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Stratex Adds Centerra To Its Impressive Roster Of Relationships In Turkey

By Alastair Ford

Stratex's executive chairman David Hall is fresh off the plane from Canada when he rings up Minesite for a chat. There's certainly plenty to talk about, as news has just started tumbling out of Stratex again, after a short hiatus during which the company put the finishing touches on its latest deal, a tie-in with Centerra on a Turkish gold property. This deal makes sense on many levels. For a start, Centerra's certainly a name to conjure with in Turkey, as it already has the right to earn into 70 per cent of Kefi's 254 square kilometre Artvin project in the north east of the country, as well as the right to earn into three other properties held by Eurasian minerals.

It's a company of fair stature too, one that could reasonably be described as a mid-tier gold company, on the basis of production of around 500,000 ounces per year from mines in the Kyrgyz Republic and Mongolia, and on that basis alone, a decent partner for any aspiring junior. And Centerra had a good start in life too, as the Google strapline that points the way to its website emphasizes when it labels the company "a child of Cameco". But it's not all been plain sailing with Centerra's projects in the further reaches of Asia, though, hence the recent inroads into Turkey, which, though not without its own issues, is somewhat more mature as a mining district.

Stratex is in a way the ideal partner for Centerra too. It's been on the ground in Turkey for a fair few years now, and has nine licences spread across the country in the charge of an on-the-spot country manager, which makes for a wealth of in-country experience. It's also got a proper academic geologist at the helm in the shape of chief executive Bob Foster. And that combination of good ground, good management and good geological nous has meant that Stratex has been no slouch at discovering gold ounces over the years either, although the really big deposit remains elusive. Without that really big strike Stratex's long-standing backer, Teck, has been happy to watch from the sidelines while smaller gold projects are brought to life and towards production. So a major Turkish mining company called NTF has bought into the smaller properties of Inlice and Altintepe, and it's hoped that gold production from these will commence in 18 and 36 months respectively.

The Centerra deal for a stake in Stratex's Oksut property follows that pattern too, although we are a long way from production here. But given that David Hall describes Centerra as hungry, fairly nimble, cashed-up, and experienced in Turkey, Centerra will know what it's getting into.

The usual gripes about lawyers surround this deal, but actually it's interesting to note that from the time Centerra got on the ground at Oksut in April till the time the deal was signed off in mid August, only four months have elapsed. Granted the deal wasn't that complicated – US\$3 million for an initial 50 per cent stake, followed by another US\$3 million for a further 20 per cent – but many dealmakers can only dream of such a fast turnaround, 60 page document or no. All in all, though, David Hall expresses real satisfaction at this latest development. “We're delighted to have them”, he says. And Centerra are obviously reasonably pleased too – it's paying for all work that was done since the initial letter of intent was signed all those months ago.

So one principal reason for David's recent trip to Canada was for meetings with Centerra to work out a plan of campaign for Oksut. A trenching and drilling programme will get underway fairly soon. “The first target is the oxide gold”, explains David. “Coming up with one million ounces of easily treatable oxide gold.” There's a porphyry zone off to one side, and it may be that this will yield plenty more ounces in due course, but for now the one million ounce target on the oxides will be enough to keep everyone busy. The significance of that one million ounce number is that it's a target more suited to a company of the shape and size of Centerra, than of anyone larger, like, say Teck, which would be after a minimum of two million. So the fit is snug, for now at least, and everyone's happy.

The markets liked the news of the Centerra tie-in too, marking up Stratex's shares by half a penny to just over 3p. Most brokers are now setting target prices of more than double that, in anticipation of progress across the board at Oksut, Inlice and Altintepe. It also helps that as part of the string of deals that Stratex has been putting together, money has flowed into the company. Indeed David Hall reckons there's a strong possibility Stratex may end the year with more money in its coffers than it started with, all without cashflow or having had recourse either to debt or equity funding. With operating costs paid for too, cash burn is now minimal, all of which puts Stratex in a position of some strength, especially in a robust gold market. Now, it's up to the drillbit to do its part.

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