

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

## FORM 10-Q

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended **March 31, 2019**  
OR

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Commission File Number: **001-33578**

## Samson Oil & Gas Limited

(Exact Name of Registrant as Specified in its Charter)

**Australia**

(State or Other Jurisdiction of Incorporation or Organization)

N/A

(I.R.S. Employer Identification No.)

**Level 16, AMP Building,**

**140 St Georges Terrace**

**Perth, Western Australia 6000**

(Address Of Principal Executive Offices)

(Zip Code)

**+61 8 9220 9830**

(Registrant's Telephone Number, Including Area Code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
N/A	N/A	N/A

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.  Yes  No

Indicate by check mark whether the registrant has submitted electronically, if any, every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See definition of "accelerated filer," "large accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act:

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for

complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. "

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes " No x

There were 328,300,044 ordinary shares outstanding as of May 15, 2019.

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**SAMSON OIL & GAS LIMITED**  
**FORM 10-Q**  
**QUARTER ENDED March 31, 2019**

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## FORWARD-LOOKING STATEMENTS

Written forward-looking statements may appear in documents filed with the Securities and Exchange Commission (“SEC”), including this quarterly report, documents incorporated by reference, reports to shareholders and other communications.

The U.S. Private Securities Litigation Reform Act of 1995 provides a “safe harbor” for forward-looking information to encourage companies to provide prospective information about themselves without fear of litigation so long as the information is identified as forward looking and is accompanied by meaningful cautionary statements identifying important factors that could cause actual results to differ materially from those projected in the information. Samson relies on this safe harbor in making forward-looking statements.

Forward-looking statements appear in a number of places in this quarterly report and include but are not limited to management’s comments regarding business strategy, exploration and development drilling prospects and activities at our Foreman Butte and other properties, oil and gas pipeline availability and capacity, natural gas and oil reserves and production, our intentions and prospects with respect to our credit facility, our potential asset sale and refinancing efforts, meeting our capital raising targets and the use of proceeds, our plans, our ability to and methods by which we may raise additional capital, production and future operating results, and the objectives outlined under the section “Looking Ahead” below.

In this quarterly report, the use of words such as “anticipate,” “continue,” “could,” “estimate,” “expect,” “likely,” “may,” “will,” “project,” “should,” “believe” and similar expressions are intended to identify uncertainties. While we believe that the expectations reflected in those forward-looking statements are reasonable, we cannot assure you that these expectations will prove to be correct. Our actual results could differ materially from those anticipated in these forward-looking statements. The differences between actual results and those predicted by the forward-looking statements could be material. Forward-looking statements are based upon our expectations relating to, among other things:

- our future financial position, including cash flow, debt levels and anticipated liquidity;
- the timing, effects and success of our exploration and development activities;
- uncertainties in the estimation of proved reserves and in the projection of future rates of production;
- timing, amount, and marketability of production;
- third party operational curtailment, processing plant or pipeline capacity constraints beyond our control;
- our ability to acquire and dispose of oil and gas properties at favorable prices;
- our ability to market, develop and produce new properties;
- declines in the values of our properties that may result in write-downs;
- effectiveness of management strategies and decisions;
- oil and natural gas prices and demand;
- unanticipated recovery or production problems, including cratering, explosions, fires;
- the strength and financial resources of our competitors;
- our entrance into transactions in commodity derivative instruments;
- climatic conditions; and
- effectiveness of management strategies and decisions

Many of these factors are beyond our ability to control or predict. Neither these factors nor those included in the “Risk Factors” section of this quarterly report, if any, represent a complete list of the factors that may affect us. We do not undertake to update the forward-looking statements made in this report.



## Part I – Financial Information

## Item 1. Financial Statements.

**SAMSON OIL & GAS LIMITED AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
(Unaudited)

	<u>31-Mar-19</u>	<u>30-Jun-18</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 1,076,469	\$ 1,376,676
Accounts receivable	2,035,593	1,759,461
Prepayments	-	137,342
Oil inventory	314,811	219,288
<b>Total current assets</b>	<u>3,426,873</u>	<u>3,492,767</u>
<b>PROPERTY, PLANT AND EQUIPMENT, AT COST</b>		
Oil and gas properties, successful efforts method of accounting, less accumulated depreciation, depletion and impairment of \$16,667,527 and \$12,606,491 at March 31, 2019 and June 30, 2018, respectively	29,021,070	30,420,841
Other property and equipment, net of accumulated depreciation and amortization of \$747,639 and \$758,803 at March 31, 2019 and June 30, 2018, respectively	<u>174,945</u>	<u>242,822</u>
Net property, plant and equipment	<u>29,196,015</u>	<u>30,663,663</u>
<b>OTHER NON CURRENT ASSETS</b>		
Restricted cash - bonding	450,000	450,000
Deferred tax asset	732,056	732,056
Other	132,521	134,644
<b>TOTAL ASSETS</b>	<u>\$ 33,937,465</u>	<u>\$ 35,473,130</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 11,934,996	\$ 8,383,570
Accruals	321,421	1,088,338
Credit facility	23,834,749	23,867,557
Fair value of derivative instruments	744,309	1,210,795
Provision for annual leave	<u>228,482</u>	<u>250,826</u>
	37,063,957	34,801,086
<b>NON CURRENT LIABILITIES</b>		
Fair value of derivative instruments	530,562	
Asset retirement obligations	<u>3,977,176</u>	<u>3,344,112</u>
<b>TOTAL LIABILITIES</b>	<u>41,571,695</u>	<u>38,145,198</u>
<b>STOCKHOLDERS' EQUITY (DEFICIT) – nil par value</b>		
328,300,044 (equivalent to 16,415,002 ADR's) and 328,300,044 (equivalent to 16,415,002 ADR's) ordinary shares issued and outstanding at March 31, 2019 and June 30, 2018, respectively	106,743,167	106,743,167
Accumulated other comprehensive income	1,035,721	846,556
Accumulated deficit	<u>(115,413,118)</u>	<u>(110,261,791)</u>
<b>Total stockholders' equity (deficit)</b>	<u>(7,634,230)</u>	<u>(2,672,068)</u>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)</b>	<u>\$ 33,937,465</u>	<u>\$ 35,473,130</u>

See accompanying Notes to Consolidated Financial Statements.



**SAMSON OIL & GAS LIMITED AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)**  
**(Unaudited)**

	<u>Three months ended</u>		<u>Nine months ended</u>	
	<u>31-Mar-19</u>	<u>31-Mar-18</u>	<u>31-Mar-19</u>	<u>31-Mar-18</u>
<b>REVENUES AND OTHER INCOME:</b>				
Oil sales	\$ 2,391,155	\$ 1,856,904	\$ 8,846,003	\$ 7,063,419
Gas sales	84,912	20,424	227,653	105,714
Other liquids	2,701	2,938	11,534	6,118
Interest income	92	89	543	202
Other			1,000,000	178,657
<b>TOTAL REVENUE AND OTHER INCOME</b>	<u>2,478,860</u>	<u>1,880,355</u>	<u>10,085,733</u>	<u>7,354,110</u>
<b>EXPENSES:</b>				
Lease operating expense	(2,858,848)	(1,505,990)	(8,339,180)	(4,406,993)
Depletion, depreciation and amortization	(448,627)	(321,561)	(1,510,598)	(1,219,726)
Abandonment expense	(51,402)	(59,536)	(51,402)	(126,212)
Exploration and evaluation expenditure	(11,000)	(14,030)	(50,311)	(296,543)
Accretion of asset retirement obligations	(368,674)	(79,307)	(646,030)	(239,193)
Amortization of borrowing costs	-	(132,535)	-	(190,434)
Interest expense	(395,347)	(337,472)	(1,151,485)	(916,346)
Loss on derivative instruments	(1,298,610)	(461,395)	(863,266)	(2,030,261)
General and administrative	(846,919)	(934,504)	(2,624,788)	(3,133,074)
<b>TOTAL EXPENSES</b>	<u>(6,279,427)</u>	<u>(3,846,330)</u>	<u>(15,237,060)</u>	<u>(12,558,782)</u>
Loss from operations	<u>(3,800,567)</u>	<u>(1,965,975)</u>	<u>(5,151,327)</u>	<u>(5,204,672)</u>
Income tax benefit	-	-	-	-
<b>Net income/(loss)</b>	<u>(3,800,567)</u>	<u>(1,965,975)</u>	<u>(5,151,327)</u>	<u>(5,204,672)</u>
<b>OTHER COMPREHENSIVE INCOME/(LOSS)</b>				
Foreign currency translation gain/(loss)	159,892	(4,929)	189,165	(11,048)
<b>Total comprehensive income/(loss) for the period</b>	<u>\$ (3,640,675)</u>	<u>\$ (1,970,904)</u>	<u>\$ (4,962,162)</u>	<u>\$ (5,215,720)</u>
<b>Net loss per ordinary share:</b>				
Basic – cents per share	\$ (1.16)	\$ (0.60)	\$ (1.57)	\$ (1.60)
Diluted – cents per share	\$ (1.16)	\$ (0.60)	\$ (1.57)	\$ (1.60)
<b>Weighted average ordinary shares outstanding:</b>				
Basic	328,300,044	328,300,044	328,300,044	324,862,438
Diluted	<u>328,300,044</u>	<u>328,300,044</u>	<u>328,300,044</u>	<u>324,862,438</u>

See accompanying Notes to Consolidated Financial Statements.



**SAMSON OIL & GAS LIMITED AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' (DEFICIT)/EQUITY**  
**(Unaudited)**

	Ordinary Shares	(Accumulated Deficit)	Accumulated Other Comprehensive Income/(Loss)	Total Stockholders Equity (Deficit)
Balance at July 1, 2018	\$ 106,743,167	\$ (110,261,791)	\$ 846,556	\$ (2,672,068)
Net loss	-	1,200,653	-	1,200,654
Foreign currency translation gain, net of tax of nil	-	-	29,861	29,861
Total comprehensive income (loss) for the period	-	1,200,653	29,861	1,230,514
Balance at September 31, 2018	<u>\$ 106,743,167</u>	<u>\$ (109,061,138)</u>	<u>\$ 876,417</u>	<u>\$ (1,441,554)</u>
Balance at September 31, 2018	\$ 106,743,167	\$ (109,061,138)	\$ 876,417	\$ (1,441,554)
Net loss	-	(2,551,413)	-	(2,551,413)
Foreign currency translation gain, net of tax of nil	-	-	(588)	(588)
Total comprehensive income (loss) for the period	-	(2,551,413)	(588)	(2,552,001)
Balance at December 31, 2018	<u>\$ 106,743,167</u>	<u>\$ (111,612,551)</u>	<u>\$ 875,829</u>	<u>\$ (3,993,555)</u>
Balance at December 31, 2018	\$ 106,743,167	\$ (111,612,551)	\$ 875,829	\$ (3,993,555)
Net loss	-	(3,800,567)	-	(3,800,566)
Foreign currency translation gain, net of tax of nil	-	-	159,892	159,892
Total comprehensive income (loss) for the period	-	(3,800,567)	159,892	(3,640,675)
Balance at March 31, 2019	<u>\$ 106,743,167</u>	<u>\$ (115,413,118)</u>	<u>\$ 1,035,721</u>	<u>\$ (7,634,230)</u>

See accompanying Notes to Consolidated Financial Statements.

**SAMSON OIL & GAS LIMITED AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(Unaudited)**

	<b>Nine months ended</b>	
	<b>31-Mar-19</b>	<b>31-Mar-18</b>
Cash flows provided by/(used in) operating activities		
Receipts from customers	\$ 8,829,222	\$ 8,594,855
Payments to suppliers & employees	(8,392,078)	(6,082,899)
Interest received	544	199
Payments on derivative instruments	(149,682)	(1,012,894)
Interest paid	(1,151,485)	(991,788)
Net cash flows provided by/(used in) operating activities	<u>(863,479)</u>	<u>507,473</u>
Cash flows (used in)/provided by investing activities		
Proceeds from sale of oil and gas properties	700,000	-
Payments for plant & equipment	-	(27,830)
Payments for exploration and evaluation	(50,311)	(25,451)
Payments for oil and gas properties	(80,490)	(591,650)
Net cash flows (used in)/provided by investing activities	<u>569,199</u>	<u>(644,931)</u>
Cash flows (used in)/provided by financing activities		
Proceeds from borrowings	-	450,000
Repayment of borrowings	-	(35,157)
Net cash flows (used in)/provided by financing activities	<u>-</u>	<u>414,843</u>
Net increase/(decrease) in cash and cash equivalents	(294,280)	277,385
Cash and cash equivalents at the beginning of the quarter period	1,376,676	628,778
Effects of exchange rate changes on cash and cash equivalents	(5,927)	(13,790)
Cash and cash equivalents at end of the quarter period	<u>\$ 1,076,469</u>	<u>\$ 892,373</u>

See accompanying Notes to Consolidated Financial Statements

**SAMSON OIL & GAS LIMITED AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**(Unaudited)**

### **1. Basis of Presentation**

These Consolidated Financial Statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) for interim financial reporting. All adjustments which are normal and recurring by nature, in the opinion of management, necessary for fair statement of Samson Oil & Gas Limited's (the "Company") Consolidated Financial Statements have been included herein. Interim results are not necessarily indicative of expected annual results because of the impact of fluctuations in prices received for oil and natural gas, as well as other factors. In the course of preparing the Consolidated Financial Statements, management makes various assumptions, judgments and estimates to determine the reported amounts of assets, liabilities, revenues and expenses, and in the disclosures of commitments and contingencies. Changes in these assumptions, judgments and estimates will occur as a result of the passage of time and the occurrence of future events, and, accordingly, actual results could differ from amounts previously established.

The Company's Consolidated Financial Statements have been prepared on a basis consistent with the accounting principles and policies reflected in the Company's audited financial statements as of and for the year ended June 30, 2018. The year-end Consolidated Balance Sheet presented herein was derived from audited Consolidated Financial Statements, but does not include all disclosures required by GAAP.

It is suggested that these financial statements be read in conjunction with the financial statements and the notes thereto included in the Company's latest annual report ("Form 10-K").

**Accruals.** Accrued liabilities at June 30, 2018 and March 31, 2019 consist primarily of estimates for goods and services received but not yet invoiced.

**Prepayments.** Prepayments at June 30, 2018 and March 31, 2019 include tubing and chemicals and other subscription costs paid in advance for the year.

**Comparatives.** Changes have been made to the classification of certain prior period comparatives in order to remain consistent with the current period presentation. In Form 10-Q for the period ended December 31, 2018 comparatives were changed to show the impact of certain assets being held for sale. During last quarter these assets were no longer deemed to be held for sale and therefore comparatives have not been changed. See the Discontinued Operations note below.

### **Liquidity and Going Concern**

These financial statements have been prepared on the going concern basis, which contemplates the continuity of normal business activities and the realization of assets and settlement of liabilities in the normal course of business.

As disclosed in the financial statements, we incurred a net loss from continuing operations of \$3.8 million for the nine months ended March 31, 2019, and as at that date, we had \$36.7 million in current liabilities, including \$11.9 million in accounts payable, and approximately \$3.4 million in current assets. Our ability to continue as a going concern is dependent in part on refinancing our \$24 million bank debt. The refinancing was completed on April 9, 2019 and details are provided in Note 12, Subsequent Events. Our compliance with covenants of the new credit facility will depend upon the success and timing of the drilling program and it is possible one quarter waiver delay of the covenant measurement will be requested from the lender. The receipt of such approval is not assured. Due to our historical net losses and accounts payable balances there is substantial doubt about our ability to continue as a going concern for 12 months after the report date.

### **Discontinued Operations**

As at June 30, 2018 and September 30, 2018 the majority of our assets in the Foreman Butte project were held for sale and were recognized as discontinued operations during those periods. Following repeated failures by the contracted buyer to close a sale of our Foreman Butte assets, we pursued discussions with a new lender with a view to refinancing our Mutual of Omaha Bank credit facility and completed the refinancing after March 31, 2019. As such the assets were no longer held for sale in the Balance Sheet as of December 31, 2018 or included as discontinued operations in the Income Statement.

### **Recent Accounting Standards**

#### *Revenue Recognition*

On July 1, 2018, we adopted Accounting Standards Codification (“ASC”) Topic 606 “Revenue from Contracts with Customers” (“ASC 606”) using the modified retrospective approach, which only applies to contracts that were not completed as of the date of the application. The adoption did not require an adjustment to the opening retained deficit for the cumulative effect adjustment and does not have a material impact on our ongoing consolidated balance sheet, statement of operations, statement of stockholders’ equity or statement of cash flows.

We recognize revenues from the sales of oil, natural gas and natural gas liquids (“NGL”) to our customers in accordance with the five-step revenue recognition model prescribed in ASC 606. Specifically, revenue is recognized when our performance obligations under contracts with customers (purchasers) are satisfied, which generally occurs with the transfer of control of the products to the purchasers. Control is generally considered transferred when the following criteria are met: (i) transfer of physical custody, (ii) transfer of title, (iii) transfer of risk of loss and (iv) relinquishment of any repurchase rights or other similar rights. Given the nature of our sales, revenue is recognized at a point in time based on the amount of consideration we expect to receive in accordance with the price specified in the contracts.

Consideration under the marketing contracts is typically received from the purchaser one to two months after production and, as a result, the Company is required to estimate the amount of production that was delivered to the purchaser and the price that will be received for the sale of the product. We record the differences between estimates and the actual amounts received for product sales once payment is received from the purchaser. Such differences have historically not been significant as we use knowledge of our properties and their historical performance, spot market prices and other factors as the basis for these estimates. At March 31, 2019, the Company had receivables related to contracts with customers of \$0.9 million.

There was no impact on previously recognized revenue and no changes to what we would have recognized under the previous revenue recognition standard, ASC Topic 605 Revenue Recognition

#### *Leasing*

Accounting Standards Codification 842 (“ASC 842”) Leases is effective for fiscal years beginning after December 15, 2018. Although the impacts of the standard are still being reviewed, due to minimal leasing activity undertaken by the us, we expect this statement to have little impact on the Financial Statements.

## **2. Income Taxes**

The Company has cumulative net operating losses (“NOLs”) that may be carried forward to reduce taxable income in future years. The Tax Reform Act of 1986 contains provisions that limit the utilization of NOLs if there has been a change in ownership as described in Internal Revenue Code Section 382. The Company’s prior year NOLs are limited by IRC Section 382.

ASC Topic 740 requires that a valuation allowance be provided if it is more likely than not that some portion or all deferred tax assets will not be realized. The Company’s ability to realize the benefits of its deferred tax assets will depend on the generation of future taxable income through profitable operations. Due to the Company’s history of losses and the uncertainty of future profitable operations, the Company has recorded a full valuation allowance against its deferred tax assets, except for a tax asset for certain refundable AMT credit carryforwards.

## **3. Earnings Per Share**

Basic earnings (loss) per share is calculated by dividing net earnings (loss) attributable to ordinary shares by the weighted average number of shares outstanding for the period. Under the treasury stock method, diluted earnings per share is calculated by dividing net earnings (loss) by the weighted average number of shares outstanding including all potentially dilutive ordinary shares (which in Samson’s case consists of unexercised stock options). In the event of a net loss, however no potential ordinary shares are included in the calculation of shares outstanding since the impact would be anti-dilutive.

During the quarter ended December 31, 2018, following receipt of shareholder approval, we consolidated our outstanding ordinary shares by a factor of 10 to 1, reducing the number of ordinary shares outstanding. Prior year shares outstanding has been adjusted to reflect this change as if it had happened at the beginning of the period presented.

The following table details the weighted average dilutive and anti-dilutive securities outstanding, which consist of transferable options to purchase ordinary shares which are tradeable on the ASX (“options”), for the periods presented:

	<b>Nine months ended</b>	
	<b>31-Mar-19</b>	<b>31-Mar-18</b>
Dilutive	-	-
Anti-dilutive	31,450,000	31,450,000

The following tables set forth the calculation of basic and diluted loss per share:

	Three months ended		Nine months ended	
	31-Mar-19	31-Mar-18	31-Mar-19	31-Mar-18
Net income (loss)	\$ (3,800,567)	\$ (1,965,975)	\$ (5,151,327)	\$ (5,204,672)
Basic weighted average ordinary shares outstanding	328,300,044	328,300,044	328,300,044	324,862,438
Add: dilutive effect of stock options	-	-	-	-
Diluted weighted average ordinary shares outstanding	328,300,044	328,300,044	328,300,044	324,862,438
Basic earnings/(loss) from operations per ordinary share – cents per share	\$ (1.16)	\$ (0.60)	\$ (1.57)	\$ (1.60)
Diluted earnings/(loss) from operations per ordinary share – cents per share	\$ (1.16)	\$ (0.60)	\$ (1.57)	\$ (1.60)

#### 4. Asset Retirement Obligations

The Company's asset retirement obligations primarily represent the estimated present value of the amounts expected to be incurred to plug, abandon and remediate producing and shut-in properties at the end of their productive lives in accordance with applicable state and federal laws. The Company determines the estimated fair value of its asset retirement obligations by calculating the present value of estimated cash flows related to those obligations. The significant inputs used to calculate such liabilities include estimates of costs to be incurred, the Company's credit adjusted discount rates, inflation rates and estimated dates of abandonment. The asset retirement liability is accreted to its present value each period and the capitalized asset retirement cost is depleted using the units-of-production method.

The value of asset retirement obligation held related to assets held for disposal as at June 30, 2018 relates to the retirement obligation associated with certain properties held for sale relating to our Foreman Butte project in North Dakota and Montana. These wells are no longer held for sale and the liability related to their asset retirement is held as a non-current liability.

In the prior year, the liabilities settled relate to wells plugged and abandoned in our Sabretooth project in Texas. Disposition of properties relates to the sale of certain wells in Wyoming.

The following table summarizes the activities for the Company's asset retirement obligations for the nine months ended March 31, 2019 and 2018:

	Nine months ended	
	31-Mar-19	31-Mar-18
Asset retirement obligations at beginning of period	\$ 3,356,536	\$ 3,456,236
Liabilities incurred or acquired	-	-
Liabilities settled	(25,390)	(27,001)
Disposition of properties	-	(131,202)
Accretion expense	646,030	239,193
Asset retirement obligations at end of period	3,977,176	3,537,226

#### 5. Fair Value Measurements

Fair value is defined as the price that would be received in the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price). The Company utilizes market data or assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable. The Company classifies fair value balances based on the observability of those inputs. The FASB has established a fair value hierarchy that prioritizes the inputs used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurement).

The three levels of the fair value hierarchy are as follows:

- Level 1—Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions for the asset or liability occur in sufficient frequency and volume to provide pricing information on an ongoing basis.
- Level 2—Pricing inputs are other than quoted prices in active markets included in level 1, but are either directly or indirectly observable as of the reported date and for substantially the full term of the instrument. Inputs may include quoted prices for similar assets and liabilities. Level 2 includes those financial instruments that are valued using models or other valuation methodologies.
- Level 3—Pricing inputs include significant inputs that are generally unobservable from objective sources. These inputs may be used with internally developed methodologies that result in management's best estimate of fair value.

Financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Company's assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the valuation of fair value assets and liabilities and their placement within the fair value hierarchy levels. The following table sets forth by level within the fair value hierarchy the Company's financial assets and liabilities that were accounted for at fair value as of December 31, 2018 and June 30, 2018.

	Carrying value at March 31, 2019	Level 1	Level 2	Level 3	Netting <sup>(1)</sup>	Fair Value at March 31, 2019
<b>Current Assets:</b>						
Cash and cash equivalents	\$ 1,076,469	\$ 1,076,469	\$ -	\$ -	\$ -	\$ 1,076,469
Derivative Instruments	-	-	-	-	-	-

<b>Current Liabilities:</b>						
Derivative instruments	744,309		744,309			744,309

<b>Non Current Liabilities:</b>						
Derivative Instruments	530,562		530,562			530,562

	Carrying value at June 30, 2018	Level 1	Level 2	Level 3	Netting <sup>(1)</sup>	Fair Value at June 30, 2018
<b>Current Assets:</b>						
Cash and cash equivalents	\$ 1,376,676	\$ 1,376,676	\$ -	\$ -	\$ -	\$ 1,376,676
Derivative Instruments	-	-	4,218	-	(4,218)	-

<b>Non Current Assets:</b>						
Derivative Instruments	-	-	-	-	-	-

<b>Current Liabilities:</b>						
Derivative instruments	1,210,795	-	1,215,013	-	(4,218)	1,210,795

<b>Non Current Liabilities:</b>						
Derivative Instruments	-	-	-	-	-	-

(1) **Netting** In accordance with the Company's standard practice, its commodity derivatives are subject to counterparty netting under agreements governing such derivatives and therefore the risk of loss is somewhat mitigated.

The following methods and assumptions were used to estimate the fair value of the assets and liabilities in the table above:

### **Level 1 Fair value Measurements**

*Fair Value of Financial Instruments.* The Company's financial instruments consist primarily of cash and cash equivalents, restricted cash, accounts receivable and payable and derivatives (discussed below). The carrying values of cash equivalents and accounts receivable and payable are representative of their fair values due to their short-term maturities.

### **Level 2 Fair Measurements**

*Derivative Contracts.* The Company's derivative contracts consist of oil collars and oil call options. The fair value of these contracts are based on inputs that are either readily available in the public market, such as oil future prices or inputs that can be corroborated from active markets. Fair value is determined through the use of a discounted cash model using applicable inputs discussed above.

### **Other fair value measurements**

*Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis.*

The Company also applies fair value accounting guidance to measure non-financial assets and liabilities such as business acquisitions, proved oil and gas properties, and the initial recognition of asset retirement obligations. These assets and liabilities are subject to fair value adjustments only in certain circumstances and are not subject to recurring revaluations. These items are primarily valued using the present value of estimated future cash inflows and/or outflows. Given the unobservable nature of these inputs, they are deemed to be Level 3.

## **6. Commitments and Contingencies**

The Company has no accrued environmental liabilities for its sites, including sites in which governmental agencies have designated the Company as a potentially responsible party, because it is not probable that a loss will be incurred and the minimum cost and/or amount of loss cannot be reasonably estimated. However, due to uncertainties associated with environmental assessment and remediation activities, future expense to remediate the currently identified sites, and sites identified in the future, if any, could be incurred. Management believes, based upon current site assessments, that the ultimate resolution of any such matters will not materially affect our results of operations or cash flows.

From time to time, we are involved in various legal proceedings through the ordinary course of business. While the ultimate outcome is not known, management believes that any resolution will not materially impact the financial statements.

## **7. Capitalized Exploration Expense**

We use the successful efforts method of accounting for exploration and evaluation expenditure in respect of each area of interest. The application of this policy requires management to make certain estimates and assumptions as to future events and circumstances, in particular the assessment of whether economic quantities of reserves have been found. Any such estimates and assumptions may change as new information becomes available.

Exploration and evaluation assets are assessed for impairment when facts and circumstances indicate that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. When assessing for impairment consideration is given to but not limited to the following:

- § the period for which Samson has the right to explore;
- § planned and budgeted future exploration expenditure;
- § activities incurred during the year; and
- § activities planned for future periods.

If, after having capitalized expenditures under our policy, we conclude that we are unlikely to recover the expenditures through future exploitation, then the relevant capitalized amount will be written off to expense.

As of March 31, 2019 we had capitalized exploration expenditures of \$0, having written off the expense previously capitalized relating to the Cane Creek project in Utah. Our option to acquire leasehold lands in this project expired unexercised.



Exploration or divestment activities are continuing in all exploration areas. The outcome of these activities remains uncertain and may result in write offs in future periods if the related efforts prove unsuccessful.

## 8. Share Capital

### *Issue of Share Capital*

No shares were issued during the nine months ended March 31, 2019. During the quarter ended December 31, 2018, following receipt of shareholder approval, we consolidated our outstanding ordinary shares by a factor of 10 to 1, reducing the number of ordinary shares outstanding. Prior year shares outstanding has been adjusted to reflect this change as if it had happened at the beginning of the period presented.

## 9. Cash Flow Statement

Reconciliation of loss after tax to the net cash flows from operations:

	<b>Nine months ended</b>	
	<b>31-Mar-19</b>	<b>31-Mar-18</b>
Net loss	(5,151,327)	\$ (5,204,672)
Depletion, depreciation and amortization	1,510,598	1,219,726
Accretion of asset retirement obligation	646,030	239,193
Exploration and evaluation expenditure	50,311	296,543
Amortization borrowing costs	-	190,434
Abandonment expense	51,402	126,212
Non cash (gain)/loss on derivative instruments	863,266	2,030,261
Net gain from sale of assets	(1,000,000)	(178,657)
<i>Changes in assets and liabilities:</i>		
Increase in receivables	(276,132)	(263,595)
Increase (decrease) in provision for annual leave	(22,344)	35,317
Increase in payables	3,551,426	2,060,994
<b>NET CASH FLOWS PROVIDED BY/(USED IN) OPERATING ACTIVITIES</b>	<b>223,230</b>	<b>\$ 551,756</b>

## 10. Credit Facility

	<b>Nine months ended</b>	
	<b>31-Mar-19</b>	<b>31-Mar-18</b>
Credit facility at beginning of period	\$ 23,834,749	\$ 23,419,719
Cash advanced under facility	-	450,000
Cash committed to be advanced under facility	-	-
Repayments	-	-
Credit facility at end of period <sup>(1)</sup>	<b>\$ 23,834,749</b>	<b>\$ 23,869,719</b>
Funds available for drawdown under the facility	-	\$ 97,443

(1) At March 31, 2019, the credit facility is recognized as a current liability due the Company's continued breach of the covenants in the facility. The loan is due and payable.

In January 2014, we entered into a \$25.0 million credit facility with our primary lender, Mutual of Omaha Bank, with an initial borrowing base of \$8.0 million, which was increased to \$15.5 million in June 2014. In November 2014, the borrowing base was increased to \$19.0 million, which was fully drawn prior to the closing of the Foreman Butte Acquisition (as defined below). In March 2016, our credit facility was amended to increase the borrowing base to \$30.5 million to partially fund the Foreman Butte Acquisition. An additional \$4 million in financing was also provided by the seller. This promissory note was paid off in May 2017. We were required under the amended credit agreement to repay Mutual of Omaha \$10 million by June 30, 2016. This was ultimately increased to \$11.5 million and extended to October 31, 2016. The pay down was achieved through the sale of our North Stockyard property for \$14.95 million on October 28, 2016 and was made on October 31, 2016.

In March 2016, the facility was extended to \$30.5 million to partly fund the Foreman Butte Acquisition. In connection with this amendment to the facility agreement, the following covenants, tested on a quarterly basis, were included:

- Current ratio greater than 1
- Debt to EBITDAX (annualized) ratio no greater than 4.00 for the quarter ended September 30, 2017 and thereafter
- Senior leverage ratio of no greater than 3.75 for the quarter ending December 31, 2016 and thereafter
- Interest coverage ratio minimum of between 2.5 and 1.0

Following multiple covenant breaches, on June 14, 2018 we entered into a forbearance agreement with Mutual of Omaha Bank pursuant to which Mutual of Omaha Bank agreed to forbear on exercising its remedies under the credit facility contingent upon the success of our effort to sell the Foreman Butte asset. This agreement, as amended, terminated in accordance with its terms on October 15, 2018. The \$23.9 million outstanding under our credit facility was due for repayment October 31, 2018 but we did not repay it by that deadline. At March 31, 2019 Mutual of Omaha Bank has the right to issue a notice of default and seek repayment of the facility or pursue alternative repayment methods, including the sale of the outstanding loan to a third party, at any time. This loan was refinanced after March 31, 2019. See Note 12, Subsequent Events.

We incurred \$0.6 million in borrowing costs (including legal fees and bank fees) in connection with the establishment of this facility. These costs were written off in total during the year ended June 30, 2018.

## 11. Derivatives

The Company has not designated any of its derivative contracts as hedges for accounting purposes. The Company records all derivative contracts at fair value. Changes in derivative contracts are recognized in earnings. Changes in settlements and valuation gains and losses are included in loss/(gain) on derivative instruments in the Statement of Operations. These contracts are settled on a monthly basis. Derivative assets and liabilities arising from the Company's derivative contracts with the same counterparty that provide for net settlement are reported on a net basis in the Balance Sheet.

The Company is exposed to commodity price risk, which impacts the predictability of its cash flows from the sale of oil. The Company seeks to manage this risk through the use of commodity derivative contracts. These derivative contracts allow the Company to limit its exposure to commodity price volatility on a portion of its forecasted oil sales.

During the quarter ended March 31, 2019, the Company entered into a series of economic hedges for 771,000 bbl of crude oil production for the next four years at an average price of \$55.54/bbl and for 466,200 MMcf of natural gas costless collars with a weighted average put at \$2.60 per MMBTU and a weighted average of call of \$2.82 per MMBTU.

All of the Company's previous derivative contracts were with the same counterparty (a large multinational oil company) and were shown on a net basis on the Balance Sheet. The Company's counterparty has entered into an inter-creditor agreement with the Company's primary lender, and as such, no additional collateral is required by the counterparty.

During the nine months ended March 31, 2019 we recognized \$0.9 million loss in on derivative instruments in the Statement of Operations.

## 12. Subsequent Events

On April 9, 2019 Samson Oil and Gas, USA, Inc., a wholly owned subsidiary of Samson Oil and Gas Limited closed a \$33.5 million refinancing with AEP I FINCO LLC. The new facility has a 5 year term and an interest rate of LIBOR + 10.5%. The proceeds of the new debt facility were used to retire the existing line of credit, repay outstanding creditor and to provide working capital to pursue an infill drilling program. The terms of the new facility include financial covenants measured quarterly as follows:

1. Leverage ratio – not to exceed 4.75 for quarter ending 6/30/2019, 4.0 until 3/31/2020, 3.5 until 9/30/2020 and 3.0 thereafter
2. Current ratio – to be no less than 1.0 for any fiscal quarter
3. Asset Coverage ratio – to be no less than 2.0 until 3/31/2021 and 2.5 thereafter
4. Asset Coverage ratio (PDP) – to be no less than 1.1 for quarter ending 6/30/2019, 1.15 for quarters ending 9/30/2019 and 12/31/2019, 1.25 for the quarter ending 3/31/2020, 1.5 for the quarters ending 6/30/2020 to 3/31/2021 and 1.75 thereafter
5. Fixed charged ratio – to be no less than 1.35 for quarter ending 6/30/2019 and 1.4 thereafter

The credit agreement also limits the amount of total capital expenditures and sets up a debt service capital reserve account. Beginning September 30, 2020, repayment of the loan is scheduled to be made on a monthly straight line amortization basis until maturity on April 9, 2024.

As a consequence of this refinancing the Company has embarked on an infill development program. The drilling program is designed to drill horizontal laterals from the existing well bores. The ability to drill out of an existing wellbore has made the economics of these development wells attractive, given the ability to use surface facilities associated with the existing well. The next 12 months should see a total of 8 similar lateral wells drilled within the Home Run Field, which is the largest (by area) of the oil fields in Samson's portfolio. The Company has in its portfolio a total of 26 PUD locations that management expects will provide an excellent growth platform. The debt funding that has been achieved in this transaction is expected to provide sufficient working capital to initiate and maintain the planned development drilling program.

## Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations.

The following is management’s discussion and analysis of certain significant factors that have affected aspects of our financial position and the results of operations during the periods included in the accompanying Condensed Financial Statements. You should read this in conjunction with the discussion under “Management's Discussion and Analysis of Financial Condition and Results of Operations” and the audited Financial Statements for the year ended June 30, 2018, included in our Annual Report on Form 10-K and the Consolidated Financial Statements included elsewhere herein.

Throughout this report, a barrel of oil or “Bbl” means a stock tank barrel (“STB”) and a thousand cubic feet of gas or “Mcf” means a thousand standard cubic feet of gas (“Mscf”).

### Overview

We are an independent energy company primarily engaged in the acquisition, exploration, exploitation and development of oil and natural gas properties. Our principal business is the exploration and development of oil and natural gas properties in the United States.

In June 2018 we signed a purchase and sale agreement for the sale of the majority of our working interest in the Foreman Butte project in Montana and North Dakota for \$40 million. This sale was expected to close on October 15, 2018 however the buyer failed to close. A non-refundable \$1 million deposit placed into escrow by the buyer was released to us and as such we have included it in “other income”. Following the failure of the buyer to close, we are no longer holding the assets for sale in our balance sheet although efforts to sell the assets continued. We terminated the purchase and sale agreement with the buyer and engaged PLS Energy Advisors Group to remarket the asset. To the date of this report, we have not received any viable offers for the purchase of the assets and as such we continued our discussions with a non-bank lender to consider refinancing our current Mutual of Omaha Bank credit facility. Due diligence was completed during the current quarter and refinancing closed on April 9, 2019.

#### *Foreman Butte Project*

In March 2016 we closed on an acquisition of certain producing and nonproducing oil and gas assets in North Dakota and Montana (the “Foreman Butte Project”) for a purchase price of \$16 million (the “Foreman Butte Acquisition”). The acquired assets were comprised of producing oil and gas wells, shut in wells and associated facilities. The wells are located in the Madison and Ratcliffe formations. The majority of these wells are now operated by us; however, a number of non-operated wells were also included in this package.

We continue to concentrate our efforts on the operations of this field. Due to financial constraints we have not made substantial progress on the development of the PUD drilling program in the Home Run Field. Our development efforts were constrained by our lack of access to capital to fund any development activities. Subsequent to closing the refinancing on April 9, 2019 we began implementing our drilling program. We have four current drilling permits for Home Run Field, the most promising non-producing area within the Foreman Butte Project.

#### *Fiscal quarter overview*

Our net oil production was 47,650 barrels of oil for the quarter ended March 31, 2019, compared to 34,450 barrels of oil for the quarter ended March 31, 2018. Production was higher during the quarter ended March 31, 2019 due to the impact of a number of workovers completed during the current quarter.

Our net gas production was 6,361 Mcf for the quarter ended March 31, 2019 compared to 2,067 Mcf for the quarter ended March 31, 2018. The increase in the oil price has meant that some of the more liquid rich gas has been produced rather than flared. This value is immaterial to us.

Lease operating expenses (“LOE”) increased to \$2.9 million for the quarter ended March 31, 2019, from \$1.5 million for the quarter ended March 31, 2018 due to general operating expense increases in the field due to increased production.

For the three months ended March 31, 2019 and March 31, 2018 we reported a net loss of \$3.8 million from operations and a net loss of \$2.0 million from operations, respectively.

See “Results of Operations” below.

## Notable Activities and Status of Material Properties during the Quarter Ended December 31, 2018 and Current Activities

### ***Producing Properties***

**Foreman Butte Project, McKenzie County, North Dakota**

**Mississippian Madison Formation, Williston Basin**

***Samson 87% Operated Average Working Interest***

During the quarter, we continued our water flood pilot project for the Home Run Field. The waterflood pilot project utilizes an existing wellbore, the Mays 1-20H, which is located on the flank of the field and is non-economic to produce for oil. The water flood is being used to add pressure to the reservoir which is expected to enhance the recovery of oil. The well performance in the offsetting wells will be monitored to establish the viability of the flood. The water being used is produced formation water so that there is no chemical compatibility issue. In essence the water is being returned to the reservoir from which it originated. This water is trucked to the injector from the existing producing wells. The water flood allowed us to resume production at certain wells that have been shut-in for the past 3 years. These shut-in wells were previously uneconomic to produce due to high water disposal costs. We cannot make assurances regarding the success of the water flood operation.

The Home Run Field (also known as the Foreman Butte Field) is the largest areal oil field in the Foreman Butte Project. It was developed on a 640-acre spacing pattern and our engineering and geologic analyses have determined that only 3.2% of the original oil in place has been recovered to date. Given that oil fields can recover up to 20% of their oil in place, there would appear to be significant undeveloped oil to be recovered from this field.

### **Undeveloped Properties: Exploration Activities**

#### **Hawk Springs Project, Goshen County, Wyoming Permo-Penn Project, Northern D-J Basin Samson 37.5% working interest**

All wells within this project have been plugged and abandoned with the final work expected to be completed during the quarter.

#### **Cane Creek Project, Grand & San Juan Counties, Utah Pennsylvanian Paradox Formation, Paradox Basin Samson 100% Working Interest**

Our option to lease 8,080 net acres with Utah SITLA (Utah School and Institutional Trust Lands Administration) at a cost of \$75 per acre expired on November 30, 2017, unexercised. \$0.3 million in undeveloped capitalized costs was written off in the three months ended December 31, 2017.

### **Developed Properties: Drilling Activities**

#### **Rainbow Project, Williams County, North Dakota Mississippian Bakken Formation, Williston Basin Samson 23% and 52% working interest**

Kraken Operating, LLC, the operator of the Gladys 1-20H well, has been producing this well at an average rate of 146 BOPD and 172 MCFPD during the quarter.

### **Results of Operations**

For the three months ended March 31, 2019 we reported a net loss of \$3.8 million compared to a net loss of \$2.0 million for the same period in 2018.

For the nine months ended March 31, 2019 we reported a net loss of \$4.9 million compared to a net loss of \$5.2 million for the same period in 2018.

The following tables set forth selected operating data for the three months ended:

	<b>Three months ended</b>	
	<b>31-Mar-19</b>	<b>31-Mar-18</b>
<b>Production Volume</b>		
Oil (Bbls)	48,449	34,450
Natural gas (Mcf)	8,055	2,067
BOE (Barrels of oil equivalent - based on one barrel of oil to six Mcf of natural gas)	49,792	34,795
<b>Sales Price</b>		
Realized Oil (\$/Bbls)	\$ 49.35	\$ 53.90
Impact of settled derivative instruments	\$ (5.34)	\$ (15.89)
Derivative adjusted price	\$ 44.02	\$ 38.01
<b>Expense per BOE:</b>		
Lease operating expenses	\$ 57.42	\$ 43.28
Production and property taxes	\$ 5.12	\$ 5.51
Depletion, depreciation and amortization	\$ 9.01	\$ 9.24
General and administrative expense	\$ 17.01	\$ 26.86

	<b>Nine months ended</b>	
	<b>31-Mar-19</b>	<b>31-Mar-18</b>
<b>Production Volume</b>		
Oil (Bbls)	172,924	134,366
Natural gas (Mcf)	44,076	13,217
BOE	180,270	136,569
<b>Sales Price</b>		
Realized Oil (\$/Bbls)	\$ 51.16	\$ 52.57
Impact of settled derivative instruments	\$ (4.48)	\$ (7.54)
	\$ 46.67	\$ 45.03
<b>Expense per BOE:</b>		
Lease operating expenses	\$ 46.26	\$ 32.27
Production and property taxes	\$ 5.61	\$ 4.73
Depletion, depreciation and amortization	\$ 8.38	\$ 8.93
General and administrative expense	\$ 14.56	\$ 22.94

The following table sets forth results of operations for the following periods:

	<b>Three months ended</b>		
	<b>31-Mar-19</b>	<b>31-Mar-18</b>	<b>3Q19 to 3Q18 change</b>
Oil sales	\$ 2,391,155	\$ 1,856,904	\$ 534,251
Gas sales	84,912	20,424	64,488
Other liquids	2,701	2,938	(237)
Interest income	92	89	3
Gain on derivative instruments	-	-	-
Lease operating expense	(2,858,848)	(1,505,990)	1,352,858
Depletion, depreciation and amortization	(448,627)	(321,561)	127,066
Abandonment	(51,402)	(59,536)	(8,134)
Exploration and evaluation expenditure	(11,000)	(14,030)	(3,030)
Accretion of asset retirement obligations	(368,674)	(79,307)	289,367
Interest expense	(395,347)	(337,472)	57,875
Loss on derivative instruments	(1,298,610)	(461,395)	837,215
Amortization of borrowing costs	-	(132,535)	(132,535)
General and administrative	(846,919)	(934,504)	(87,585)
Net income/(loss)	<u>\$ (3,800,567)</u>	<u>\$ (1,965,975)</u>	<u>\$ 1,834,592</u>





	Nine months ended		
	31-Mar-19	31-Mar-18	3Q18 to 3Q17
Oil sales	\$ 8,846,003	\$ 7,063,419	\$ 1,782,584
Gas sales	227,653	105,714	121,939
Other liquids	11,534	6,118	5,416
Interest income	543	202	341
Gain on derivative instruments	-	-	-
Other	1,000,000	178,657	821,343
Lease operating expense	(8,339,180)	(4,406,993)	(3,932,187)
Depletion, depreciation and amortization	(1,510,598)	(1,219,726)	(290,872)
Abandonment Expense	(51,402)	(126,212)	74,810
Exploration and evaluation expenditure	(50,311)	(296,543)	246,232
Accretion of asset retirement obligations	(646,030)	(239,193)	(406,837)
Interest expense	(1,151,485)	(916,346)	(235,139)
Loss on derivative instruments	(863,266)	(2,030,261)	1,166,995
Amortization of borrowing costs	-	(190,434)	190,434
General and administrative	(2,624,788)	(3,133,074)	508,286
Net loss	<u>\$ (5,151,327)</u>	<u>\$ (5,204,672)</u>	<u>\$ 53,345</u>

**Comparison of three months and nine months ended March 31, 2018 to three months and nine months ended March 31, 2019**

*Oil and gas revenues*

Oil revenues increased from \$1.8 million for the three months ended March 31, 2018 to \$2.4 million for the three months ended March 31, 2019, as a result of the increase in oil production. Oil production increased from 34,450 bbls for the three months ended March 31, 2018 to 47,650 bbls for the three months ended March 31, 2019.

The realized oil price decreased from \$51.16 per Bbl for the three months ended March 31, 2018 to \$49.35 per Bbl (excluding the impact of derivatives) for the three months ended March 31, 2019 following a recent decline in the global oil price.

Gas revenues increased from \$0.02 million for the three months ended March 31, 2018 to \$0.08 million for the three months ended March 31, 2019 as a result of increased production.

Oil revenues increased from \$7.1 million for the nine months ended March 31, 2018 to \$8.8 million for the nine months ended March 31, 2019. The increase in revenue is a result of the increase in production from 134,366 bbls for the nine months ended December 31, 2018 to 171,634 bbls for the nine months ended March 31, 2019.

Gas revenues increased from \$0.1 million for the nine months ended March 31, 2018 to \$0.2 million for the nine months ended March 31, 2019.

*Sale of Assets*

No sales of assets were recorded in the three months ended March 31, 2019 or 2018.

For the nine months ended March 31, 2019 we recognized \$1.0 million in profit on the partial proposed sale of the Foreman Butte project. At the signing of the purchase and sale agreement in June 2018 a deposit of \$1 million was placed into escrow by the purchaser. Following the failure of the buyer to close on the transaction in September 2018, the escrow was released to the Company.

*Exploration expense*

Excluding deferred exploration costs written off, exploration expenditures for the quarters ended March 31, 2019 and March 31, 2018 were less than \$15,000 for either quarter. For the nine month ended March 31, 2019, this expenses was \$59,311 compared to \$296,543 for the nine months ended March 31, 2018.

*Lease operating expense*

Lease operating expenses ("LOE") increased from \$1.5 million for the quarter ended March 31, 2018, to \$2.9 million for the quarter ended March 31, 2019 due to increased production. The wells in the Foreman Butte project area and in the Home Run Field are also older wells than those we have previously owned and require additional fresh water and hot oil cleanouts which may increase operating costs of the wells. We are continuing to review our lease operating expenses and will shut wells in that are not economic to produce in the current oil pricing environment. We also performed a number of workovers at a cost of \$0.3 million (included in LOE) during the quarter to increase and maintain production during the quarter. Workovers will likely need to be completed from time to time. It is expected that these workovers will be completed, if possible, using our rig.

Lease operating expense increased from \$4.4 million for the nine months ended March 31, 2018 to \$8.1 million for the nine months ended March 31, 2019. This increase was due to an increase in production and an increase in oil field costs. Also included in lease operating expense is \$1.4 million in workover costs. As the field is an older field, workovers are required from time to time. It is expected that workovers will be completed using the rig we own.

*Depletion, depreciation and amortization expense*

Depletion, depreciation and amortization increased from \$0.3 million for the quarter ended March 31, 2018 to \$0.4 million for the quarter ended March 31, 2019. Following the change in status from assets held for sale to remaining in continuing operations, depletion, depreciation and amortization expense has been calculated since the assets were initially held for sale. Depletion, depreciation and amortization booked in the current quarter covers the period from April 2018 to December 2018.

Depletion, depreciation and amortization expense increased to \$1.5 million for the nine months ended March 31, 2019 from \$1.2 million for nine months ended March 31, 2018.

*General and administrative expense*

General and administrative expense decreased from \$0.9 million for the quarter ended March 31, 2018 to \$0.8 million for the quarter ended March 31, 2019. We have been actively trying to reduce our general and administrative costs in recent periods. Effective October 1, 2017, all staff and directors took 25% pay cuts in order to reduce salary costs. The cost of a number of consultants has also been reduced.

General and administrative expense decreased from \$3.1 million for the nine months ended March 31, 2018 to \$2.6 million for the nine months ended March 31, 2019.

**Cash Flows**

The table below shows cash flows for the following periods:

	<b>Nine months ended</b>	
	<b>31-Mar-19</b>	<b>31-Mar-18</b>
Cash provided by/(used in) operating activities	\$ (863,479)	\$ 507,473
Cash (used in)/provided by investing activities	569,199	(644,931)
Cash provided by/(used in) financing activities	-	414,843

Cash flow from operations decreased from \$0.5 million for the nine months ended March 31, 2018, to a net outflow of \$0.3 million for the nine months ended March 31, 2019. Cash receipts from customers increased from \$8.5 million for the nine months ended March 31, 2018 to \$8.8 million for the nine months ended March 31, 2019 following an increase in production.

Payments to suppliers and employees increased from \$6.0 million for the nine months ended March 31, 2018 to \$7.0 million for the nine months ended March 31, 2019. Payments for derivative instruments decreased from \$1.0 million for the nine months ended March 31, 2018 to \$0.9 million for the nine months ended March 31, 2019.

Cash used in investing activities increased from an outflow of \$0.6 million for the nine months ended March 31, 2018 to an inflow of \$0.02 million for the nine months ended March 31, 2019 following the receipt of previously escrowed funds relating to the sale of assets that failed to close.

The majority of options outstanding as at March 31, 2019 are currently out of the money.

### **Liquidity, Capital Resources and Capital Expenditures**

Our primary use of capital has been acquiring, developing and exploring oil and natural gas properties.

On February 9, 2018 we entered into an agreement (the "Agreement") with Mutual of Omaha Bank. Under the Agreement we were required to provide Mutual of Omaha Bank, on or before March 31, 2018, with either (a) an executed purchase and sale agreement evidencing the sale of Samson and its subsidiaries or its respective businesses and assets, or (b) a fully-executed letter of intent or other form of commitment letter from a credible lender or other financing source reflecting a proposed refinance or payment of Samson's outstanding obligations. Following our breach of the Agreement and multiple breaches of the covenants in the amended credit facility, on June 14, 2018 we entered into a forbearance agreement with Mutual of Omaha Bank pursuant to which the Bank agreed to forbear on exercising its remedies under the credit facility contingent upon the success of our effort to sell the Foreman Butte Project. This agreement, as amended, terminated in accordance with its terms on October 15, 2018. The \$23.9 million outstanding under our credit facility was due for repayment October 31, 2018 but we did not repay it by that deadline. As a result, Mutual of Omaha Bank had the right to issue a notice of default and seek repayment of the facility or pursue alternative repayment methods, including the sale of the outstanding loan to a third party, at any time.

It was our intention to repay the outstanding credit facility with the proceeds from the contracted sale after closing on October 15, 2018, however this sale failed to close. Mutual of Omaha Bank had the right to issue us with a notice of default in relation to the facility.

The current balance due under the facility was \$23.9 million and was due for repayment October 31, 2018. This loan was refinanced subsequent to quarter end.

On April 9, 2019 Samson Oil and Gas, USA, Inc., a wholly owned subsidiary of Samson oil and Gas Limited, closed a \$33.5 million refinancing with AEP I FINCO LLC. The new facility has a 5 year term and an interest rate of LIBOR + 10.5%. The proceeds of the new debt facility were used to retire the existing line of credit, repay outstanding creditors and to provide working capital to pursue an infill drilling program. The repayment of this facility and compliance with covenants will depend on our ability to be successful in our drilling program as discussed below.

Our main source of liquidity during the three months ended March 31, 2019 was cash on hand and the release of escrow funds from the terminated sale of assets.

During the prior four fiscal years, our three main sources of liquidity were (i) borrowings under our credit facility, (ii) equity issued to raise \$21.4 million and (iii) our tax refund of \$5.6 million from the Internal Revenue Service, received in February 2013. During the years prior to the fiscal year ended June 30, 2012, our primary sources of liquidity were the sale of acreage and other oil and gas assets.

Our cash position as of March 31, 2019 decreased slightly from June 30, 2018 largely due an increase in our accounts payable balance and the release of escrow funds from the termination of the purchase agreement for our Foreman Butte assets.

Our main source of liquidity during the three months ended March 31, 2019 was cash on hand.

If future production rates are less than anticipated, and/or the oil price deteriorates for an extended period, the value of our position in affected areas will decline, our results of operations, financial condition and liquidity will be adversely impacted and we could incur material write-downs of oil and gas properties. Our ability to continue operations could also be adversely affected. See the risk factors in our Annual Report on Form 10-K for the fiscal year ended June 30, 2018. See also Part II, Item 1A of this report below.

### **Off-Balance Sheet Arrangements**

Since our inception, we have not engaged in any off-balance sheet arrangements, including the use of structured finance, special purpose entities or variable interest entities.

### **Looking Ahead**

We plan to focus on the following objectives in the coming 12 months:

- Undertaking 8 well drilling program;
- Continued focus on cost savings and efficiency across all aspects of the Company, including lease operating costs and general and administrative costs; and
- Strengthening the balance sheet through diligent capital management.

As a consequence of this refinancing the Company has embarked on an infill development program. The drilling program is designed to drill horizontal laterals from the existing well bores. The ability to drill out of an existing wellbore has made the economics of these development wells attractive, given the ability to use surface facilities associated with the existing well. The next 12 months should see a total of 8 similar lateral wells drilled within the Home Run Field, which is the largest (by area) of the oil fields in Samson's portfolio. The Company has in its portfolio a total of 26 PUD locations that management expects will provide an excellent growth platform. The debt funding that has been achieved in this transaction is expected to provide sufficient working capital to initiate and maintain the planned development drilling program.

### **Item 3. Quantitative and Qualitative Disclosures About Market Risk.**

Not applicable.

### **Item 4. Controls and Procedures.**

#### *Control weakness – Accounts Payable processing*

The Company took over operatorship of the Foreman Butte field in May and June of 2016. This change necessitated a review of our accounts payable procedures. During this review we noted that the design of one of processes was not sufficient to adequately capture all invoices in a timely fashion. The impact of this was stated in Note 2 to our Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on May 15, 2017. At that time, we concluded that this control was not operating effectively for the quarter ended March 31, 2017. We have since revised and redesigned our accounts payable procedures and controls, with particular emphasis on ensuring the accuracy and completeness of our Annual Report on Form 10-K and this Quarterly Report on Form 10-Q. We have implemented these new controls however they have not been in place long enough to fully assess their control design and effectiveness.

Due to the efforts associated with the refinancing of the Company's debt and the appointment of a new Chief Financial Officer, the Company was not able to timely file this Form 10-Q, and has identified a material weakness in its controls over preparation of certain disclosures required by SEC rules.

As of March 31, 2019, we have carried out an evaluation under the supervision of, and with the participation of, our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Rule 13a-15 under the Securities Exchange Act of 1934, as amended (the "Exchange Act").

Our Chief Executive Officer and Chief Financial Officer have concluded that, as of March 31, 2019, because of the deficiency noted above, our disclosure controls and procedures were not effective to ensure that the information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms, and that information required to be disclosed by us in such reports is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure.

Other than disclosed above, there were no changes in our internal control over financial reporting that occurred during the three months ended March 31, 2019, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. We may make changes in our internal control procedures from time to time in the future.

## **Part II – Other Information**

### **Item 1. Legal Proceedings.**

In the ordinary course of our business we are named from time to time as a defendant in various legal proceedings. We maintain liability insurance and believe that our coverage is reasonable in view of the legal risks to which our business ordinarily is subject. There are no material pending legal proceedings to which the Company is a party or of which our property is the subject.

### **Item 1A. Risk Factors.**

***As part of our recent refinancing, we have accepted new and challenging loan covenants, events of default, conditions and other terms.***

In light of our financial position and the need to repay our prior credit facility with Mutual of Omaha Bank, which was in default,

we entered into a new credit agreement with AEP I FINCO LLC. That new credit agreement contains covenants, events of default, conditions and other terms with which we may find it difficult to comply. Our ability to remain in compliance with these terms may depend on the success of our recently launched developmental drilling program. While we are confident in the drilling program's prospects, its success is not guaranteed. If for any reason we cannot satisfy the terms and condition of our new credit agreement because of problems with the drilling program or any other reason, the lender could declare a default and seek to foreclose on our assets.



### ***Our Ongoing Infill Development Drilling Program Is Critical to Our Future Success***

Utilizing funds from the recent refinancing with AEP I FINCO LLC, we have embarked on an infill development drilling program at the first Gonzales Proved Undeveloped (PUD) location in the Home Run Field. The drilling program is designed to drill two horizontal laterals from the existing well bore. The existing development consists of a single 5,300 ft. lateral drilled with a single 640 acre spacing unit. The two new well bores will be directionally drilled to access the balance of the 640 acre spacing unit. The ability to drill out of an existing wellbore made the economics of these developmental wells more attractive due to the ability to use existing surface facilities associated with the existing well. While we believe that these two lateral wells are likely to be completed and achieve commercial levels of production, oil drilling of any kind carries numerous risks and uncertainties that cannot be disregarded.

We plan to drill a total of 8 similar lateral wells to the Gonzales wells within the next 12 months. We have identified a total of 26 PUD locations for future drilling. While we believe that our recent refinancing will provide sufficient working capital to initiate and maintain the entire development drilling program, our ability to drill subsequent wells will depend, in part, upon the success of our earlier developmental drilling and the additional capital available to us as a result of that success. There can be no assurance that the earlier developmental drilling will achieve the success needed to complete the entire planned drilling program.

In addition to other information set forth in this Quarterly Report on Form 10-Q, you should carefully consider the factors discussed in Part I, Item 1A. "Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended June 30, 2018. The risks disclosed herein and in our Annual Report on Form 10-K could materially affect our business, financial condition or future results. The risks described herein and in our Annual Report on Form 10-K are not the only risks facing us. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial may also materially adversely affect our business, financial condition or operating results in the future.

#### **Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.**

None

#### **Item 3. Defaults Upon Senior Securities.**

The description of our non-compliance with the terms and covenants of our credit facility included in "Item 2 - Management's Discussion and Analysis of Financial Condition and Results of Operations - Liquidity, Capital Resources and Capital Expenditures" is incorporated herein by reference.

#### **Item 4. Mine Safety Disclosures.**

Not applicable.

**Item 5. Other Information.**

None

**Item 6. Exhibits.**

<b>Exhibit No.</b>	<b>Title of Exhibit</b>
<a href="#">31.1</a>	<a href="#">Certification of the Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</a>
<a href="#">31.2</a>	<a href="#">Certification of the Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</a>
<a href="#">32.1</a>	<a href="#">Certifications of the Principal Executive Officer and Principal Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002*</a>
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

\*Furnished herewith

**Signatures**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

**SAMSON OIL & GAS LIMITED**

Date: May 24, 2019

By: /s/ Terry Barr  
Terence M. Barr  
Managing Director, President and Chief Executive Officer  
(Principal Executive Officer)

Date: May 24, 2019

By: /s/ Janna Blanter  
Janna Blanter  
Chief Financial Officer (Principal Financial Officer)