

SAMSON OIL & GAS LTD

Litmus Test 1 – Hawk Springs Niobrara

Samson Oil and Gas Limited (“Samson”, “SSN”, “Company”) has commenced fracking operations at its Hawk Springs Project in Goshen County, Wyoming. Eight of fifteen stages have been pumped at the Defender well, in which SSN has a 37.5% free carried working interest by virtue of a farm-out to Halliburton. Halliburton is managing the fracture stimulation operations. A flow rate may be known in 2-4 weeks.

Defender is testing the potential of the Niobrara Shale and was completed in the Niobrara “B” zone. A significant amount of science has been used to increase the chance of success for the well, including 3D seismic and coring. Despite this, the well is considered moderate to high risk as it is the first of its kind in this region. It can often take several wells to understand the optimal completion required for a particular area for an emerging resource play, such as the Niobrara Shale.

We had previously reported lacklustre results from nearby wells by Chesapeake; however, we do not believe these to be significant as there are many differences such as geology (lower resistivity and possible lack of mature source rock), lack of use of 3D seismic to locate wells (partly due to drilling commitments on leases), and different completion techniques. Chesapeake has announced that it is selling out of its acreage in the region to focus on other projects. Many positive results continue to be reported elsewhere in the play.

Litmus Test 2 – Spirit of America

Samson recently ceased drilling at the Spirit of America well, prior to reaching the main targets, due to difficult downhole conditions, rig limitations and sub optimal well design. The well has found oil in the shallower J-Sand (Muddy Formation) and has been completed for production testing. The likely potential oil pool is not considered material but may result in recovery of a portion of the drilling costs. The failure to reach the primary targets is disappointing; however, due to the perceived high risk nature of these targets, we chose not to include them in our valuation.

Litmus Test 3 – Roosevelt Bakken

The Company has commenced drilling at two wells at its Roosevelt Project, in Roosevelt County, Montana. The Australia II and Gretel II wells are targeting the Bakken Shale formation and will be drilled as vertical wells, in order to take core, prior to a horizontal section with multi stage fracture stimulation. The acreage is considered highly prospective, with the main risk of relatively higher water saturation deemed to be manageable. Industry activity, including flow rates from nearby wells, provides a high level of confidence for commercial results.

Summing Up – Buy on Weakness for Roosevelt

Recent results in the Niobrara have been mixed; however, drilling and leasing closer to the Roosevelt Project continues to be positive. In light of this, our confidence for good results from the Hawk Springs wells has decreased slightly. We now believe that an OK result is likely but that further work may be required to achieve a conclusively economic outcome. On the other hand, confidence in the potential at Roosevelt has increased due to continued strong flow rates from nearby wells and an increase in leasing activity.

Consequently, any further weakness in share price should be considered as strong buying opportunity. We rate SSN as a Buy with a price target of 21cps.

14 Nov 2011

Share Price: \$0.10
6mth Price Target: \$0.21

Brief Business Description:

Oil and gas developer / explorer with core assets in the Niobrara and Bakken Shale onshore USA.

Hartleys Brief Investment Conclusion

6 wells in next 6 months could crystallise in excess of \$1b in value.

Chairman & CEO:

Dr Victor Rudenno (Chairman)
Mr Terry Barr (Managing Director)

Top Shareholders:

National Nominees Ltd (7.8%)
Macquarie Bank Ltd (2.1%)
Flush Nominees Pty Ltd (0.9%)

Company Address:

Level 36, 2 The Esplanade
Perth, WA, 6000

Valuation: \$0.28
Issued Capital: 1750.2m
- fully diluted 2112.0m
Market Cap: \$175.0m
- fully diluted \$211.2m
Cash Equiv (30 Sep '11): \$54.0m
Debt (30 Sep '11): \$0.0m

Valuation Summary#

	FY10a	FY11a	FY12e
Prodn (mmboe)	0.14	0.15	0.57
Op Cash Flw	-\$1.2m	-\$10.5m	\$22.4m
Free Cash Flw	-\$7.2m	\$59.0m	-\$10.5m
NPAT* (A\$m)	\$0.8m	-\$6.7m	\$21.8m
EPS (\$, bas)*	0.0x	-0.4x	1.3x
P/E (basic)*	203.6x	-24.7x	7.8x
EV / EBITDA	-28.6x	-23.4x	4.1x
DPS (\$)	-	-	-
Franking	100%	100%	100%
Dividend Yield	0.0%	0.0%	0.0%
N.D. / equity	18%	na	na

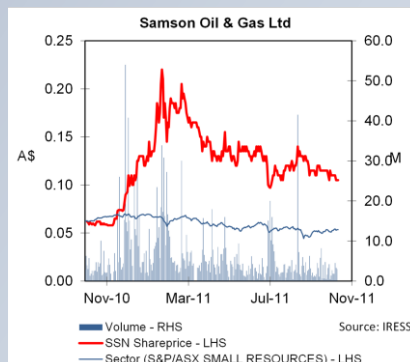
Net Cash End -\$5.4m \$58.4m \$27.9m

Prospective Shale Acres 16,003
EV / acre \$ 9,823

Resource (mmboe) 36.0
EV / Resource (\$/mmboe) \$4.37

Source: Hartleys Research, *normalised

financial forecasts are unrisks



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Hartleys has provided corporate advice within the past 12 months and continues to provide corporate advice to Samson Oil & Gas Ltd. See disclosure on back page for details. The analyst has a beneficial interest in the shares of Samson Oil and Gas Ltd.

HARTLEYS RESEARCH COVERAGE LIST

Hartleys Gold Research Coverage						Hartleys Research Recommendation					
Name	Ticker	Last Price*	M. CAP (\$m)	Status	Hartleys Research Recommendation	Name	Ticker	Last Price*	M. CAP (\$m)	Status	Hartleys Research Recommendation
Resources						Oil & Gas					
Gold / Precious Metals						Conventional Oil & Gas					
1. Evolution Mining Limited	EVN	1.72	1,206	Producer	Buy	1. Woodside Petroleum Ltd	WPL	36.28	28,778	Major	Buy
2. Silver Lake Resources Limited	SLR	3.54	657	Producer	Buy	2. Nexus Energy Ltd	NXS	0.27	259	Developer / Explorer	No Rating
3. Intrepid Mines Limited	IAU	1.17	609	Explorer	Speculative Buy	3. Tap Oil Ltd	TAP	0.69	165	Producer / Explorer	Buy
4. Beadell Resources Limited	BDR	0.740	487	Developer	Accumulate	4. Cooper Energy Ltd	COE	0.39	114	Producer / Explorer	Buy
5. Integra Mining Limited	IGR	0.530	446	Producer	Buy	5. Otto Energy Ltd	OEL	0.09	98	Explorer / Producer	Buy
6. Gold One International Limited	GDO	0.540	436	Producer	No Rating	6. Carnarvon Petroleum Ltd	CVN	0.13	86	Producer / Explorer	Accumulate
7. Tanami Gold NL	TAM	1.04	270	Producer	Accumulate	7. WHL Energy Ltd	WHN	0.06	72	Explorer	Speculative Buy
8. Focus Minerals Ltd	FML	0.059	255	Producer	Buy	8. Pancontinental Oil and Gas NL	PCL	0.10	66	Explorer	Speculative Buy
9. Northern Star Resources Ltd	NST	0.675	236	Producer	Buy	9. Amadeus Energy Ltd	AMU	0.22	65	Producer / Explorer	Neutral
10. PMI Gold Corporation Limited	PVM	1.140	228	Developer	Speculative Buy	10. Hawkey Oil and Gas Ltd	HOG	0.26	49	Producer / Explorer	Buy
11. Papillon Resources Limited	PIR	0.740	153	Explorer	Speculative Buy	11. FAR Ltd	FAR	0.03	37	Explorer	Speculative Buy
12. YTC Resources Limited	YTC	0.500	124	Developer	Buy	12. Sun Resources NL	SUR	0.02	14	Explorer / Producer	Speculative Buy
13. Cerro Resources NL	CJO	0.140	105	Developer / Explorer	Accumulate	Non Conventional Oil & Gas					
14. Emmerson Resources Limited	ERM	0.240	54	Explorer	Speculative Buy	13. Aurora Oil and Gas Ltd	AUT	3.35	1,377	Producer / Developer	Reduce
15. Augur Resources Ltd	AUK	0.200	35	Explorer	Speculative Buy	14. Samson Oil & Gas Ltd	SSN	0.11	183	Developer / Producer	Buy
16. Cortona Resources Limited	CRC	0.120	26	Developer	Accumulate	15. Oilex Ltd	OEX	0.27	68	Explorer / Producer	Speculative Buy
17. Canyon Resources Limited	CAY	0.550	25	Explorer	Speculative Buy	16. European Gas Ltd	EPG	0.34	68	Producer / Explorer	Speculative Buy
18. Southern Gold Limited	SAU	0.045	11	Explorer	Speculative Buy	17. Transerv Energy Ltd	TSV	0.01	42	Developer	Speculative Buy
19. Geopacific Resources NL	GPR	0.280	10	Explorer	Speculative Buy	18. Austin Exploration Ltd	AKK	0.03	18	Producer / Appraisal	Speculative Buy
Diversified Base / Precious Metals						Sub-Total 31,560					
20. Independence Group NL	IGO	4.970	1,007	Gold & Base Prod./Dev.	Buy	Industrials					
21. Aviva Corporation Limited	AVA	0.150	25	Gold & Base Explorer	Speculative Buy	Resource Services - Capital Intensive					
22. Ausquest Limited	AQD	0.070	16	Diversified explor	Speculative Buy	1. Ausdrill Limited	ASL	2.92	880	Contract Drilling	Buy
23. Silver Swan Group Ltd	SWN	0.068	9	Base Metal Explorer	Speculative Buy	2. Fleetwood Corporation	FWD	12.99	751	Accommodation	Neutral
Iron Ore						3. NRW Holdings Ltd	NWH	2.48	692	Contract mining	Buy
24. Atlas Iron Limited	AGO	3.23	2,872	Producer	Buy	4. Mermaid Marine Ltd	MRM	3.14	676	Oil & Gas Services	Accumulate
25. Centaurus Metals Ltd	CTM	0.620	83	Explorer	Speculative Buy	5. Macmahon Holdings Limited	MAH	0.60	440	Contract mining	Accumulate
Uranium						6. Imdex Ltd	IMD	1.96	400	Drilling Supplies	Buy
26. Peninsula Energy Ltd	PEN	0.040	85	Developer	Accumulate	7. MACA Ltd	MLD	2.12	318	Contract mining	Buy
27. Impact Minerals Limited	IPT	0.062	7	Explorer	Speculative Buy	8. Matrix Composites &	MCE	3.17	244	Oil & Gas Services	Neutral
Other metals						9. Pacific Energy Ltd	PEA	0.37	128	Remote Power	Buy
28. Kasbah Resources Limited	KAS	0.180	66	Tin Developer	Buy	10. Swick Mining Services Ltd	SWK	0.31	72	Contract Drilling	Buy
29. Hazelwood Resources Ltd	HAZ	0.140	37	Tungsten Developer	Speculative Buy	Resource Services - Labour Intensive					
30. Shaw River Resources Limited	SRR	0.140	35	Manganese Developer	Speculative Buy	11. Monadelphous Group Limited	MND	18.97	1,661	Construction	Buy
Sub-Total 9,614						12. Decmil Group Limited	DCG	2.24	278	Construction	Buy
						13. Lycopodium Limited	LYL	5.93	229	Engineer. & Constr.	Accumulate
						14. RCR Tomlinson Ltd	RCR	1.70	225	Engineer. & Constr.	Buy
						15. LogiCams Limited	LCM	0.81	54	Engineer. & Constr.	Speculative Buy
						Other Industrial Companies					
						16. Austal Limited	ASB	2.30	433	Civil and Military	Buy
						17. iNet Limited	IIN	2.42	368	Telecommunications	Buy
						18. Amcom Telecommunications	AMM	0.85	204	Telecommunications	Accumulate
						19. Cash Converters Internat.	CCV	0.49	194	Unsecured Finance	Buy
						20. RedHill Education Ltd	RDH	0.11	3	'For profit' education	Neutral
						Sub-Total 8,253					
						68. GRAND TOTAL 49,428					

Source: IRESS, Hartleys Research. * 14 Nov 2011

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Hartleys Recommendation Categories

Buy	Share price appreciation anticipated.
Accumulate	Share price appreciation anticipated but the risk/reward is not as attractive as a "Buy". Alternatively, for the share price to rise it may be contingent on the outcome of an uncertain or distant event. Analyst will often indicate a price level at which it may become a "Buy".
Neutral	Take no action. Upside & downside risk/reward is evenly balanced.
Reduce / Take profits	It is anticipated to be unlikely that there will be gains over the investment time horizon but there is a possibility of some price weakness over that period.
Sell	Significant price depreciation anticipated.
No Rating	No recommendation.
Speculative Buy	Share price could be volatile. While it is anticipated that, on a risk/reward basis, an investment is attractive, there is at least one identifiable risk that has a meaningful possibility of occurring, which, if it did occur, could lead to significant share price reduction. Consequently, the investment is considered high risk.

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Hartleys has provided corporate advice within the past 12 months and continues to provide corporate advice to Samson Oil & Gas Limited, for which it earned fees and continues to earn fees.

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