WA Oil & Gas: Explorer / Producer

Hartleys

STRIKE OIL LTD

High Impact Drilling Imminent

Strike Oil Limited ("Strike", "STX", "Company") has provided an update on the timing of near term activity at its projects located onshore in the USA and in the Southern Cooper Basin in Australia. Conventional gas/condensate exploration drilling is planned in the USA from November, and core-hole drilling on a large prospective coal seam gas resource is planned in Australia from December.

4 Wells in USA Could Add 60cps, November Kick-Off

The Company is planning to commence a 3-4 well program from November 2009 at its 30% owned acreage onshore Gulf Coast, Texas. The prospects are in the order of 30-50 billion cubic feet of gas each, with associated condensate. We estimate that each prospect could add up to 15cps of value for the Company, if successful.

Strike has an additional ~150 billion cubic feet of net potential from appraisal potential at its producing Rayburn asset and other exploration prospects. We estimate that the total potential of the exploration and appraisal potential could be as high as 180cps for the Company.

5,000 PJ Coal Seam Gas Potential, Drilling December

Strike has independently verified net potential of 5,000-13,000 petajoules of gas in place at its 66.7% owned coal seam gas project located in the Southern Cooper Basin, in South Australia. The coals have been identified from previous petroleum exploration drilling and are relatively deep by comparison to traditional coal seam gas projects in Queensland; however, have higher average and aggregate thickness. The project also has a significant differentiator to many of its peers due to its proximity to the Moomba to Adelaide gas pipeline that has 150 TJ/d spare capacity.

The Company has selected drilling locations and is currently tendering for a drilling contract. Drilling of three appraisal wells designed to core the coal seams is targeted for late November / early December 2009. The results of these wells will provide crucial information that will help to determine the potential of the project as well as assisting in the design of the production pilot, planned for mid CY2010. A successful production pilot would allow booking of reserves by the end of CY2010.

Core Production Assets Underpin Value, Huge Upside

Strike has reserves and production from its Rayburn and Mesquite projects in the USA, which generated profit last year of $10m for the Company. We estimate that these assets plus net cash are worth 15cps, indicating that very little value is ascribed to the exploration potential in the USA and Australia. The Company also has a coal to liquids project that has significant potential but is ascribed no value by the market.

By comparison to projects with similar potential in other ASX listed entities, Strike is highly undervalued. Any one of its projects could result in multiple returns on investment and we rate Strike as a BUY.

STX.asx

Buy

21 Sep 2009

Share Price:	$0.240
6mth Price Target:	$0.36

Brief Business Description:
Oil and gas producer / explorer with cornerstone assets in the US.

Hartleys Brief Investment Conclusion
Valuation underpinned by US assets. May be re-rated on recently acquired CSG permit.

Chairman & CEO:
Jeffrey Schneider (Chairman)
Simon Ashton (Managing Director)

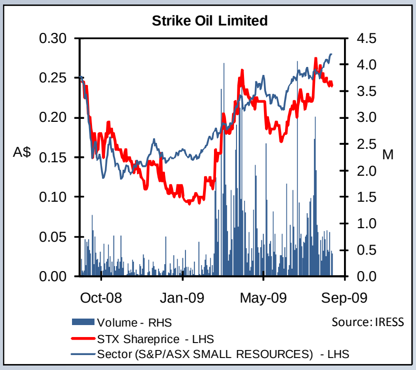
Top Shareholders:
Plato Prospecting Pty Ltd (6.9%)
Calm Holdings Pty Ltd (6.1%)
National Nominees Limited (5.7%)

Company Address:
Level 9, 40 The Esplanade
Perth, WA, 6000

Valuation:	$0.61
Issued Capital:	328.6m
- fully diluted	334.3m
Market Cap:	$78.9m
- fully diluted	$80.2m
Debt (30 Jun '09):	-$6.5m
Cash Equiv (30 Jun '09):	$14.8m

	FY08a	FY09e	FY10e
Prodn (mmboe)	0.220	0.612	0.420
Op Cash Flw	$4.8m	$22.8m	$17.7m
Free Cash Flw	-$14.1m	$7.0m	$7.7m
NPAT* (A$m)	$0.4m	$10.2m	$1.1m
EPS ($, bas)*	0.1x	3.0x	0.3x
P/E (basic)*	202.3x	7.9x	77.3x
EV / EBITDA	24.9x	5.0x	16.1x
DPS ($)	-	-	-
Franking	100%	100%	100%
Dividend Yield	0.0%	0.0%	0.0%
N.D. / equity	18%	17%	17%
Chg in Cash	2.5	4.8	8.4
- per share			
Net Cash End	$13.1m	$13.9m	$22.7m
2P Reserve (bcfe)		19.30	
EV / 2P Reserve		$3.73	

*normalised
Source: Hartleys Research



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Hartleys has provided corporate advice within the past 12 months and continues to provide corporate advice to Strike Oil Limited. See disclosure on back page for details.

Hartleys does and seeks to do business with companies covered in its research reports. As a result, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision.

SUMMARY MODEL

Strike Oil Limited — **Share Price** — **September 2009**
STX — **$0.24** — **BUY**

Key Market Information	
Share Price	**$0.24**
Market Capitalisation	$79m
52 Week High-Low	$0.40-$0.115
Issued Capital	328.6m
Issued Capital (fully diluted inc. ITM options)	334.3m
Options	12.8m@$A0.27
Hedging	
Yearly Turnover/Volume	$32.2m/119.7m shares
Liquidity Measure (Yearly Turnover/Issued Capital)	36%
Valuation	
Discounted Cashflow @ 10% Real	$0.61
6 Month Price Target	$0.36

Financial Performance	Unit	FY2008A	FY2009F	FY2010F	FY2011F
Net Revenue	**A$m**	**18.2**	**41.2**	**21.0**	**18.7**
Total Costs/Writeoffs	**A$m**	**(15.3)**	**(26.9)**	**(16.6)**	**(11.2)**
EBITDA	A$m	2.9	14.3	4.5	7.5
Depreciation/Amort	A$m	(2.7)	(4.0)	(2.9)	(2.2)
EBIT	**A$m**	**0.2**	**10.3**	**1.6**	**5.3**
Net Interest	A$m	0.2	(0.1)	0.1	0.6
Pre-Tax Profit	**A$m**	**0.4**	**10.2**	**1.7**	**5.9**
Tax Expense	A$m	-	-	(0.6)	(2.1)
NPAT	**A$m**	**0.4**	**10.2**	**1.1**	**3.7**
Abnormal Items	A$m	-	-	-	-
Reported Profit	A$m	**0.4**	**10.2**	**1.1**	**3.7**

Financial Position	Unit	FY2008A	FY2009F	FY2010F	FY2011F
Cash	**A$m**	**8.4**	**13.3**	**21.6**	**24.6**
Other Current Assets	A$m	12.7	17.8	7.8	6.8
Total Current Assets	**A$m**	**21.1**	**31.1**	**29.5**	**31.3**
Property, Plant & Equip.	A$m	13.0	22.4	20.7	19.7
Exploration	A$m	13.1	13.9	22.7	31.5
Investments/other	A$m	1.6	1.0	1.0	1.0
Tot Non-Curr. Assets	**A$m**	**27.7**	**37.3**	**44.4**	**52.2**
Total Assets	**A$m**	**48.8**	**68.4**	**73.9**	**83.6**
Short Term Borrowings	A$m	1.6	3.0	3.0	3.0
Other	A$m	3.5	18.0	24.9	29.7
Total Curr. Liabilities	**A$m**	**5.1**	**21.0**	**27.9**	**32.7**
Long Term Borrowings	A$m	5.2	4.1	4.1	4.1
Other	A$m	0.4	0.3	0.3	0.3
Total Non-Curr. Liabil.	**A$m**	**5.5**	**4.4**	**4.4**	**4.4**
Total Liabilities	**A$m**	**10.7**	**25.4**	**32.3**	**37.1**
Net Assets	**A$m**	**38.1**	**42.9**	**41.6**	**46.4**

Cashflow	Unit	FY2008A	FY2009F	FY2010F	FY2011F
Operating Cashflow	A$m	4.5	29.3	21.2	13.4
Income Tax Paid	A$m	-	-	(0.6)	(2.1)
Interest & Other	A$m	0.3	(6.5)	(2.9)	0.6
Operating Activities	**A$m**	**4.8**	**22.8**	**17.7**	**11.8**
Property, Plant & Equip.	A$m	(6.6)	(7.2)	-	-
Exploration/Development	A$m	(14.5)	(11.2)	(10.0)	(10.0)
Investments	A$m	2.2	2.6	-	-
Investment Activities	**A$m**	**(18.9)**	**(15.8)**	**(10.0)**	**(10.0)**
Draw/Repay Borrowings	A$m	7.5	(2.2)	-	-
Equity	A$m	17.9	-	0.8	1.1
Financing Activities	**A$m**	**16.6**	**(2.2)**	**0.8**	**1.1**
Net Cashflow	**A$m**	**2.5**	**4.8**	**8.4**	**2.9**

Ratio Analysis	Unit	FY2008A	FY2009F	FY2010F	FY2011F
Cashflow Per Share	A¢	1.5	6.7	5.1	3.4
Cashflow Multiple	X	16.4	3.6	4.7	7.1
Earnings Per Share	A¢	0.1	3.0	0.3	1.1
Price to Earnings Ratio	X	202.3	7.9	77.3	22.6
Dividends Per Share	A¢	-	-	-	-
Dividend Yield	%	-	-	-	-
Interest Cover	X	na	191.3	na	na
Return on Equity	%	1%	24%	3%	8%

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Mr Jeffrey Schneider	Perth, WA, 6000
Mr Simon Ashton	Tel: (08) 6103 0999
Mr Tim Clifton	Fax: (08) 6103 0990
	Web: http://www.strikeoil.com.au

Top 10 Shareholders (as at 11/09/07)	m shares	%
Plato Prospecting Pty Ltd	22.52	6.9
Calm Holdings Pty Ltd	20.00	6.1
National Nominees Limited	18.57	5.7
ANZ Nominees Limited	12.33	3.8
S & Y Ashton Nominees Pty	8.53	2.6
Mr James Michael Durrant	8.09	2.5
D B Angliss Pty Ltd	6.00	1.8
Sassey Pty Ltd	5.11	1.6
J P Morgan Nominees	4.51	1.4
Australia Limited	2.80	0.9

Reserves (30 Jun 09)	Unit	1P	2P*
*estimate			
Rayburn / Mesquite	bcfe	9.20	19.30

Production Summary	Unit	FY2008A	FY2009F	FY2010F	FY2011F
*Attributable					
Liquids	mmbbl	0.03	0.08	0.05	0.04
Gas	bcf	1.17	3.21	2.19	1.56
Total	**mmboe**	**0.22**	**0.61**	**0.42**	**0.30**
Daily Production	boe/d	603	1,677	1,152	821

Price Assumptions	Unit	CY2009	CY2010	CY2011	CY2012
US Gas Price	US$/mcf	3.85	6.00	7.00	7.00
Oil	US$/bbl	58.68	70.00	80.00	85.00
Exchange Rate	A$/US$	0.76	0.75	0.80	0.75

Hedging	Unit	FY2008A	FY2009F	FY2010F	FY2011F
Total Forward Sales - Oil	mmbbl	-	-	-	-
Forward Oil Price	A$/bbl	-	-	-	-

Sensitivity Analysis	Valuation ($/s)	NPAT	EPS (¢)	CFPS (¢)
Base Case	**0.61**	**1.1**	**0.3**	**5.1**
Gas Price +-10%	0.61	1.1	0.3	5.1
Gas Price --10%	0.61	1.1	0.3	5.1
Exchange Rate +-10%	0.55	0.0	0.0	4.8
Exchange Rate --10%	0.55	0.0	0.0	4.8
Oil Price +-10%	0.55	1.1	0.3	5.1
Oil Price --10%	0.66	1.6	0.5	5.1

**N.B. NPAT, EPS, CFPS forecasts are for FY2010*

Share Price Valuation (NAV)	$m	$/share
Rayburn (NPV @ 10%)	42.4	0.13
PEL 96 (Risked Valuation)	33.4	0.10
Mesquite (NPV @ 10%)	2.4	0.01
Exploration	89.8	0.27
Hybrid (NPV @ 10%)	38.8	0.12
Cash	13.3	0.04
Corporate Overheads	(14.9)	(0.04)
Total Debt	(6.5)	(0.02)
Tax Losses	0.0	0.00
Options & Other Equity	3.16	0.01
Total	**203.31**	0.61

10% real discount rate used for DCF (~13.3% nominal)

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Last Updated: 21/09/2009

Sources: IRESS, Company Information, Hartleys Research

HARTLEYS RESEARCH COVERAGE LIST

	Hartleys Research Coverage Name	Ticker	Last Price*	M. CAP (A$m)	EV (A$m)	Hartleys Research Recommendation	Industry
	Oil & Gas						
1.	Woodside Petroleum Ltd	WPL	52.75	36,849	39,746	Buy	Major
2.	Eastern Star Gas Ltd	ESG	1.01	824	746	Buy	Producer / Explorer
3.	Carnarvon Petroleum Ltd	CVN	0.615	420	386	Buy	Producer / Explorer
4.	Nexus Energy Ltd	NXS	0.340	219	376	Speculative Buy	Developer / Explorer
5.	Tap Oil Ltd	TAP	1.19	185	131	Buy	Producer / Explorer
6.	Cooper Energy Ltd	COE	0.440	128	32	Buy	Producer / Explorer
7.	Red Fork Energy Ltd	RFE	1.09	127	119	Buy	Explorer / Producer
8.	Strike Oil Ltd	STX	0.240	79	72	Buy	Explorer / Producer
9.	Oilex Ltd	OEX	0.335	59	49	Speculative Buy	Explorer / Producer
10.	Amadeus Energy Ltd	AMU	0.265	52	94	Buy	Producer / Explorer
11.	European Gas Ltd	EPG	0.195	39	103	Speculative Buy	Producer / Explorer
12.	First Australian Resources Ltd	FAR	0.048	31	11	Neutral	Explorer / Producer
13.	Sun Resources NL	SUR	0.089	30	21	Speculative Buy	Explorer / Producer
14.	Adelphi Energy Ltd	ADI	0.074	11	3	Speculative Buy	Junior
			Sub-Total	39,054	41,890		
	Resources						
1.	Riversdale Mining Limited	RIV	5.89	1,110	784	Speculative Buy	Coal
2.	Western Areas NL	WSA	5.110	860	1,096	Buy	Nickel
3.	Atlas Iron Limited	AGO	1.83	729	679	Buy	Iron Ore
4.	Medusa Mining Limited	MML	3.560	601	568	Buy	Gold
5.	Dominion Mining Limited	DOM	4.260	438	487	Speculative Buy	Gold
6.	Jabiru Metals Limited	JML	0.480	262	243	Buy	Zinc-Copper
7.	Gold One International Limited	GDO	0.350	251	173	Buy	Gold
8.	Silver Lake Resources	SLR	1.01	155	135	Speculative Buy	Gold
9.	Intrepid Mines Limited	IAU	0.325	139	92	Speculative Buy	Gold
10.	Magma Metals Limited	MMB	0.670	109	89	Speculative Buy	PGM-Cu-Ni
11.	Emmerson Resources Limited	ERM	0.360	73	61	Speculative Buy	Junior Explorer
12.	Peninsula Minerals Ltd	PEN	0.050	55	41	Speculative Buy	Uranium Developer / Explorer
13.	YTC Resources Limited	YTC	0.270	42	29	Buy	Junior Explorer
14.	Ausquest Limited	AQD	0.150	34	8	Speculative Buy	Junior Explorer
15.	Hazelwood Resources Ltd	HAZ	0.220	22	21	Speculative Buy	Junior Explorer
16.	Shaw River Resources Limited	SRR	0.160	21	18	Speculative Buy	Junior Explorer
17.	Impact Minerals Limited	IPT	0.165	15	11	Speculative Buy	Junior Explorer
18.	Southern Gold Limited	SAU	0.099	12	10	Speculative Buy	Junior Explorer
			Sub-Total	4,902	4,522		
	Industrials						
1.	West Australia News Hdgs Ltd	WAN	7.11	1,532	1,835	Buy	Media
2.	Monadelphous Group Limited	MND	14.180	1,203	1,074	Neutral	Mining Services
3.	Clough Limited	CLO	0.980	655	700	No Rating	Oil & Gas Services
4.	Austal Limited	ASB	3.040	572	478	Buy	Capital Goods
5.	Mermaid Marine Australia Ltd	MRM	3.00	547	599	Buy	Oil & Gas Services
6.	Macmahon Holdings Limited	MAH	0.720	528	530	Speculative Buy	Mining & Civil Construction
7.	NRW Holdings Ltd	NWH	1.71	428	469	Buy	Mining & Civil Construction
8.	Fleetwood Corporation	FWD	8.05	416	427	Buy	Consumer & Mining Services
9.	Neptune Marine Ltd	NMS	0.890	395	370	Buy	Marine Services
10.	Ausdrill Limited	ASL	1.83	319	487	Buy	Onshore Drilling & Mining
11.	Cash Converters Limited	CCV	0.605	221	172	Buy	Retail & Consumer Finance
12.	Southern Cross Electrical	SXE	1.54	185	161	Buy	Mining & Civil Construction
13.	RCR Tomlinson Ltd	RCR	1.30	169	218	Buy	Mining & Industrial Services
14.	Nomad Building Solutions Ltd	NOD	1.19	160	186	Speculative Buy	Residential & Mining Services
15.	Decmil Group Limited	DCG	1.365	160	142	Buy	Mining & Civil Construction
16.	Imdex Ltd	IMD	0.800	155	177	Buy	Oil & Gas / Mining Services
17.	Lycopodium Limited	LYL	3.160	120	116	Neutral	Mining & Industrial Services
18.	GRD Limited	GRD	0.540	104	138	Buy	Mining & Civil Services
19.	Swick Mining Services Ltd	SWK	0.635	97	151	Buy	Mining Services
20.	VDM Group Limited	VMG	0.615	69	153	Speculative Buy	Mining & Civil Construction
			Sub-Total	8,035	8,583		
			GRAND TOTAL	51,992	54,996		

Source: IRESS, Hartleys Research. * 18 Sep 2009

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Hartleys Recommendation Categories

No Rating	No recommendation.
Buy	Share price appreciation anticipated
Speculative Buy	Share price appreciation anticipated but it is higher risk than a "Buy". For the share price to rise it may be contingent on the outcome of an uncertain or distant event.
Neutral	Take no action. Stock is already trading near the share price target and there are no foreseeable near term catalysts.
Reduce / Take profits	Stock is trading above the share price target and there is a near term negative catalyst that could cause temporary weakness.
Sell	Significant price depreciation anticipated

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