net Book Value £
Furniture, fittings and equipment			
Cost or valuation			
On incorporation	–	–	–
Exchange movements	224	(68)	156
Additions	4,892	–	4,892
Depreciation charge for the period	–	(1,478)	(1,478)
At 31 December 2005	5,116	(1,546)	3,570
Exchange movements	(1,913)	292	(1,621)
Additions	30,612	–	30,612
Depreciation charge for the period	–	(4,600)	(4,600)
At 31 December 2006	**33,815**	**(5,854)**	**27,961**

Company	Cost £	Accumulated Depreciation £	Net Book Value £
Furniture, fittings and equipment			
Cost or valuation			
At 1 January 2006	–	–	–
Additions	5,823	–	5,823
Depreciation charge for the period	–	(1,740)	(1,740)
Disposals	–	–	–
At 31 December 2006	**5,823**	**(1,740)**	**4,083**

Notes to the Financial Statements continued

8. Intangible assets

Group	Cost £
Exploration and evaluation costs	
On incorporation	–
Exchange movements	2,822
Additions	76,480
At 31 December 2005	79,302
Exchange movements	(42,793)
Additions	695,192
At 31 December 2006	**731,701**

Intangible assets represent internally generated exploration and evaluation assets. No amortisation has been charged on the intangible assets in 2006 (2005: nil)

9. Trade and other receivables

	Group		Company	
	2006 £	2005 £	**2006 £**	2005 £
Deposits and guarantees given	**41,457**	15,035	**–**	–
Prepayments and other current assets	**140,550**	27,675	**24,187**	–
	182,007	42,710	**24,187**	–
Less: non-current portion	**41,457**	15,035	**–**	–
Current portion	**140,550**	27,675	**24,187**	–

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

10. Cash and cash equivalents

	Group		Company	
	2006 £	2005 £	**2006 £**	2005 £
Cash at bank and on hand	**111,354**	177,977	**43,233**	–
Short term deposits	**1,451,816**	–	**1,451,817**	–
	1,563,170	177,977	**1,495,050**	–

11. Share capital

Group and Company	Number of shares at 1p each	Ordinary shares £	Share premium £	Total £
Balance on incorporation	2	2	–	2
Share for share exchange (note (a))	99,999,998	999,998	–	999,998
At 31 December 2005	100,000,000	1,000,000	–	1,000,000
Proceeds from shares issued	53,066,667	530,667	2,514,333	3,045,000
Expenses of share issue	–	–	(388,690)	(388,690)
Exercise of option under an agreement with Teck Cominco Limited (note (b))	550,000	5,500	45,100	50,600
At 31 December 2006	**153,616,667**	**1,536,167**	**2,170,743**	**3,706,910**

Note (a)
Pursuant to a share exchange agreement dated 21 November 2005, 99,999,998 ordinary shares were allotted and issued as fully paid to the shareholders of Stratex Exploration Limited.

Note (b)
On 19 December 2006, 550,000 shares were allotted and issued to Teck Cominco Limited in exercise of the option to purchase properties in the Havran region of Turkey under the Memorandum of Understanding with Teck Cominco Limited, dated 1 July 2005.

Authorised share capital
The total authorised number of ordinary shares is 300 million shares (2005: 300 million shares) with a par value of 1p per share (2005: 1p per share). All issued shares are fully paid.

Share options
Share options are granted to Directors and to selected employees. The exercise price of the granted options is equal to the market price on the date of the grant. The options are exercisable starting one year from the grant date and lapse on the tenth anniversary of the grant date or on the holder ceasing to be an employee of the Company. The Group has no legal or constructive obligation to repurchase or settle the options in cash. Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

On 4 January 2006, 2,500,000 share options were granted to Directors and employees with an exercise price at market price on the day of 5p (expiry date: 4 January 2016). On 1 March 2006, 20,000 share options were granted to an employee with an exercise price at market price on the day of 7p (expiry date: 1 March 2016). On 8 August 2006 a further 4,000,000 share options were granted to Directors and employees with an exercise price at market price on the day of 8.5p (expiry date: 8 August 2016).

The total number of options issued during the year was 6,520,000 (2005: nil). No options were exercised or forfeited during the year. The charge to the profit and loss account for the value of these options was £14,304 (2005:nil) based on fair values at the time the options were granted. The weighted average fair value of options granted during the period determined using the Black Scholes valuation model was 2.6 pence per option. The significant inputs into the model were: weighted average share price of 7.2 pence at the date of grant, exercise price as shown above, volatility of 20%, dividend yield of 0%, expected option life of 7 years and annual risk free rate of 4.86%. The volatility measured at the standard deviation of continuously compounded share returns is based on statistical analysis of the monthly average share prices over the last year.

Notes to the Financial Statements continued

12. Other reserves

Group	Merger Reserve £	Translation Reserve £	Total £
Balance on incorporation	–	–	–
Movement on translation reserve	–	1,262	1,262
Merger reserve (see note below)	(485,400)	–	(485,400)
At 31 December 2005	(485,400)	1,262	(484,138)
Movement on translation reserve	–	(50,518)	(50,518)
At 31 December 2006	**(485,400)**	**(49,256)**	**(534,656)**

Note:
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 Ltd 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 Ltd.

13. Deferred tax assets and liabilities

	Group		Company	
	2006 £	2005 £	**2006 £**	2005 £
Deferred tax assets:				
Temporary timing differences arising on:				
Intangible assets	**219**	–	**–**	–
Employee termination benefits	**230**	–	**–**	–
Other expenses	**15,702**	–	**–**	–
	16,151	–	**–**	–
Deferred tax liabilites:				
Temporary timing differences arising on:				
Tangible and intangible assets	**(593)**	–	**–**	–
	(593)	–	**–**	–
Net defered tax asset	**15,558**	–	–	–

The deferred tax asset and liability arise in Stratex Madencilik Sanayi ve Ticaret Ltd Şti.

14. Trade and other payables

	Group		Company	
	2006	2005	**2006**	2005
	£	£	**£**	£
Trade payables	**39,477**	28,431	**46,392**	–
Amounts due to related parties	**7,322**	–	**–**	–
Amounts due to Group companies	**–**	–	**119,303**	–
Social security and other taxes	**8,254**	6,237	**4,207**	–
Accrued expenses	**11,631**	–	**8,624**	–
	66,684	34,668	**178,526**	–

15. Expenses by nature

Group	**2006** **£**	2005 £
Employee benefit expense (note 17)	**182,925**	7,886
Fees paid to related parties (note 22)	**49,260**	76,000
Consultant geologist services	**76,519**	41,711
Depreciation, amortisation and impairment charges (see note below)	**3,064**	824
Other expenses	**259,111**	130,413
Total cost of sales, distribution costs and administrative expenses	**570,879**	256,834

Note:
Depreciation for the year is £4,600 (2005: £1,478) of which £1,536 (2005: £654) has been treated as exploration and evaluation cost and has been capitalised, leaving a balance of £3,064 (2005: £824) charged to the profit and loss account.

16. Directors' remuneration

Group	**2006** **£**	2005 £
Emoluments	**128,162**	–
Social security	**12,930**	–
	141,092	–

Remuneration of the highest paid director was £62,250 (2005: nil). The Company does not operate a pension scheme and no contributions were made to pension schemes during the year (2005: nil) on behalf of the directors.

Notes to the Financial Statements continued

17. Employee benefit expense (including Directors)

Group	2006 £	2005 £
Wages and salaries	**152,584**	6,994
Social security costs	**14,885**	892
Share options granted to Directors and employees	**14,304**	–
Employee termination benefits	**1,152**	–
	182,925	7,886
Number of employees including directors	**12**	7

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

18. Finance income

Group	2006 £	2005 £
Interest income on short-term bank deposits	**66,351**	9,770

19. Income tax credit

Group	2006 £	2005 £
Analysis of tax charge		
UK Corporation tax charge for the year	**–**	–
Foreign Tax		
Current tax charge for the year	**–**	–
Deferred tax charge for the year	**16,158**	–
Tax on profits for the year	**16,158**	–

The Group does not anticipate a UK corporation tax charge for the year due to the availability of tax losses. The Group did not recognise deferred income tax assets of £151,540 in respect of losses amounting to £556,280 that can be carried forward against future taxable income.

Group	2006 £	2005 £
Reconciliation of current tax		
Loss before income tax	**503,184**	246,971
Current tax credit at 30% (2005:30%)	**150,955**	74,091
Effects of:		
Expenses not deductible for tax purposes	**352**	–
Tax losses carried forward - Turkish	**(30,689)**	(7,776)
Tax losses carried forward - UK	**(121,555)**	(62,427)
Tax rate for Turkish subsidiary being 20% (2005:30%)	**(15,345)**	(3,888)
Foreign exchange adjustments on consolidation	**16,282**	–
Total current tax	**–**	–

20. Loss per share

Undiluted

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

Group	2006 £	2005 £
Loss attributable to equity holders of the Company	**487,026**	246,971
Weighted average number of ordinary shares in issue	**142,811,781**	75,546,744
Basic loss per share (pence per share)	**(0.34)**	(0.33)

As the Group incurred a loss for the year, no options are potentially dilutive, and hence basic and diluted loss per share are the same.

During the year 6,520,000 options were issued that could potentially dilute the earnings per share in future.

21. Cash applied in operations

Group	2006 £	2005 £
Loss before income tax	**(503,184)**	(246,971)
Adjustments for :		
– Employee services for issue of share options	**14,304**	–
– Depreciation	**4,600**	1,478
– Interest income on short term loans	**(66,351)**	(9,770)
– Foreign exchange movements on operating activities	**(5,504)**	(1,716)
Changes in working capital (excluding the effects of exchange differences on consolidation)		
– Trade and other receivables	**(139,297)**	(42,710)
– Trade and other payables	**33,168**	34,668
Cash applied in operations	**(662,264)**	(265,021)

The principal non-cash transaction is the issue of shares as described Note 11(a) and 11(b).

Notes to the Financial Statements continued

22. Related party transactions

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

Bob Foster Associates Limited

Bob Foster Associates Limited provides certain administration services to Stratex International plc. Dr Bob Foster is a Director and shareholder in both companies. During the year £25,886 was charged for the provision of administration services to the Company and expenses incurred on behalf of the Company. As at 31 December 2006, £1,692 was owed to Bob Foster Associates Limited.

Jamesford Management Consulting Limited

Stratex International plc has a consultancy services agreement with Jamesford Management Consulting Limited. Paul Foord is a Director and shareholder in Jamesford Management Consulting Limited and a Non-Executive Director and shareholder in Stratex International plc. During the year £13,585 was charged for the provision of consulting services and £334 was charged in respect of expenses incurred on behalf of the Company. As at 31 December 2006, £3,892 was owed to Jamesford Management Consulting Limited.

Lizzy Bet Limited

Stratex International plc has a consultancy services agreement with Lizzy Bet Limited. Gavin Burnell is a Director and shareholder in Lizzy Bet Limited and was a Non-Executive Director and shareholder in Stratex International plc during 2006. During the year £11,662 was charged for the provision of consulting services to the Company.

David Hall

David Hall, a director, charged the Company £26,135 for consultancy services. As at 31 December 2006, £1,738 was owed to David Hall.

Teck Cominco Limited

During the year the Group exercised an option to acquire properties from Teck Cominco Limited for consideration of £50,600, paid for by way of shares issued at 9.2 pence per share. As at 31 Decmeber 2006 Teck Cominco Limited owned 13.35% of the issued share capital.

23. Subsidiary companies

	Country of incorporation	Class of share	% held
Stratex Exploration Ltd	UK	Ordinary	100
Stratex Madencililk Sanayi ve Ticaret Ltd Şti	Turkey	Ordinary	100

Investments

Company	**2006** **£**	2005 £
Cost of shares in subsidiary company	**1,000,000**	1,000,000
Loans to Group company	**957,090**	–
	1,957,090	1,000,000

Investments in Group undertakings are stated at cost.

On 24 October 2005 Stratex International plc acquired the entire issued share capital of Stratex Exploration Ltd by means of a share for share exchange; the consideration for the issue was 99,999,998 ordinary shares of 1p each. The difference between the total consideration and the assets aquired has been credited to the merger reserve.

Details of the assets acquired are as follows:

Company	£
Purchase consideration:	
Fair value of shares issued	1,000,000
Fair value of net assets acquired:	
Share capital	26,280
Premium	488,320
Merger reserve	485,400
	1,000,000

Loans totalling £957,090 have been made during the year to Stratex Madencilik Sanayi ve Ticaret Ltd Şti, a wholly owned Group company

24. Contingencies and capital commitments

The Group has no contingent liabilities or capital commitments.

25. Events after the balance sheet date

No material events have occurred after the balance sheet date.

26. Parent company profit and loss account

As permitted by section 230 of the Companies Act 1985, the profit and loss account of the parent company is not presented as part of these financial statements. The parent company's loss for the year was £405,026 (2005: nil).

Notice of Annual General Meeting

The Annual General Meeting of Stratex International plc will be held at The Chesterfield Mayfair, 35 Charles Street, London, W1J 5EB on 23 April 2007 at 3.00pm. The business of the meeting will be to consider and, if thought fit, pass the following Resolutions:

Ordinary resolutions

1 To receive the Director' Report and Financial Statements for the year ended 31 December 2006.

2 To re-elect Mr David Hall who has retired by rotation

3 To re-elect Mr Paul Foord who has retired by rotation

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

5 THAT the Directors of the Company be and hereby generally and unconditionally authorised and empowered in accordance with section 80 of the Companies Act 1985 ("the Act") to allot any relevant securities (as defined in section 80(2) of the Act) of the Company up to an aggregate nominal amount of the authorised but unissued share capital of the Company to such persons at such times and on such terms as they think proper, such authority to expire (unless previously renewed, varied or revoked by the Company in General Meeting) at the conclusion of the next Annual General Meeting of the Company following the passing of this resolution or if sooner 15 months after the date of this resolution, save that the Company may prior to such expiry make any offer or such agreement which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities pursuant to any such offer or agreement notwithstanding the expiry of the authority given by this resolution and so that all previous authorities of the Directors pursuant to Section 80 of the Act be and they are hereby revoked.

Special resolutions

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

By order of the Board

P C Ashwood
Company Secretary
20 March 2007
212 Piccadilly
London, W1J 9HG

Notes:

1 A member of the Company entitled to attend and vote at this meeting is entitled to appoint one or more proxies to attend and, on a poll, to vote on his or her behalf. A proxy need not also be a member. Completion and return of a Form of Proxy will not preclude a member from attending and voting at the meeting should the member so decide.

2 To be valid, the enclosed Form of Proxy must be completed and returned so as to reach the Company's Registrars, Share Registrars Ltd, Craven House, West Street, Farnham, Surrey GU9 7BR not less than 48 hours before the time of the Annual General Meeting.

3 To be entitled to attend and vote at the Annual General Meeting (and for the purpose of determining the number of votes a member may cast), members must be entered on the Register of Members of the Company by 10am on 20 April 2007, pursuant to regulation 41 of the Uncertificated Securities Regulations 2001.

4 In the case of joint holders, the use of the senior who tenders a vote whether in person or by proxy will be accepted to the exclusion of the votes of the other joint holders and for this purpose seniority will be determined by the order in which the names stand on the register of members of the Company in respect of the relevant holding.

5 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 10.30am on 23 April until the end of the meeting;

   a. the audited consolidated accounts of the Company for the financial period ended 31 December 2006;
   b. the Register of Directors' interests in the capital of the Company; and copies of service contracts of Directors of the Company.

Corporate Information

Directors
D J Hall
Dr R P Foster
P C Ashwood
P J Foord

Secretary
P C Ashwood

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United Kingdom

Company number
5601091

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Company Diary

30 June 2007	Half year end
August 2007	Interim results
31 December 2007	Financial year end
March 2008	Preliminary results
April 2008	Annual General Meeting

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