Samson Oil and Gas Limited (ASX: SSN)

January 22, 2007
INITIATING COVERAGE
SPECULATIVE BUY

CURRENT PRICE: A$0.30 (US$0.237)
52-WEEK RANGE: A$0.20 - A$0.49
AVG DAILY VOLUME (90-DAY): 316,050
FLOAT: 170 million
OUTSTANDING SHARES: 192 million
MARKET CAPITALIZATION: $45.4 million

COMPANY PROFILE

Samson Oil and Gas Limited ("Samson" or the "Company") (www.samsonoilandgas.com) is an Australian oil and gas company headquartered in Denver, Colorado holding an extensive portfolio of exploration and development properties in Wyoming, New Mexico, Oklahoma and North Dakota. Samson has been operating in the US since 2004, when it acquired Kestrel Energy, Inc. ("Kestrel"), a Colorado based public company with properties in the Green River Basin in Wyoming, which has gradually become the new frontier for oil and gas discoveries in the US. Currently the fastest growing gas province nationwide, the Green River Basin is expected to become one of the biggest gas producing regions in North America. The Company's position in the US market was strengthened by subsequent acquisitions of various properties, including gas producing fields acquired from Stanley Energy Inc. ("Stanley") in May 2006, which increased the Company's acreage in the Green River Basin to 42,000 net acres.

During the fiscal year ended June 30, 2006, which included only one month of production from the recently acquired fields, the Company produced a cumulative of 16,837 barrels of oil and 0.42 bcf of gas totaling 0.52 bcfe. The fiscal year end revenues in 2006 reached approximately US$4,268,000, growing over 385% from about US$879,000 in 2005. The revenues in the most recent quarter ended September 30, 2006 were approximately US$1,855,000. Having significantly strengthened its proved reserve base to 23.2 bcfe as of September 30, 2006, the Company continues to expand its production, which for the fiscal 2007 year is expected to grow to around 2.1 bcfe.

Listed on the Australian Stock Exchange (ASX) under the symbol SSN, the Company has a valuable inventory of assets, both currently producing and with proved undeveloped resources, positioning it to become a significant player in the robust Rocky Mountain region of the US gas and oil industry.

HIGHLIGHTS

The Company currently appears undervalued to its closest peers, such as Teton Resources Corporation (AMEX: TEC). *See page 9 for details.*

Quarterly Results - September 30, 2006

Company	SSN	TEC
Mmcfe	385.2	300.6
Revenues	$1.855	$1.469
Net Earnings	$0.228	($0.797)
Cash	$7.2	$8.3
Market Cap	$45.4	$72.5

Source: Quarterly reports filed with SEC and ASX
Dollar figures in millions US$

As of September 30, 2006, the Company has proved and probable hydrocarbon resources valued at over twice its current market capitalization. *See page 2 for details.*

SNN Hydrocarbon Reserves

	MMCFE	NPV
Proved	23,224	$56.863
Probable	18,492	$31.260
Total	41,716	**$88.123**

Source: SNN 2006 Annual Report
Dollar figures in millions US$

The stock has shown weakness during much of 2006, responding to news of losses, and reached a 52-week low of A$0.20 in November 2006. However, it recently rebounded to a level above A$0.30 on markedly improved volume, which averaged well over 300,000 shares daily. Samson is currently trading above its 50 day MA, but below the 200 day MA, and the future outlook will likely be dependent on key milestone announcements that may be made regarding property acquisitions and drilling success.

Samson Oil and Gas Ltd Hydrocarbon Reserves					
	Oil barrels	Gas MMCF	MMCFE	NPV A$ Mn	NPV US$ Mn
Proved	485,211	20,313	23,224	71.989	56.863
Probable	13,600	18,410	18,492	39.575	31.260
Total	498,811	38,723	41,716	111.564	88.123

Source: Samson Oil and Gas Ltd 2006 Annual Report (in accordance with ASX listing rules definition)

CORPORATE STRATEGY

Samson's corporate strategy is to build its prospect portfolio through acquisitions and subsequently develop them through farm-out agreements with strategic partners. Unlike pure exploration companies that seek to prove-up resources to be sold to a larger producing company for subsequent development, Samson intends to be engaged in subsequent production as well. As such, its business model provides both capital gain opportunities (upon the prove-up of resources) and an income stream (from producing assets).

The Company's primary focus is on the Green River Basin in Wyoming, where Samson has a number of exploratory and production properties acquired in 2004 in the transaction with Kestrel, such as the Baxter Shale Oil project, as well as Jonah Field and Look Out Wash Field acquired from Stanley in 2006. The acquisition of fields from Stanley was completed last May for a consideration of US$36.3 million and was funded through a combination of debt and equity. The Kestrel acquisition was fully completed in July 2006 with a compulsory purchase of remaining 6,801 shares at $142 per share triggered under Colorado state laws by reaching 93% holdings in the subsidiary. In addition to several Green River Basin properties, the Kestrel acquisition also contributed currently producing Amber Gas Field in the Anadarko Basin in southeastern Oklahoma and the State GC Oil & Gas Field in New Mexico. Samson's prospect portfolio also provides exposure to the Denver Julesburg Basin in eastern Wyoming with a couple of Hawk Springs exploratory projects through a joint venture with Mountain Energy LLC formed in November 2005. Finally, in July 2006 the Company acquired an extension adjacent to the State GC Oil & Gas Field in New Mexico, in a planned effort to reduce operating risk by shifting its product mix more in favor of oil. Given the extensive concentration of its prospect portfolio on natural gas, Samson has also taken positive steps to hedge itself from natural gas price volatility. The Company has entered into fixed forward swap contracts at $6.03/mmbtu to partly offset uncertainty.

As of September 30, 2006, Samson had total hydrocarbon resources valued by an independent third party at a 10% discount rate at approximately US$88.1 million (A$111.6 million).

Samson is on the lookout to acquire additional oil acreage while it continues to develop its existing oil and gas fields. Samson's interest to develop a balanced portfolio of oil and gas assets is expected to provide considerable discipline in future acquisitions. The management intends to build the value of the resources and production, and potentially capture this value via a sale of the Company in the next few years, after the results of the aggressive growth are more apparent in the marketplace.

Current Developments As a part of its growth strategy, the Company expects to balance its revenue stream between the volatile gas and oil. Samson's successful acquisition of the State GC Oil and Gas Field extensions in New Mexico forms a part of this strategy. The Company has also entered into an agreement in mid-November 2006 to acquire acreage adjacent to the North Stockyard Oil Field located in the Williston Basin in North Dakota. This acreage is an extension of the Bluell formation, which hosts the producing State of North Dakota L-1 well in an adjacent property. The transaction involves acquiring a 50% interest of a net 3,303 acre holding, which gives Samson a net 41% interest in the project. Developing the initial well involves two other North American companies. Samson expects to drill five wells with an estimated total output of 5.4 million barrels (1.7 mmbbl net to the Company), subject to the success of the initial and subsequent wells. The first well is expected to spud in the first quarter of 2007. The North Stockyard Oil Field has a production history with recovery rates of 1.2 mmbbl per well. Samson's latest oil acquisition has now expanded its operations from the Rocky mountains (Denver Julesburg and the Greater Green River Basin areas) to include New Mexico (State GC Oil & Gas Field and the extension project), Oklahoma (Anadarko Basin) and now North Dakota. Following the successful fracture simulation of the Hightower 3-23 well in November 2006 in the Amber Field, Samson recorded the first sale of gas from that field. The gas sale rates have increased from 790,000 cfd to 920,000 cfd. This rate is expected to increase.

Work Program for 2007 Samson expects to spend a minimum of US$16 million (A$20 million) over the next two years in an aggressive drilling and exploration and development program. It has an ambitious work program for fiscal year 2007, where it expects to spend US$12.9 million (A$17.2 million). The Company expects to develop the Green River Basin and the Baxter Shale Oil projects, as well as drill additional development wells in several of its properties. The Green River Basin projects entail the development of its tight gas (where the gas is trapped between layers of rock) reservoirs. The Baxter Shale is an emerging shale gas play and Samson's proposed drill program for fiscal year 2007 entails further wells to test its Frontier and Muddy formations. An exploratory well will be drilled in the State GC well extension.

PROJECTS

The Company has an impressive inventory of proved but undeveloped resources representing large exploration potential with 42,000 net acres in the Greater Green River basin alone. It also has an additional 184,000 acres in the Denver Julesberg Basin in South East Wyoming, as well as additional acreage in New Mexico and Oklahoma.

Amber Field The SE Amber gas field was discovered in 1970 in Grady County, Oklahoma, USA and has been in continuous development and production since then. The field covers an area of 6,000 acres and has so far produced in excess of 73 bcf of gas. The field currently produces 1.3 mmcfd. Samson's interest in the Amber field covers 1280 acres with 9 wells producing 3,700 mcf daily (884 mcfd net to Samson). These wells are expected to have resources that ensure long lives with the original 1970 well showing a 55 year production life. Two development wells drilled in 2000 produced 1.3 mmcfd and 1.6 mmcfd with each well expected to produce 2 bcf of gas over their lives. A 25 well development program has been proposed by the operator of which 14 wells will be drilled on acreage in which Samson has an interest. So far five of those 14 wells have already been completed.

One well, the Hightower 2-23, which was drilled and completed in early August 2006 recorded an initial flow rate of 1,120 mcfd flowing at tubing pressure of 1,800 psi, which is identical to the rates seen in other development wells in the field. Another well, Hightower 3-23, commenced drilling in late September 2006 and was successfully fracture stimulated by mid-November 2006 with the flow rate at pre-drill expected levels. Meanwhile, one of the wells drilled, the Turner 6-14, yielded disappointing test results. Overall results from the Amber field however have so far exceeded expectations and justify continued development endeavors. Its past production record, ongoing cash flow and the ability to balance Samson's portfolio makes operations in the Amber field distinctly important. The field location enables the Company to sell its output at Henry Hub prices, which are essentially undiscounted.

Jonah Field Samson has a 21% working interest in the crestal section of the field. The current development work in the acquired section of the field covers 20 acres and as and when it gets regulatory approvals the Company intends to develop 2-3 wells. This field is located in the northern part of the Green River basin and is one of the largest gas discoveries in recent decades in the US having produced 1.5 trillion cubic feet of gas since commencing production in 1992. The field produces from a series of stacked reservoirs within the Mesaverde and Lance Formations and is trapped between two faults forming a wedge shaped field. It has undergone several iterations of development with some sections being developed at a 10 acre well spacing. Samson has the regulatory authority approval to drill wells on a 10 acre spacing, which will result in a further 5-6 wells being drilled. However the drilling will only commence in 2008.

Look Out Wash Field The Look Out Wash Field currently has 20 operating wells and Samson has an 18.2% interest in the field. The Look Out Wash Field is a part of the Green River Basin and currently produces primarily from a section known as the Almond bar, which is a stratigraphically bound trap with several units above and below this target area producing gas. One of these units is the Lewis Shale that regularly returns large gas shows during various drill programs. Given the important emergence of shale gas plays in the US, this unit is expected to be evaluated closely. Following the recent installation of additional compression the output from the Look Out Wash field has increased from 7.8 mmcfd to 9.7 mmcfd.

Baxter Shale Samson has 85% working interest in this operation and one of the wells, Poitevent Federal #1, located on the Baxter Shale, has produced oil at 40 bopd. The results have so far been encouraging and produced significant shows of oil and gas. The reservoir is considered to be a fracture system and to evaluate the productive capacity of the 3,500 foot section of Baxter Shale a deviated, under balanced well bore was drilled during the previous quarter. This well bore was planned to intersect the 6 separate fracture zones that have been mapped consistently across all the wells in this area, but encountered hole stability problems. The Company has decided to further test the productivity of the Baxter Shale by fracture stimulating the Greens Canyon 29-2 well, which is nearby. This stimulation has been completed and is currently undergoing a flow back. Rates of 100 mcfpd have been measured which is in line with competitor activity.

The Baxter Shale operations are largely dominated by Questar Corp. ("Questar") (NYSE: STR) and Kodiak Oil and Gas Corp. ("Kodiak") (AMEX: KOG) with considerable success. During its drill program, Questar had an initial combined flow rate of around 4.5 mmcfd and has plans to develop the over 4,000 wells in the area.

Greens Canyon Samson has 100% working interest in a 3,200 acre prospect in Greens Canyon, Wyoming. These leases are prospective for tight gas from the Frontier, Muddy and Dakota Formations, and oil and gas from the Baxter Shale. The field has continued to operate productively over the past 2 years and the operator re-entered the 29-2 well and fractured treated the Frontier Formation. Planning and the sourcing of a suitable rig will be influenced by the outcome of the Baxter fracture simulation.

Stage Coast East Samson has acquired a lease over 1,200 acres east of the Stage Coach draw gas field in the Green River Basin. The Stage Coach draw gas field has so far produced 23 bcf of gas and 316,000 barrels of condensate from the Almond formation with remaining potential for a further 30 bcf gas. The Almond Formation has been a prolific hydrocarbon producer in the Green River Basin for over 50 years and has produced over 60 million barrels of oil and 130 bcf of gas since its discovery in 1959. The Company proposes to drill one well 500 meters east of the well Stratos Federal #1, which was drilled to test deeper formations but intersected 20 feet of gas shows. Good permeability and porosity in the Almond formation is expected to help Samson's development endeavors and the Company estimates this project to produce up to 20 bcf of gas. Samson has retained Schlumberger Data Services to examine the log data from the Stratos well to ensure that the interested Almond Sandstone at this location is in fact gas charged.

Brown's Ranch Samson has a 100% working interest in this project that covers 1,900 acres. The project is adjacent to a producing well SBU #22, which had an initial production of 12 mcfd. A well drilled by Davis Oil in the 1970s confirmed the presence of similar quality sand in the Company's prospect area as was found in SBU #22, thus Samson is mapping existing seismic data in this area with a view to drill a well in the summer of 2007. A total of ten potential locations have been mapped on the Samson acreage with the potential of 17 bcf of gas net to Samson's interest.

Firehole Canyon Samson has a 100% working interest in this field covering 12,000 acres in the Green River Basin area of Wyoming. The decision to develop the project was after several years of geologic mapping and research. The prospect has good reservoir development in both the Muddy and Frontier Formations, which was confirmed in a well that had shows of gas in both the target formations. A well drilled in the 1960's confirmed the prospect's resource potential. Low gas prices at that time however rendered further exploration and development endeavours to be uneconomical. At present, seismic data is being reviewed to better define the location of the first well relative to several faults in the prospect area. The Company has mapped 31 potential drill locations with an estimated 43 bcf of gas net to Samson's interest.

Flaming Gorge Samson has a 100% working interest in this field covering of 6,400 acres located in the southwestern part of the Green River basin in Wyoming. Samson is looking to farm-out this prospect to another major gas producer with interests in the region. There are producing assets in the neighborhood with one of these wells owned by another major gas company producing gas at 1 mmcfd without stimulation.

Hawk Springs This project is a joint venture with Mountain Energy LLC and is located in the northern part of the Denver Julesberg basin in eastern Wyoming. Samson has a 50% working interest. The project covers 184,000 acres covering two prospective formations; the Niobrara formation and the Codell formation. Niobrara formation is a fractured oil play where over 10 million recoverable barrels of oil have been discovered just 30 miles south in the Silo Field. The Codell formation is Prospective for gas evident by the Wattenberg Field which has recovered 320 bcf of gas and 30 million barrels of oil. The London Flats #1 well was drilled on the prospect and the oil shows were encouraging and have prompted further development of the well.

Niobrara Formation The Niobrara Formation is the primary target for the project and is a fractured chalk reservoir located 30 miles south of the Hawk Springs project area in eastern Wyoming. Two areas of anomalous high resistivity readings within the project indicate analogies to the Silo Field, which is also a fractured reservoir. The field has received considerable attention since 1992 and was developed through horizontal drilling. Based on the observed anomalies, Samson estimates Niobrara project to have total recoverable resources of 20 mmstb oil (10 mmstb net to Samson).

The London Flats #1 well was the initial well drilled on this acreage and the oil flow was just 8 bopd, which was below expectations and the well was plugged and abandoned. Despite the disappointment, the Company was encouraged as the drilling proved that the oil is saturated around the area. It is apparent that the fracture set identification was incorrect and the company is keen to identify the correct location of the fracture set within its acquired acreage. Samson is planning to purchase extensive seismic 2-D data in order to map the geological structure.

Codell Sandstone Samson has a 50% working interest in this project and is productive in the Denver Julesburg Basin, in eastern Wyoming. The field has a production history and has produced 30 mbbls of oil and 320 bcf of gas from the Wattenburg field. The Company has mapped an isolated sequence of Codell Sandstone that has the potential to generate a trap with a resource potential of approximately 95-140 mmboe.

State GC The State GC oil and gas field covers 600 acres with Samson holding 27% working interest. The field currently has one well that has cumulatively produced 460,000 barrels of oil and 0.7 bcf of gas. The field derives its resources from the Wolfcamp Formation, which consists of alternating and intermingled layers of limestone, dolomite, and shale. Samson was successful in winning its two highest rated 320 acre sections in the field. The 3D seismic has delineated the development of the porosity base on the State GC well and the two adjacent dry holes. Amplitude mapping and frequency attenuation studies have delineated three locations in this area, one in the Wolfcamp, which is an oil target, and two in the deeper and as productive Marrow Formation. The first of these wells is planned for the second quarter of 2007.

INDUSTRY

Green River Basin Trends The geographic area known as the Green River Basin covering Wyoming, Utah and Colorado constitutes one of the world's largest untapped resources of fossil fuels, both oil and gas. Samson has the bulk of its operations in this basin. Until 2005 large scale development of this region had been discouraged by the US government and it is only recently that exploration, development and production of oil and gas wells started gathering pace. The government is now permitting the expansion and establishment of new gas transportation pipelines.

Most of the reservoirs in the Green River Basin are sandstones, and the most important strata are numerous layers of Cretaceous age. Production is primarily from tight Cretaceous sandstones requiring hydraulic fracture stimulation to produce at economic rates. Early development work was primarily driven by high production rates associated with shoreline deposits at the top of the Almond formation. Much of the subsequent development however has targeted less extensive sands deposited within the Main Almond in the environments behind the transgressive and stillstand bar deposits.

The United States is estimated to have one of the largest untapped reserves of shale oil in the world. As the US oil and gas industry increases focus on shale oil, the Green River Basin is expected to attract attention. The Green River Basin is one of the recognized areas to contain shale oil and according to official estimates, contain 1.2 trillion barrels to 1.8 trillion barrels of oil deposit in place. While not all of this is recoverable, the success in extracting even a portion of the Green River oil shale would provide an enormous boost to the US hydrocarbon resources.

US Natural Gas Industry Natural gas is one of the primary sources of energy for the United States, accounting for 24% of total energy consumed. Unlike oil, natural gas is primarily produced within the US or obtained from Canadian gas fields. The US has an abundance of natural gas reserves that can be quickly exploited. According to the American Gas Association recoverable reserves in the US, including coal bed methane gas, total 2,400 trillion cubic feet.

Gas production is expected to take off in the US going by the historical co-relation between well-head gas prices and gas well drilling. With gas prices at an average of $7.25/mmbtu during 2005, a record high some 27,000 wells were drilled. The results of such extensive drilling are expected to increase the gas production in the years ahead. For the moment however the supply-demand balance remains tight and even a marginal temporary imbalance prompts a significant gas price volatility.

The reality of the US gas industry today is that a demand growth is expected to continue thus causing gas price volatility. In December 2006, wellhead prices averaged at $6.50/mmbtu, according to Energy Information Administration, Office of Oil and Gas. The American Gas Association has projected demand growth to increase by approximately 20% by the year 2020. While exploration efforts are at an all time high, getting all that gas to the market is expected to take time thus providing some impetus to gas prices.

The gas industry is now looking at new fields, such as the Green River Basin and Alaska. A pipeline with a capacity to carry 4.5 bcf of gas per day has been proposed from Alaska as well. The capital cost of this pipeline is estimated to be US$20 billion and is expected to add approximately 35-40 tcf of reserves to the US energy equation. This pipeline will cover over 5,000 miles and will consist of 28 compressor stations to maintain flow pressure.

The major problem faced by the US gas industry is statutory restrictions that limit the quantum of reserves that can be exploited. A total of 99 tcf of gas spread out over areas such as the Pacific shelf, Eastern Gulf shelf, Atlantic Offshore shelf and the Rockies are completely off limits to the gas industry. An additional 108 tcf of reserves in the Rockies are available to the gas industry for exploitation with come restrictions. As a result the medium term solution for the US gas industry is to increase the level of liquefied natural gas (LNG) imports. The US gas industry estimates that by the year 2009 LNG imports could reach 2.5 tcf from roughly 0.5 tcf in the year 2000. By the year 2020 an estimated 15% of US gas requirements could come from imported LNG. A large number of LNG terminals are proposed to be built along the eastern and western seaboards to meet these requirements. Besides LNG imports, unconventional gas sources such as gas shales, tight gas and coal bed methane is playing a part in meeting US gas demand. Already 35% of total US gas production is met through these unconventional gas sources.

Gas Supply Sources	2005	2020
US Domestic	82.57%	78.37%
LNG	2.75%	15.10%
Canada	14.68%	6.53%
Alaska	NA	8.98%

Source: Energy Information Administration

COMPETITION

Samson’s investment case is strengthened by the success of companies such as Questar Corp. (“Questar”) (NYSE: STR), Kodiak Oil and Gas Corp. (“Kodiak”) (AMEX: KOG), Teton Resources Corporation (“Teton”) (AMEX: TEC) and American Oil & Gas, Inc. (“American”) (AMEX: AEZ).

Questar is a highly integrated operation in the US natural gas industry with a business similar to Samson’s in exploration, development and production, but otherwise very well integrated in downstream activities, such as gas gathering and processing, interstate transportation and storage, as well as retail distribution. Questar acquires, explores and develops acreage in two major areas, the Rocky Mountains of Wyoming, Utah and Colorado, and the mid-continent areas of Texas, Louisiana and Oklahoma. Questar has proven reserves of 780 bcfe and additional probable reserves of 1.5 tcfe. As of September 30, 2006, it had 178 producing wells and revenues of US$2.75 billion for the year ended December 2005. Questar currently has a market capitalization of US$6.7 billion.

Kodiak is a Denver, Colorado based exploration and development company with operations more closely resembling those of Samson placing greater emphasis on exploration and development. Kodiak’s operations are spread out in the US Rocky Mountains region covering Greater Green River Basin in Wyoming and the Williston Basin in Montana and North Dakota. Kodiak has interests in a total of 124,000 acres (77,000 net acres) and its reserves are split 48% gas and 52% oil. It has focused its operations in areas where pipeline infrastructure exists. In 2005, Kodiak produced 2,669 barrels of oil and 31.75 mmcf of gas. It has developed reserves of 309,400 barrels of oil and 1.8 bcf of gas. Kodiak has a market capitalization of $296 million.

The cumulative activity of these and other companies like Teton and American, which have more similar scopes of operations in the Rocky Mountains as Samson, is positive for the Company since it improves the overall exploration and production outlook in the region.

MANAGEMENT

Samson is led by a very experienced management team headed by Terry Barr, the Managing Director. The management team and the Board of Directors have significant experience in the minerals industry having been associated with numerous oil and gas and metals and mining companies across Asia, Australia, Africa and North America during their respective careers.

The Managing Director is a petroleum geologist with over 30 years of experience. He has been credited with the discovery of significant oil and gas reserves during his career. He has specialized in tight gas exploration, drilling and completion and is considered to be an expert in this field. This experience will naturally be of significant value to the Company given the extensive opportunities in tight gas before Samson across its properties in the US.

The Vice President of Engineering is Jeff Rhodes a Colorado School of Mines graduate with 20 years experience in Petroleum Engineering. Mr. Rhodes is an acquisition specialist and was involved in the success start up and sale of Meritage Energy Company,LLC.

The Company's CFO, Robyn Lamont, has joined the Denver office from Perth. Initially trained with Arthur Anderson, Ms. Lamont is a Chartered Accountant and a graduate of the University of Western Australia.

The Company's Chairman, Malcolm Burne, also has had very varied corporate and financial experience. He was the Executive Chairman of the Australian Bullion Company and a member of the Sydney Futures Exchange. Over a period of time he has served as a Director of twenty public companies, mostly in the minerals and metals mining industry.

Denis Rakich, FCPA, the Company's Corporate Secretary, has an extensive experience in the petroleum and minerals services, production and exploration industries. He is a member of the Australian Society of Accountants and currently serves as Corporate Secretary for another public company in the resources sector.

RISK FACTORS

Unlike many other junior oil and gas companies, Samson has ongoing production from some of its properties. However, it is the exploration and development properties that are likely to underpin much of Samson's future growth and therefore its eventual success hinges on the reserve potential and the drilling success of the properties.

Pipeline capacity: The gas transportation pipeline capacity is a risk factor in the Rockies given the high concentration of exploration and development efforts in this region and the prospective drilling activity. There is a vast network of pipelines in place, but the American Gas Association has pointed out that over all $100 billion in investments is needed to meet the demand for natural gas transportation across the US, with a special emphasis on the Rocky Mountain region. The association has estimated that a total of 255,000 miles of new pipelines will need to be built in order to meet incremental gas transportation requirements in the future. The Kinder Morgan "Rocky Mountain Express" pipeline, which is currently under development, is expected to reduce the risk in the region.

Drilling and Operations: Exploration, development and production activities may be hampered by teething problems related to technical and other operational issues. Such disruptions may cause lower than expected output, higher operating expenses and lower profitability. There could also be delays in development and production.

Global Oil & Gas Prices: Oil & natural gas prices are volatile and Samson's profitability may be affected due to their price fluctuations. In addition to lower earnings, a sudden and prolonged decline in energy prices could affect the carrying value of Samson's assets and its borrowing capacity. Gas prices remain a key risk for the Company, as the recent quarterly results have shown. This risk is however mitigated by hedging and in general companies operating in this region tend to hedge at least two thirds of their gas revenues.

Dependence on Key Personnel: Similar to many junior oil and gas companies engaged in exploration, Samson's success depends on its management team. Continued availability of their services is not necessarily guaranteed and the loss of key personnel could lead to a perceived disruption of operations and exploration progress.

Current Financial Situation: The Company reported a significant net loss for the year ended June 30, 2006 and a modest profit in the first quarter ended September 30, 2007. While it is too early to predict the results for the year as a whole, any significant impairment charges could be a drain on earnings. On the positive side, the increased level of production is expected to create a dramatic increase in revenues and the likelihood of positive cash flow for the year.

Ability to Raise Future Financing: While Samson has so far been successful in attracting investors and raising both debt and equity financing, its ability to raise future funding would depend on the exploration success, world energy prices, drilling success and the availability of suitable acquisition targets in the region. The Company has sufficient cash on hand for the next twelve months.

Equity Dilution: We expect Samson to look at the option of additional equity financing to fund its future expansion. In the event the Company decides to chose this financing route it could lead to a possible dilution of its shareholder value. However this would position the Company for growth.

FINANCIALS AND OUTLOOK

Asset Valuation As of September 30, 2006, Samson had proved reserves valued at US$56.8 million (A$71.9 million) and total resources (including probable reserves) valued at US $88.1 million (A$111.5 million). The Company has a current market capitalization of US$45.4 million. After this reserve valuation was performed two additional wells started production at 300mcf of gas per day, the value of which was not included in the valuation. In addition, the installation of a compression system in the Look Out Wash field boosted production by 26.6% to 9.7 mmcf. Extensions were also identified in the State GC Oil Field with three 0.5 million barrel locations and a gas secondary following a 3-D analysis. The valuation also does not reflect resources from Samson's interests in North Dakota or the potential of the Baxter Shale Oil project. Based on this hydrocarbon resources valuation, the market capitalization of the Company appears to be currently undervalued.

Major Shareholders The Company's top five institutional shareholders account for 46% of the outstanding shares. The substantial holdings may indicate investor confidence in the Company's future performance, however any shifts in these groups' holdings, additions or subtractions, can create volatility of share price.

Shareholder	Shares	Ownership
Harbinger Capital	28.0	14.6%
Persistency	23.1	12.0%
Golden Prospect PLC	15.8	8.3%
South Point Master Fund	12.5	6.5%
Victoria Petroleum NL	10.2	5.3%

Source: Company 2006 Annual Report
Shares outstanding in millions

The Company reports in Australian dollars. The foreign exchange rate as of the date of the report was A$1:US$0.788. The financials are audited annually by Ernst & Young, international CPAs based in Perth, Australia.

Fiscal Year ended June 30, 2006 For the fiscal year ended June 30, 2006 the Company reported net consolidated revenue of A$5.484 million as compared to A$1.128 million for 2005. Gas revenue outstripped oil revenue by a factor of 4:1 and Samson hopes to reduce its reliance on gas with the acquisition of its new oil fields. Despite revenue growth Samson reported a net loss of A$27.829 million, of which impairment expense was A$17.816 million, as compared to a profit of A$2.044 million for 2005. Samson also recognized A$3.013 million as share based payments including options issued to directors, employees and others. The Company also expensed an exploration expenditure of A$5.244 million.

Quarter ended September 30, 2006 During the first quarter ended September 30, 2006, the Company reported revenues of A$2,384,000 and a net income of A$293,000. The three months revenue and earnings suffered due to a sharp fall in gas prices. Gas revenues were down 28% compared to the previous quarter ended June 2006. Gas production was also lower 3.2%. Oil revenues on the other had been higher by 14%, driven primarily by a 21% surge in volume of production. Meanwhile its production has been on the rise and for the quarter ended September 2006, the Company produced 385 mmcfe, up 312% over the same period last year.

Samson's current exposure to the vagaries of gas prices is even more evident when the September quarter figures are compared to the March quarter's figures. Gas production increased 88% from 185,471 MCF in the March quarter to 338,702 MCF in the September quarter but gas revenues between the two periods has increased by just 27%. In contrast, oil revenues increased 140% in the September quarter compared to the March quarter, while volumes grew by 115%.

As of September 30, 2006, the Company had working capital of A$12.2 million, net worth of A$42.5 million, and long term debt of A$26.0 million, which is convertible to equity.

Funding Samson funds its operations through a combination of debt and equity. The Company has financing facilities with Macquarie Bank Ltd in addition to its hedging facilities. In May 2006, the Company financed the acquisition of the Jonah and Look Out Wash fields from Stanley through a US$21 million convertible loan facility from Macquarie Bank Ltd and an additional nearly US$21 million placement of 65 million shares with institutions and existing shareholders, who accounted for over 10% of the offering at A$0.42 per share. Samson however is likely to favor equity due to its heavy focus on exploration and is likely to pursue equity financing for much of future expansion needs and working capital. For the fiscal year ending on June 30, 2007, the Company has proposed a capital expenditure program worth US$ 12.9 million (A$17.2 million).

Opinion We are initiating Samson coverage with a speculative buy rating. Its producing assets in prolific regions together with the impressive prospect inventory make Samson an attractive investment opportunity. Its investment case is further strengthened by the growth strategy, consistent business plan and the continued endeavors to expand operations. Further drilling success and strategic partnerships would prove to be helpful as investors generally greet exploration and development progress with enthusiasm. At current levels, the US$45.4 million market capitalization is well below the proved hydrocarbon reserve value of nearly US$57 million and represents only about half of total resources (including probable reserves) estimated at over US$88 million. Furthermore, the Company's market capitalization does not yet seem to reflect any possible future values from the Baxter Shale play in the region.

Quarterly Results - September 30, 2006			
Company	SSN	TEC	AEZ
Mmcfe	385.2	300.6	25.3
Revenues	$1.855	$1.469	$0.216
Net Earnings	$0.228	($0.797)	($1.204)
Cash	$7.2	$8.3	$19.5
Market Cap	$45.4	$72.5	$216.7

Source: Respective quarterly reports filed with SEC and ASX
Dollar figures in millions US$

Samson also appears undervalued when set against its two close Denver based competitors operating in the Rocky Mountain region and listed on the American Stock Exchange, Teton Resources Corporation (AMEX: TEC) and American Oil & Gas, Inc. (AMEX: AEZ). Based on operating performance during the most recent quarter ended September 30, 2006, the market awards Samson the lowest valuation despite superior financial results. While Samson, valued at US$45.4 million, produced approximately 385.2 Mmcfe (composed of 7,746 Bbl of oil and 338,702 mcf of gas) reported revenues of US$1,855,000 and net income of US$228,000, Teton Resources, which reported revenues of US$1,469,000 and net loss of US$797,000 on production of approximately 300.6 Mmcf of gas is priced at US$72.5 million. The Company's comparison of these fundamental metrics from last quarter against American Oil & Gas present an even more dramatic example of Samson's unrecognized value in the marketplace. Furthermore, although the market risks of liquidity, volatility, and potential dilution are inherent in any small capitalization issue, any future listing of Samson shares on US Capital Markets will likely bode well for the share liquidity and values.

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