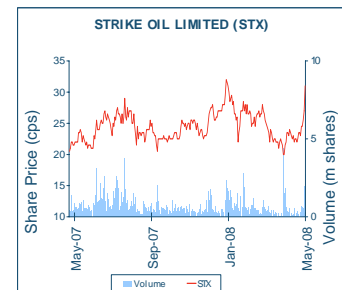


#### Brief Update Note

Stock:	Strike Oil Limited (STX 31cps)
Valuation:	61cps (prev 54cps)
Market Cap (Full. Dil.):	\$98.2m (\$105.6m)
Issued Capital (Full. Dil.):	327.2m shares (352m)
Cash (as at 31 March 2008):	\$3.6m
Date:	5 May 2008
Resources Analyst:	David Wall



Source: Iress

#### Details:

- **Duncan 2 Flows at 10mmcf/d (STX 22.8%)** – Strike has recently announced flow rates from its Duncan 2 well in Rayburn, Texas. The well is flowing at rates of 10mmcf/d with 224boc/d. This is in addition to recent success at its Duncan-1 well which continues to flow at 10mmcf/d and 260boc/d.

#### Impact

- Our valuation has increased to 61cps. This is based on the Duncan 2 result, and the continued flow rates from the Duncan 1 well. This is an excellent result for Strike and doubles its net revenue to ~US\$1.8m per month. The Company is now targeting revenue of US\$3-4m per month by mid year.

Our valuation of STX is based on 8mmcf/d initial production rates, which is slightly on the conservative side of the mean of the 5-15mmcf/d expected by the Company. Our gas price assumption for 2008 is US\$9.50 per mcf, whilst gas prices are currently above US\$10 per mcf. We have also only factored in 1 additional well (excluding those mentioned below) at Rayburn; however, continued success could see this number rise. This indicates that further upside potential remains in our valuation.

The Company also expects strong news flow over the next two months with additional drilling dependant on the success of the current well program. Newsflow expected includes:

- Test results from the Gilbert Freeman 1 well which targets the same middle Wilcox formation as the Duncan 1 & 2 wells. These should be known in 2-3 weeks.
- Completion of drilling of the Gilbert Freeman 2 well, which spudded on the weekend. These wells typically take around 30 days to drill if there are no serious complications.
- Completion and testing of the Duncan 3 well. This is expected by the end of the month or early June.
- Testing of a shallower formation at Hlavinka Duncan 1. This is a lower impact event; however, it is still significant in indicating the potential of additional gas bearing zones at the Rayburn project. Timing on this is dependant on activity in the more highly productive zone, which takes preference.
- We believe that the significance of the Rayburn project is yet to be understood by the general market, and Strike continues to trade at a substantial discount to our increased valuation of 61cps. Strong newsflow and potential continued success should see a re-rating of the stock. The Company has also recently acquired debt funding of US\$11.7m so that it should not need to issue equity to fund further drilling. We rate **Strike Oil Limited** as a **Speculative Buy**.

Strike Oil Limited		Share Price				May 2008	
STX		\$0.31				BUY	
<b>Key Market Information</b>							
Share Price		\$0.31					
Market Capitalisation		\$101m					
52 Week High-Low		\$0.33-\$0.19					
Issued Capital		327.2m					
Issued Capital (fully diluted inc. ITM options)		352.0m					
Options		24.9m@\$A0.21					
Hedging							
Yearly Turnover/Volume		\$46.4m/186.7m shares					
Liquidity Measure (Yearly Turnover/Issued Capital)		57%					
Valuation							
Discounted Cashflow @ 7% Real		\$0.61					
<b>Financial Performance</b>							
	Unit	FY2007A	FY2008F	FY2009F	FY2010F		
Net Revenue	A\$m	10.2	16.9	57.1	66.6		
Total Costs/Writeoffs	A\$m	(15.4)	(15.7)	(21.8)	(22.3)		
EBITDA	A\$m	(5.2)	1.2	35.3	44.3		
Depreciation/Amort	A\$m	(3.7)	(2.2)	(3.6)	(4.3)		
EBIT	A\$m	(8.9)	(1.0)	31.7	40.0		
Net Interest	A\$m	-	0.2	0.6	1.6		
Pre-Tax Profit	A\$m	(8.9)	(0.8)	32.4	41.5		
Tax Expense	A\$m	-	(0.1)	(11.8)	(15.2)		
NPAT	A\$m	(8.9)	(0.9)	20.6	26.4		
Abnormal Items	A\$m	-	-	-	-		
Reported Profit	A\$m	(8.9)	(0.9)	20.6	26.4		
<b>Financial Position</b>							
	Unit	FY2007A	FY2008F	FY2009F	FY2010F		
Cash	A\$m	5.9	9.4	28.1	55.6		
Other Current Assets	A\$m	3.6	11.3	16.6	17.7		
Total Current Assets	A\$m	9.5	20.6	44.7	73.4		
Property, Plant & Equip.	A\$m	0.4	1.9	9.8	12.9		
Exploration	A\$m	20.5	27.6	34.7	41.2		
Investments/other	A\$m	2.3	1.8	1.8	1.8		
Tot Non-Curr. Assets	A\$m	23.2	31.3	46.3	56.0		
Total Assets	A\$m	32.7	51.9	91.0	129.3		
Short Term Borrowings	A\$m	-	-	5.0	5.0		
Other	A\$m	1.7	10.5	20.8	32.1		
Total Curr. Liabilities	A\$m	1.7	10.5	25.8	37.1		
Long Term Borrowings	A\$m	0.1	0.0	0.0	0.0		
Other	A\$m	0.2	0.3	0.3	0.3		
Total Non-Curr. Liabil.	A\$m	0.3	0.3	0.3	0.3		
Total Liabilities	A\$m	2.1	10.8	26.0	37.4		
Net Assets	A\$m	30.6	41.1	64.9	91.9		
<b>Cashflow</b>							
	Unit	FY2007A	FY2008F	FY2009F	FY2010F		
Operating Cashflow	A\$m	6.2	7.4	40.7	53.2		
Income Tax Paid	A\$m	-	(0.1)	(11.8)	(15.2)		
Interest & Other	A\$m	0.3	0.4	0.6	1.6		
Operating Activities	A\$m	6.5	7.7	29.5	39.6		
Property, Plant & Equip.	A\$m	(3.0)	(1.1)	(9.1)	(2.7)		
Exploration/Development	A\$m	(18.9)	(13.5)	(10.0)	(10.0)		
Investments	A\$m	-	-	-	-		
Investment Activities	A\$m	(21.9)	(14.6)	(19.1)	(12.7)		
Repayment of Borrowings	A\$m	-	-	-	-		
Equity	A\$m	13.8	10.4	8.3	0.6		
Financing Activities	A\$m	13.1	10.4	8.3	0.6		
Net Cashflow	A\$m	(2.2)	3.5	18.7	27.6		
<b>Ratio Analysis</b>							
	Unit	FY2007A	FY2008F	FY2009F	FY2010F		
Cashflow Per Share	A¢	(1.6)	0.4	7.1	8.8		
Cashflow Multiple	X	(19.5)	75.9	4.4	3.5		
Earnings Per Share	A¢	(2.7)	(0.3)	6.1	7.6		
Price to Earnings Ratio	X	(11.3)	(114.8)	5.1	4.1		
Dividends Per Share	A¢	-	-	-	-		
Dividend Yield	%	-	-	-	-		
Interest Cover	X	4.6	na	-	-		
Return on Equity	%	na	na	32%	29%		
<b>Directors</b>							
Mr Peter Lynton Gunzburg		Level 9, 40 The Esplanade					
Mr David Wrench		Perth, Wa, 6000					
Mr Jeffrey Schneider		Tel: (08) 6464 0400					
Mr Simon Ashton		Fax: (08) 6464 0401					
Mr Jim Durrant		Web: http://www.strikeoil.com.au					
<b>Company Information</b>							
<b>Top 10 Shareholders (as at 11/09/07)</b>							
		m shares	%				
Plato Prospecting Pty Ltd		21.03	6.4				
National Nominees Ltd		20.90	6.4				
Calm Holdings Pty Ltd		20.00	6.1				
ANZ Nominees Limited		13.52	4.1				
Pontia Pty Ltd		9.95	3.0				
S&Y Ashton Nominees Pty Ltd		8.53	2.6				
DB Angliss Pty Ltd		5.50	1.7				
Sassey Pty Ltd		5.11	1.6				
JP Morgan Nominees Australia Ltd		4.98	1.5				
Mr Brian Williams & Mrs Valerie Williams		3.10	0.9				
<b>Production Summary</b>							
	Unit	FY2007A	FY2008F	FY2009F	FY2010F		
*Attributable							
Liquids	mmbbl	1.00	1.11	0.48	0.51		
Gas	bcf	-	1.03	4.44	5.85		
LPG	kt	-	-	-	-		
<b>Price Assumptions</b>							
	Unit	FY2007A	FY2008F	FY2009F	FY2010F		
US Gas Price	US\$/mcf	7.07	8.07	9.25	8.75		
Oil	US\$/bbl	60.66	93.15	90.00	90.00		
Exchange Rate	A\$/US\$	0.79	0.90	0.89	0.85		
<b>Hedging</b>							
	Unit	FY2007A	FY2008F	FY2009F	FY2010F		
Total Forward Sales - Oil	mmbbl	-	-	-	-		
Forward Oil Price	A\$/bbl	-	-	-	-		
<b>Sensitivity Analysis</b>							
	Valuation (\$/s)	NPAT	EPS (¢)	CFPS (¢)			
Base Case	0.61	-0.9	-0.3	0.4			
Gas Price +-10%	0.63	-0.3	-0.1	0.6			
Gas Price --10%	0.58	-1.8	-0.5	0.1			
Exchange Rate +-10%	0.57	-1.8	-0.6	0.1			
Exchange Rate --10%	0.65	-0.1	0.0	0.7			
<i>*N.B. NPAT, EPS, CFPS forecasts are for FY2008</i>							
<b>Share Price Valuation (NAV)</b>							
		\$m	\$/share				
Rayburn (NPV @ 7%)		112.4	0.32				
Rivoli (NPV @ 7%)		12.0	0.03				
Mesquite (NPV @ 7%)		7.1	0.02				
Exploration		87.4	0.25				
Cash		7.0	0.02				
Corporate Overheads		(17.4)	(0.05)				
Total Debt		0.0	0.00				
Tax Losses		0.0	0.00				
Options & Other Equity		4.85	0.01				
<b>Total</b>		<b>213.24</b>	<b>0.61</b>				
<i>7% real discount rate used for DCF (-10% nominal)</i>							
Analyst: David Wall		Last Updated: 05/05/2008					
Phone: +61 8 9268 2826							
Sources: IRESS, Company Information, Hartleys Research							

# Hartleys Corporate Directory

## Research

Nikki Ermongkonchai	Industrial Analyst	+61 8 9268 2837
Andrew Muir	Resources Analyst	+61 8 9268 3045
David Wall	Resources Analyst	+61 8 9268 2826

## Corporate Finance

Richard Simpson	Managing Director & Head of Corporate Finance	+61 8 9268 2824
Grey Egerton-Warburton	Lead Director-Corporate Finance	+61 8 9268 2851
Martin Pyle	Director-Corporate Finance	+61 8 9268 2821
Paul Fryer	Assoc Director-Corp Finance	+61 8 9268 2819
Dale Bryan	Senior Manager - Corporate Finance	+61 8 9268 2829
Ben Wale	Corporate Finance Executive	+61 8 9268 3055

## Registered Office

Level 6, 141 St Georges Tce  
Perth WA 6000  
Australia

Postal Address  
GPO Box 2777  
Perth WA 6001  
Australia

Contact Details  
Telephone: +61 8 9268 2888  
Facsimile: +61 8 9268 2800  
Website: [www.hartleys.com.au](http://www.hartleys.com.au)  
Email: [info@hartleys.com.au](mailto:info@hartleys.com.au)

Note: personal email addresses of company employees are structured in the following manner:  
firstname\_lastname@hartleys.com.au

## Hartleys Recommendation Categories

Strong Buy	Significant share price appreciation anticipated
Buy	Share price appreciation anticipated
Speculative Buy	Share price appreciation anticipated but is considered high risk
Accumulate	Buy in periods of weakness
Hold	Take no action
Reduce	Sell in periods of strength
Sell	Significant price depreciation anticipated

## Disclaimer/Disclosure

The author of this publication, Hartleys Limited ABN 33 104 195 057 ("Hartleys"), its Directors and their Associates from time to time may hold shares in the security/securities mentioned in this Research document and therefore may benefit from any increase in the price of those securities. Hartleys and its Advisers may earn brokerage, fees, commissions, other benefits or advantages as a result of a transaction arising from any advice mentioned in publications to clients.

Any financial product advice contained in this document is unsolicited general information only. Do not act on this advice without first consulting your investment adviser to determine whether the advice is appropriate for your investment objectives, financial situation and particular needs. Hartleys believes that any information or advice (including any financial product advice) contained in this document is accurate when issued. Hartleys however, does not warrant its accuracy or reliability. Hartleys, its officers, agents and employees exclude all liability whatsoever, in negligence or otherwise, for any loss or damage relating to this document to the full extent permitted by law.

## Institutional Sales

Carrick Ryan	+61 8 9268 2864
Darren Reed	+61 8 9268 3053
Davide Bosio	+61 8 9268 3042
Simon Van Den Berg	+61 8 9268 2867

## Wealth Management

Nicola Bond	+61 8 9268 2840
Bradley Booth	+61 8 9268 2873
Nathan Bray	+61 8 9268 2874
Sven Burrell	+61 8 9268 2847
Simon Casey	+61 8 9268 2875
Tony Chien	+61 8 9268 2850
Travis Clark	+61 8 9268 2876
David Cross	+61 8 9268 2860
Nicholas Draper	+61 8 9268 2883
John Featherby	+61 8 9268 2811
Ben Fleay	+61 8 9268 2844
Robin Forbes	+61 8 9268 2813
John Georgiades	+61 8 9268 2887
John Goodlad	+61 8 9268 2890
Andrew Gribble	+61 8 9268 2842
Neil Inglis	+61 8 9268 2894
Murray Jacob	+61 8 9268 2892
Gavin Lehmann	+61 8 9268 2895
Shane Lehmann	+61 8 9268 2897
Steven Loxley	+61 8 9268 2857
Andrew Macnaughtan	+61 8 9268 2898
Christian Marriott	+61 8 9268 2828
Scott Metcalf	+61 8 9268 2807
David Michael	+61 8 9268 2835
Nicole Morcombe	+61 8 9268 2896
Jamie Mouglin	+61 8 9268 2856
Chris Munro	+61 8 9268 2858
Michael Munro	+61 8 9268 2820
Ian Parker	+61 8 9268 2810
Margaret Radici	+61 8 9268 3051
Charlie Ransom	+61 8 9268 2868
James Robinson	+61 8 9268 2859
Conlie Salvemini	+61 8 9268 2833
Darryl Smalley	+61 8 9268 2808
David Smyth	+61 8 9268 2839
Greg Soudure	+61 8 9268 2834
Sonya Soudure	+61 8 9268 2865
Dirk Vanderstruyf	+61 8 9268 2855
Marlene White	+61 8 9268 2806