



SAMSON
OIL & GAS LIMITED

ABN 25 009 069 005

ANNUAL REPORT
30 June 2012

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CORPORATE DIRECTORY

Directors

V. Rudenno (Chairman)
T.M. Barr (Managing Director)
D. Craig
K. Skipper

Secretary

D.I. Rakich

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Web Site

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Share Registry

Security Transfer Registrars Pty Ltd
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Applecross, Western Australia 6953
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Bankers

Bank of New Zealand Australia
Utility Bay 13.03
100 St Georges Terrace
Perth, Western Australia 6000

Bank of the West
633 17th Street
Denver, Colorado, 80202

Macquarie Bank Limited
No 1. Martin Place
Sydney, New South Wales 2000

Solicitors

Squire Sanders
152 St Georges Terrace
Perth, Western Australia 6000

Davis Graham & Stubbs LLP
1550 Seventeenth Street, Suite 500
Denver, Colorado, 80202

Auditors

PricewaterhouseCoopers
250 St Georges Terrace
Perth, Western Australia 6000

Stock Exchange

Australian Securities Exchange Limited
Code : SSN

NYSE MKT (*formerly NYSE Amex*)
Code : SSN

Australian Company Number

009 069 005

Australian Business Number

25 009 069 005

Presentational Currency

The financial statements are presented in
US Dollars (2011: US Dollars)

DIRECTORS' REPORT

In accordance with a resolution of Directors, the Directors submit their report with respect to the results of the operations of Samson Oil & Gas Limited ("the Company") and its controlled entities ("the Consolidated Entity" or "Group") for the year ended 30 June 2012 and the state of its affairs at that time.

DIRECTORS

The names and details of the Directors of the Company in office during the whole financial year and until the date of this report, unless noted otherwise, are:

Dr. Victor Rudenno
Chairman – appointed 1 July 2011

Dr. Rudenno was appointed as a Director of the Company in April 2007. In 1984, Dr. Rudenno transitioned to the investment industry as a rated mining and energy analyst working for firms such as James Capel, DBSM and Prudential Bache. In 1995, he moved to the corporate side of investment banking and worked for a number of leading firms including Macintosh Corporate, Deutsche Bank, Hartley Poynton and CIBC. In 2002, Dr. Rudenno co-founded Equity Capital Markets Ltd, an investment bank specialising in corporate advice and capital raising which merged with Interfinancial in 2005 and subsequently was acquired by Tolhurst, an ASX listed broker in 2007. He is currently an Executive Director of Revaluate Pty Limited. He is a Senior Fellow of the Financial Services Institute of Australasia and a Fellow of the Australasian Institute of Mining and Metallurgy. Dr. Rudenno holds a Bachelor of Mining Engineering degree, a Master of Commerce degree and a Doctor of Philosophy for his thesis on Mining Economics. During his earlier academic career, Dr. Rudenno lectured both at the University of New South Wales and part time at University of Sydney, predominantly on mining economics, geostatistics, operations research and thermodynamics. He is the author of the textbook "Mining Valuation Handbook".

Dr Rudenno is a member of the Audit Committee.
Dr Rudenno is a member of the Compensation Committee.

On 25 August 2010, Dr Rudenno was appointed a non-executive Director of Pilbara Minerals Limited (a publicly listed company) and continues to serve as a non-executive Director through the date of this report.

Dr Rudenno has not held any directorships, other than those disclosed above in the past three years.

Mr Terence Maxwell Barr
Managing Director

Mr Barr is a petroleum geologist with over 30 years' experience, including 11 years with Santos Limited. He is credited with the discovery of significant oil and gas reserves during his career. In recent years, Mr Barr has specialised in tight gas exploration, drilling and completion and is considered an expert in this field. This experience and expertise is invaluable given the exposure the Company has to tight gas opportunities in Wyoming and other parts of United States of America. Mr Barr was appointed managing director of the Company on 25 January 2005.

Mr Barr has not held any other directorships in the past three years.

Mr Keith Skipper
Non Executive Director

Mr. Skipper was appointed as director of the Company on 15 September 2008. Mr. Skipper holds a B.Sc (Hons) degree in Geology from Reading University (United Kingdom) and a Master of Science from McMaster University (Canada). He commenced his career with Amoco Canada Petroleum Limited in 1970. Mr. Skipper's experience includes ten years with Bridge Oil Ltd and several years with Pan Canadian Petroleum Limited (now part of Encana Corporation) and Antrim Energy Inc. in management and senior executive positions. He is a resident of Australia.

Mr Skipper is a member of the Audit Committee.
Mr Skipper is the Chair of the Compensation Committee

During the last three years, Mr. Skipper has been a Director of the following publicly listed companies:

- Rawson Resources Limited*
- Circumpacific Energy Corporation

* denotes current directorships

Dr DeAnn Craig
Non Executive Director – appointed 11 July 2011

Dr Craig was appointed as a Director of the Company on 11 July 2011. Dr Craig holds an Interdisciplinary PhD with emphasis in Petroleum Engineering and Operations Research from the Colorado School of Mines (USA). She has also earned several degrees from Colorado School of Mines including Masters of International Political Economy of Resources, Masters of Science Mineral Economics and Business and a Bachelor of Science Chemical and Petroleum Refining Engineering. In addition Dr Craig holds an MBA from Regis University in Denver, Colorado. During her career Dr. Craig has been a drilling engineer, a reservoir engineer responsible for reserves determination and property valuation, and progressed to senior management in several companies, including Phillips Petroleum, now ConocoPhillips, and CNX Gas. She is a registered professional engineer in the state of Colorado.

In the previous five years she has served as Senior Vice President, Asset Assessment CNX Gas Corporation, served as an Adjunct Professor in the Petroleum Engineering Department at the Colorado School of Mines and was appointed by the Governor of Colorado to serve on the Colorado Oil and Gas Conservation Commission. Currently she is consulting to the oil and gas industry.

Dr Craig is the Chair of the Audit Committee.
Dr Craig is a member of the Compensation Committee.

Dr Craig was appointed a non-executive Director of Atlas Resources Partners, L.P. in March 2012 and continues to serve in that position to the date of this report. Dr Craig has not held any other directorships in the past three years.

COMPANY SECRETARY

Mr Denis Ivan Rakich F.C.P.A

Mr Rakich is an accountant and Company Secretary with extensive corporate experience within the petroleum services, petroleum and mineral production and exploration industries. Mr Rakich is responsible for the corporate management of Samson Oil & Gas Limited and the maintenance of the Company's ASX listing. He is a member of the Australian Society of Accountants and is currently Company Secretary for another public Company in the resources sector.

DIRECTORS' SHAREHOLDINGS

At the date of this report, the interests of the Directors in shares and share options in the Company are:

	Number of Ordinary Shares	Number of Options over Ordinary Shares
T.M. Barr	12,526,142	10,012,960
V. Rudenno	4,236,502	6,800,000
K. Skipper	736,502	6,500,000
D. Craig	-	4,000,000

PRINCIPAL ACTIVITIES

The principal activities during the year of entities within the Consolidated Entity were oil and gas exploration, development and production in the United States of America. There have been no significant changes in the nature of these activities during the year.

The Company's focus in the future will continue to be on oil and gas exploration, development and production in the USA. The Company will look to developing existing acreage, whilst continuing to identify potential project acquisitions.

OPERATING AND FINANCIAL REVIEW

Financial Results

The Consolidated Entity made a gross profit of \$3,329,021 (2011: \$2,624,678) from continuing operations for the financial year ended 30 June 2012.

The result for the financial year ended 30 June 2012 from continuing operations, after provision for income tax was a loss attributable to members of the parent of (\$31,071,439) (2011: profit \$45,770,082). Included in the current year result is exploration expenditure expensed of \$30,523,923 (2011: \$403,826). This has been expensed in line with the Consolidated Entity's accounting policy to expense all exploration expenditure until such time as it is expected that the future economic benefit will flow from the expenditure.

Development Activities

Bakken Field, Williams County, North Dakota

Everett #1-15H

In June 2011, we successfully drilled our sixth Mississippian Bakken well in the North Stockyard field in Williams County, North Dakota, the Everett 1-15H (26% working interest). This well underwent fracture stimulation in November 2011. This well had an initial production rate of 1,176 barrels of oil equivalent per day ("BOEPD").

Exploration Activities

Hawk Springs, Goshen County, Wyoming

During the year, Halliburton Energy Services drilled the Defender US 33 #2-29H in the Hawk Springs Project in Goshen County, Wyoming. The Company was carried on this well up to the point of production of oil. This well commenced production in February 2012. Numerous operational and pumping issues have been associated with this well. This well was cleaned out in July 2012 and has resumed pumping. The well is currently producing approximately 75 barrels of oil per day with the pump jack speed set on a low setting (approximately 4.25 strokes per minute). Over the next few months the evaluation will continue and a decision made if it is appropriate to increase the pump speed.

During the year the Company drilled and completed the Spirit of America US34 #1-29. The Spirit of America US34 #1-29 well was unsuccessful in reaching the Lower Permian and Pennsylvanian targets due to getting stuck in the Upper Permian Goose Egg Salt section. \$4.9 million was expensed in relation to this well and has been included in the exploration and evaluation expenditure in the Statement of Comprehensive Income. Subsequent to year end, the well has been permitted as a salt water disposal well.

The Spirit of America replacement well, Spirit of America US34 #2-29, was successfully drilled to a total depth of 10,634 feet using a conservative drilling approach to penetrate the troublesome salt section along with heavy weight, oil based mud. The interpreted net pay intervals will be fracture stimulated in three stages. The initial frac will stimulate the lower perforations at around 10,000 feet, comprising 31 feet of log pay. The second stage at around 9,300 feet will stimulate a single 7 feet of log pay and the third stage at around 9,200 feet will stimulate several sandstones with 23 feet of log pay. During the initial frac, 47,560 pounds of proppant was pumped and the well was then flowed back for approximately 14 hours with the recovery of 27% of the fluid pumped. The potential problems with moving the bridge plug during the preparations to pump stage 2 were encountered, with the tubing becoming stuck by frac sand, which required a recovery operation. The majority of this tubing was recovered and the well is currently awaiting the completion of the final two frac stages.

Roosevelt Project, Roosevelt County, Montana

Samson's first appraisal (exploratory) well in this project area was drilled in December 2011, Australia II. This well was drilled to a total measured depth of 14,972 feet with the horizontal lateral remaining within the target zone for the entire lateral length. Oil and gas shows were returned during the drilling of this well. Approximately 3,425 barrels of oil have been produced from this well. It is currently shut in awaiting mechanical repairs.

Samson's second appraisal (exploratory) well, Gretel II was drilled in January 2012 and fracture stimulated in March 2012. It appears that this well was drilled on the north side of the Brockton Fault zone, which is believed to be the western edge of the continuous Bakken oil. This well is currently shut in as it was producing mostly water with a 5% oil cut.

While both wells have delivered a negative result, geological and operational information has been gained from these results which has added value to the Roosevelt project as a whole going forward.

In addition, during the year, Continental Resources successfully drilled the Abercrombie 1-10H well, which Samson has approximately 0.07% working interest in. The bottom hole location of this well is less than 3 kilometres from the bottom hole location of Samson's Gretel II well. Continental have permitted several more drilling locations just to the south of Samson's Roosevelt Project. Samson has permitted the Prairie Falcon well to be drilled to the south of the Brockton Fault line.

Samson has expensed \$24.7 million in previously capitalised exploration costs in relation to this project as a result of the results seen in the Gretel II and Australia II wells. \$7.3 million remains capitalised in regard to this project for land costs. Activities are continuing in this area and will continue during the year.

Production Activities

During the year the Consolidated Entity produced approximately 87,956 (2011: 64,405) barrels of oil and 214,463 (2011: 423,077) Mcf of gas.

Reserves

The Company has determined its hydrocarbon reserves (as defined in the ASX listing rules) at an effective date of 1 July 2012 to be as follows:

	Oil Mbbls	Gas MMcf	MBOE	NPV₁₀* US\$'000's
Proved	754	1,369	982	13,351
Probable	-	-	-	-
Total	754	1,369	982	13,351

*NPV₁₀ – this is the Net Present Value of the future cash flows, discounted at 10%.

2011 Reserves

	Oil Mbbls	Gas MMcf	MBOE	NPV₁₀* US\$'000's
Proved	505	1,349	729	20,121
Probable	-	-	-	-
Total	505	1,349	729	20,121

*NPV₁₀ – this is the Net Present Value of the future cash flows, discounted at 10%.

The increase in the proved oil reserves is as a result of the successful drilling in the Company's North Stockyard field in North Dakota.

The estimate has used the NYMEX forward curve as at 30 June 2012 less an appropriate differential to take into account the difference between the NYMEX pricing and the price received by the Company at its various sales points.

DIVIDENDS

No dividend was paid or recommended for payment during the year (2011: \$Nil).

SHARE OPTIONS

As at the date of this report, there were 278,496,315 (2011: 320,665,565) unissued ordinary shares under option. All option exercise prices are denominated in Australian Dollars unless noted otherwise.

4,000,000 options were granted on 11 October 2007 to key management personnel. These options have an exercise price of 30 cents per share, an expiry date of 10 October 2012 and vested immediately.

2,000,000 options were granted on 12 May 2008 to key management personnel. These options have an exercise price of 25 cents per share and an expiry date of 11 May 2013. 600,000 options vested immediately, 600,000 vested following twelve months of service by the employee on 1 April 2009, and the remainder vested on 1 April 2010, following 24 months of employment service.

3,379,077 options were granted on 10 October 2007 to participants of a capital raising, completed at the same time. These options have an exercise price of 30 cents per share, an expiry date of 10 October 2012 and vested immediately.

344,431,144 options were granted on 6 November 2009, in conjunction with the rights offering completed at that time. An additional 12,500,007 options with the same terms and conditions were issued in January 2010. The options have an exercise price of 1.5 cents per share, an expiry date of 31 December 2012 and vested immediately. 109,144,663 of these options have been exercised to the date of this report.

29,000,000 options were granted on 18 November 2010 to the Directors of the Company. These options have an exercise price of 8 cents per share and an expiry date of 31 October 2014. They vested immediately.

32,000,000 options were granted on 17 December 2010 to employees of the Company. These options have an exercise price of 8 cents per share and an expiry date of 31 December 2014. One third of these options vested upon grant, another third vested on 31 January 2012, with the remainder vesting on 31 January 2013, provided the employee is still employed with the Company on the final vesting date. 500,000 of the vested options were exercised in April 2011.

4,000,000 options were granted on 1 July 2011 to an employee of the Company. These options have an exercise price 16.4 cents and an expiry date of 31 December 2014. One third of these options vested on 31 July 2011, another third vested on 31 July 2012 with the remainder vesting on 31 July 2013, provided the employee is still employed with the Company on the final vesting date.

4,000,000 options were granted on 29 November 2011 to a non-executive Director of the Company. These options have an exercise price of 15.5 cents and an expiry date of 31 October 2015. They vested immediately.

Option holders do not have any right, by virtue of the option, to participate in any share issue of the Company.

Shares issued as a result of the exercise of options

62,916,630 1.5 cent options have been exercised from 1 July 2011 to the date of this report.

Remuneration Report

The remuneration report is set out under the following headings:

- A Principles used to determine the nature and amount of remuneration
- B Details of remuneration
- C Service agreements
- D Company performance

The information provided in this remuneration report has been audited as required by section 308 (3C) of the *Corporations Act 2001*.

A Principles used to determine the nature and amount of remuneration

The objective of the Consolidated Entity's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The performance of the Company depends upon the quality of its Directors and executives. To be successful and maximise shareholder wealth, the Company must attract, motivate and retain highly skilled Directors and executives.

Remuneration packages applicable to the executive Directors, senior executives and non-executive Directors are established with due regard to:

- Performance against set goals
- Ability to attract and retain qualified and experienced Directors and senior executives.

During the year, the Company formed a Compensation Committee. Dr DeAnn Craig, Dr Victor Rudenko and Mr Keith Skipper are the current members of the Compensation Committee. The Compensation Committee is responsible for determining and reviewing compensation arrangements for Directors and executives. The Committee assesses the appropriateness of the nature and amount of remuneration of Directors and executives on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality Board and executive team.

Non-executive Director Remuneration

Fees and payments to non-executive Directors reflect the demands which are made on, and the responsibilities of, the Directors. Non-executive Directors' fees and payments are reviewed annually by the board. The Chair's fees are determined independently of the other non-executive Directors. The Chair is not present at any discussions relating to determination of his own remuneration.

The ASX Listing Rules specify that the aggregate remuneration of non-executive Directors shall be determined from time to time by a general meeting. An amount not exceeding the amount determined is then divided between Directors as agreed. The latest determination was at the Annual General Meeting held on 18 November 2010 when shareholders approved an aggregate remuneration of A\$500,000 per annum. The amount of aggregate remuneration sought to be approved by shareholders and the manner in which it is apportioned amongst Directors is reviewed annually.

Non-executive Directors are encouraged by the Board to hold shares in the Company (purchased by Directors on market). It is considered good governance for Directors to have a stake in the Company on whose Board they sit.

Remuneration Incentives

The Company does not have a policy in place limiting the Directors exposure to risk in relation to the Company's options.

The remuneration of non-executive Directors for the year ended 30 June 2012 and 2011 is detailed in Table 1 and Table 2 of this report.

Executive Remuneration

The Company aims to reward executives with a level and mix of remuneration commensurate with their position and responsibilities within the Company and so as to:

- Align the interests of executives with those of shareholders;
- Link reward with strategic goals and performance of the Company; and
- Ensure total remuneration is competitive by market standards.

Base pay for executives is reviewed on the contract renewal date to ensure the base pay is set to reflect the market for a comparable role. There are no guaranteed base pay increases included in any executives' contracts.

Remuneration consists of fixed remuneration and remuneration incentives in the form of options issued in the Company.

The level of fixed remuneration is reviewed annually by the Board having due regard to performance against goals set for the year and relevant comparative information. The Board has access to external advice independent of management if required. During the year ended 30 June 2012 the Board sought advice from Mercer (USA) Inc in regards to the remuneration, including long term incentives for employees, of the Consolidated Entity. The cost of this advice was approximately \$50,000.

Remuneration Incentives

Directors' remuneration is not linked to either long term or short term incentives. The Board feels that the expiry date and exercise price of the options issued to the Directors in the current and prior years are sufficient to align the goals of the Directors and executives with those of the shareholders to maximise shareholder wealth. There are no performance criteria or service conditions attached to options issued to Directors.

During the prior year, the Board agreed that vesting conditions should be included in relation to the options issued to new executives. Previously, similar to the Directors incentives detailed above, no conditions were placed on options issued to executives.

A bonus structure was in place for the calendar year 2011 for all employees. The bonus was payable dependent on the movement in the volume weighted average share price (from trades on the Australian Securities Exchange and NYSE Mkt, adjusted for the impact of foreign exchange) from December 2010 compared to December 2011. No bonus was payable if the share price decreased from December 2011 or did not increase above 25%. The maximum bonus was payable if the share price increased by 100% from December 2010 to December 2011. A total bonus of \$1,353,170 was payable if the combined volume weighted average share price during December 2012, as calculated on individual trades across both exchanges was greater than 100% of 6.3 cents (AUD). This was the volume weighted average price calculated in December 2010 based on individual trades on the ASX and NYSE Amex. The values of trades on the NYSE Amex were translated to AUD based on the exchange rate on each trading day in December from the Reserve Bank of Australia website.

A bonus of \$802,942 was paid in relation to this incentive, \$390,000 of which was accrued during the year ended 30 June 2011.

A new bonus arrangement was put in place for the period 1 January 2012 to 30 June 2012. Bonuses will be earned by meeting the thresholds set by the Board for each of the three performance criteria: share price growth, reserve growth and production growth. Each metric is treated individually. Additionally the Bonus Pool will include a discretionary component available for award by the Compensation Committee for performance by an individual outside of the performance criteria. To achieve the Bonus Pool in totality, the company has to meet the targeted thresholds for all three criteria. The Bonus Plan for the current period also includes a set of "Stretch Targets", which would reward the achievement of extraordinary results for Samson shareholders.

The weighting of each of these metrics and the discretionary component for the six months ended 30 June 2012 is shown in the table below:

Metric	Weight	Threshold	Target	Stretch
Production	20%	55,000 bbls	75,000 bbls	100,000 bbls
Reserves	20%	0.853 MMstb	1.1595 MMstb	1.546 MMstb
Share Price	30%	12 cents	15 cents	18 cents
Discretionary	30%			

Although none of the thresholds were met a portion of the discretionary component of the bonus was awarded in recognition of the efforts by all employees throughout the period. \$133,168 has been accrued during the current period. The maximum payable under the discretionary component was \$218,938.

A bonus plan has not been put in place for periods post 1 July 2012 as at the date of this report.

B Details of Remuneration

Amounts of remuneration

Details of remuneration of the Directors and executives of the Company and Consolidated Entity in accordance with the requirements of the *Corporations Act 2001* and its Regulations are set out in the following tables.

For the purposes of this report, Key Management Personnel (KMP) of the Consolidated Entity are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and the Consolidated Entity, directly or indirectly, including any director (whether executive or otherwise) of the Parent Company.

For the purposes of this report, the term "executive" encompasses the Chief Executive Officer, Company Secretary, Chief Financial Officer, Vice President – Exploration and Vice President - Engineering. There are no further employees employed by either the Company or its subsidiaries who meet the definition of executive, therefore only the five executives detailed above are included in this report. During the year and as at the date of this report, unless stated otherwise, the key management personnel were:

Terry Barr	Managing Director
Victor Rudenno	Non-executive Director (appointed Chairman effective 1 July 2011)
Keith Skipper	Non-executive Director
DeAnn Craig	Non-executive Director (appointed 10 July 2011)
Denis Rakich	Company Secretary
Robyn Lamont	Chief Financial Officer
David Ninke	Vice President – Exploration
Dan Gralla	Vice President – Engineering

Table 1: Key Management Personnel compensation for the year ended 30 June 2012

	Short Term			Accrued Bonus**	Post Employment	Share-based Payments		Total	Total Performance Related
	Salary & Fees	Bonus Paid*	Non-monetary Benefits		Super - annuation	Options	Ordinary Shares		
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Directors									
T.Barr	386,892	118,800	12,643	46,820	15,340	-	-	580,495	8.1%
D. Craig	73,949	-	-	-	-	308,407	-	382,356	80.7%
K. Skipper	65,553	-	-	-	6,687	-	-	72,240	0.0%
V. Rudenno	98,040	-	-	-	-	-	-	98,040	0.0%
Executives									
D. Rakich ¹	123,848	27,671	-	3,818	12,384	53,109	-	220,830	25.7%
R. Lamont ¹	230,343	50,238	6,722	18,779	12,967	74,352	-	393,401	23.6%
D. Ninke ¹	270,943	65,232	7,184	21,473	15,043	74,352	-	454,227	21.0%
D. Gralla ¹	264,330	60,480	7,628	19,102	15,340	74,352	-	441,232	21.1%
	1,513,898	322,421	34,177	109,992	77,761	584,572	-	2,642,821	

* This expense relates to the amount of bonus paid for the period from 1 January 2011 to 31 December 2011 that was not accrued at 30 June 2011.

**This expense relates to the current year bonus expense for the bonus period from 1 January 2012 to 30 June 2012, which has been approved by the Board and is expected to be paid by the end of September 2012.

¹ These options were issued during the year ended 30 June 2011; however are subject to a vesting schedule dependent on each employee's continued employment with the Company. This value represents the portion of the expense recognised during the current year.

Table 2: Key Management Personnel compensation for the years ended 30 June 2011

	Short Term			Accrual for possible bonus*	Post Employment	Share-based Payments		Total	Total Performance Related
	Salary & Fees	Bonus	Non-monetary Benefits		Super - annuation	Options	Ordinary Shares		
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Directors									
T.Barr	333,169	262,500	3,826	132,000	14,752	360,000	54,439	1,160,686	42.3%
N. Maclachlan	71,630	-	-	-	-	252,000	19,403	343,033	73.5%
K. Skipper	23,070	-	-	-	26,330	216,000	6,314	271,714	79.5%
V. Rudenno	49,400	-	-	-	-	216,000	6,314	271,714	79.5%
Executives									
D. Rakich ¹	108,261	16,796	-	28,800	10,826	91,900	15,784	272,367	44.3%
R. Lamont ¹	211,477	30,000	1,986	55,920	15,621	128,660	24,386	468,050	39.4%
D. Ninke ¹	241,479	135,000	-	72,480	15,125	128,660	23,378	616,122	32.6%
D. Gralla ^{1,2}	132,648	-	-	67,200	7,350	128,660	-	335,858	58.3%
	1,171,134	444,296	5,812	356,400	90,004	1,521,880	150,018	3,739,544	

* This expense relates to the current year expense associated with the calendar year 2011 bonus plan. Based on probability analysis, using Monte Carlo simulation, 60% of the total bonus is expected to be paid out. This expense represents the accrual from 1 January 2011 to 30 June 2011. No cash has been paid in relation to this bonus.

¹ These options were issued during the year ended 30 June 2011; however are subject to a vesting schedule dependent on each employee's continued employment with the Company. This value represents the portion of the expense recognised during the current year.

² Mr Gralla was appointed Vice President – Engineering, effective 1 January 2011. Prior to that he was working for the Company on a contract basis. Whitehall Engineering (an entity he controlled) was paid \$158,952 for his services, including a bonus of \$42,500.

Table 3 Compensation options: Granted and vested during the year (Consolidated) – in Australian Dollars

Name	Grant Number	Grant Date	Fair value per option at grant date	Exercise price per option	Expiry date	First Exercise Date	Last exercise date	Vested No.*	Vested %
			\$	\$					
Directors									
T. Barr	-	-	-	-	-	-	-	-	-
D. Craig	4,000,000	29-Nov-11	0.077	0.08	31-Oct-14	30-Nov-12	31-Oct-15	4,000,000	100
V. Rudenno	-	-	-	-	-	-	-	-	-
K. Skipper	-	-	-	-	-	-	-	-	-
Executives									
D. Rakich*	-	-	-	-	-	-	-	1,666,666	33
R. Lamont*	-	-	-	-	-	-	-	2,333,333	33
D. Ninke*	-	-	-	-	-	-	-	2,333,333	33
D. Gralla*	-	-	-	-	-	-	-	2,333,333	33
Total	4,000,000	-	-	-	-	-	-	12,666,665	-

These options were issued during the year ended 30 June 2011; however are subject to a vesting schedule dependent on each employee's continued employment with the Company. This represents the portion of the options vested during the current year.

Table 4 Compensation options: Granted and vested during the prior year (Consolidated) – in Australian Dollars

Name	Grant Number	Grant Date	Fair value per option at grant date	Exercise price per option	Expiry date	First Exercise Date	Last exercise date	Vested No.*	Vested %
			\$	\$					
Directors									
T. Barr	10,000,000	18-Nov-10	0.036	0.08	31-Oct-14	19-Nov-10	31-Oct-14	10,000,000	100
N. MacLachlan	7,000,000	18-Nov-10	0.036	0.08	31-Oct-14	19-Nov-10	31-Oct-14	7,000,000	100
V. Rudenno	6,000,000	18-Nov-10	0.036	0.08	31-Oct-14	19-Nov-10	31-Oct-14	6,000,000	100
K. Skipper	6,000,000	18-Nov-10	0.036	0.08	31-Oct-14	19-Nov-10	31-Oct-14	6,000,000	100
Executives									
D. Rakich*	5,000,000	17-Dec-10	0.031	0.08	31-Dec-14	31-Jan-11	31-Dec-14	1,666,666	33
R. Lamont*	7,000,000	17-Dec-10	0.031	0.08	31-Dec-14	31-Jan-11	31-Dec-14	2,333,333	33
D. Ninke*	7,000,000	17-Dec-10	0.031	0.08	31-Dec-14	31-Jan-11	31-Dec-14	2,333,333	33
D. Gralla*	7,000,000	17-Dec-10	0.031	0.08	31-Dec-14	31-Jan-11	31-Dec-14	2,333,333	33
Total	55,000,000	-	-	-	-	-	-	37,666,665	-

* These options have the following vesting schedule, assuming the employee is still employed by the Company – one third vested on 31 January 2011, one third will vest on 31 January 2012 with the remaining third vesting on 31 January 2013.

500,000 remuneration options were exercised during the prior year. The company received cash of A\$40,000/US\$42,216 in relation to this exercise.

C Service Agreements

It is the Board's policy that employment contracts are only entered into with the managing director and senior executives. As such contracts have been entered into for Mr. Barr, Mr. Gralla, Mr. Ninke and Ms. Lamont. Details of these contracts are included below.

Mr. Barr – Chief Executive Officer

Effective 1 January 2011, Mr Barr has been retained by the Company to act as the Company's President, Managing Director and Chief Executive officer for a period of three years with an option to extend the contract for an additional three years. As of 1 January 2012, the contract allows for total compensation of \$454,700 (cash and non cash benefits) with a bonus payable of up to \$525,000 for the six months ended 30 June 2012 based on the Company's meeting certain performance metrics as detailed above. \$46,820 has been accrued for six months from 1 January 2012 to 30 June 2012. The bonus structure for the remaining years of the contract has not yet been set but provision has been made in the contract for a bonus to be payable.

Mr. Ninke – Vice President Exploration

Effective 1 January 2011, Mr Ninke has been retained by the Company to act as Vice President - Exploration for a period of three years with an option to extend the contract for an additional three years. As of 1 January 2012, the contract allows for total compensation of \$301,417 (cash and non cash benefits) with a bonus payable of up to \$221,374 for the six months ended 30 June 2012 based on the Company's meeting certain performance metrics as detailed above. \$21,473 has been accrued for six months from 1 January 2012 to 30 June 2012. The bonus structure for the remaining years of the contract has not yet been set but provision has been made in the contract for a bonus to be payable. Mr Ninke also retains the right to receive a 1% revenue royalty from production from prospects identified and recommended prior to 31 March 2011, being the Diamondback prospect. This prospect has yet to be drilled.

Ms. Lamont – Chief Financial Officer

Effective 1 January 2011, Ms Lamont has been retained by the Company to act as the Vice President – Finance and Chief Financial Officer for a period of three years with an option to extend the contract for an additional three years. As of 1 January 2012, the contract allows for total compensation of \$266,700 (cash and non cash benefits) with a bonus payable of up to \$193,600 for the six months ended 30 June 2012 based on the Company's meeting certain performance metrics as detailed above. \$18,779 has been accrued for six months from 1 January 2012 to 30 June 2012. The bonus structure for the remaining years of the contract has not yet been set but provision has been made in the contract for a bonus to be payable.

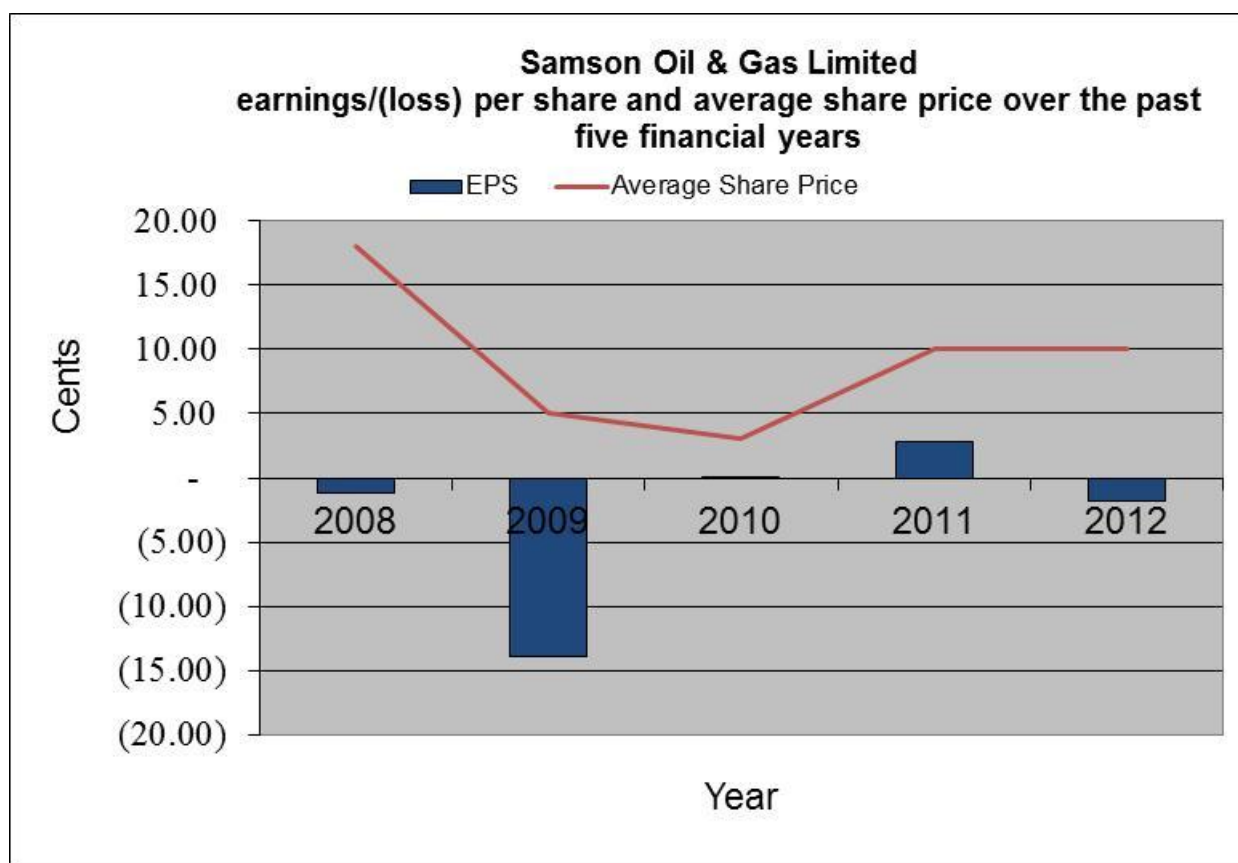
Mr. Gralla – Vice President Engineering

Effective 1 January 2011, Mr Gralla has been retained by the Company to act as the Vice President – Engineering for a period of three years with an option to extend the contract for an additional three years. As of 1 January 2012, the contract allows for total compensation of \$290,000 (cash and non cash benefits) with a bonus payable of up to \$212,240 for the six months ended 30 June 2012 based on the Company's meeting certain performance metrics as detailed above. \$19,102 has been accrued for six months from 1 January 2012 to 30 June 2012. The bonus structure for the remaining years of the contract has not yet been set but provision has been made in the contract for a bonus to be payable.

D Company Performance

The Company's performance is reflected in the movement in the Company's earnings/(loss) per share (EPS) over time. The graph below shows Samson Oil & Gas Limited's basic EPS history for the past five years, including the current period as well as the average share price quoted from the ASX.

EPS for the years ended 30 June 2012, 2011, 2010, 2009 and 2008 has been measured based on the net (loss)/profit as calculated by the application of Australian Accounting Standards.



CORPORATE STRUCTURE

Samson Oil & Gas Limited is a Company limited by shares that is incorporated and domiciled in Australia.

EMPLOYEES

The Consolidated Entity employed 13 employees at 30 June 2012 (2011: 8 employees).

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The likely developments of the Consolidated Entity during the next financial year involve the ongoing principal activities of oil and gas exploration, development and production in the United States of America.

The Consolidated Entity plans to pursue three objectives.

- 1) The appraisal and development of acreage in the Hawks Springs Project, Goshen County, Wyoming
- 2) The appraisal and development of acreage in the Roosevelt Project, Roosevelt County, Montana and
- 3) The continued production of the Company's North Stockyard Bakken Formation project.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Other than the changes mentioned above in the operating review or below in significant events after balance date, there has not been any matter or circumstance that has occurred during the year or that has arisen since the end of the financial year that has significantly affected, or may significantly affect:

- the operations;
- the results of those operations;
- or the state of affairs of the Consolidated Entity in subsequent financial years.

ENVIRONMENTAL REGULATIONS AND PERFORMANCE

The Consolidated Entity has various permits and licenses to operate in different states within the United States of America.

There have been no significant known breaches of the Consolidated Entity's licence or permit conditions during the year ended 30 June 2012.

DIRECTORS' MEETINGS

The numbers of meetings of the Company's board of Directors and of the Audit Committee held during the year ended 30 June 2012, and the numbers of meetings attended by each director were:

	Full meetings of Directors		Audit Committee Meetings	
	No. of Meetings held while in office	Meetings attended	No. of Meetings held while in office	Meetings attended
T.M. Barr	21	19	***	***
D. Craig	20	20	4	4
K. Skipper	21	21	4	4
V. Rudenno	21	21	4	4

*** Not a member of the Audit Committee

INDEMNIFICATION AND INSURANCE OF DIRECTORS

During the financial year, the Consolidated Entity incurred a premium of \$102,000 (2011: \$85,000) to insure Directors and officers of the Consolidated Entity.

The liabilities insured include costs and expenses that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of the Consolidated Entity, and any other payments arising from liabilities incurred by the officers in connection with such proceedings. This does not include such liabilities that arise from conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of any information to gain advantage for themselves or someone else or to cause detriment to the Company. It is not possible to apportion the premium between amounts relating to insurance against legal costs and those relating to other liabilities.

CORPORATE GOVERNANCE

The Directors of Samson Oil & Gas Limited aspire to maintain the standards of corporate governance appropriate to the size of the Company. The Company's corporate governance statement is contained within the next section of this report.

AUDIT COMMITTEE

The members of the Audit Committee during the year were Dr. Victor Rudenno, Dr. DeAnn Craig and Mr. Keith Skipper.

See detail under Directors Meetings for details of Audit Committee meetings attended by the Directors.

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

In August 2012, the Company executed a definitive agreement to participate in the exploration of an area within the Williston Basin in North Dakota. Pursuant to this agreement we acquired a 25% working interest in 23,700 acres (net 5,925 acres) at a price of \$266 per acre. A payment of \$1.58 million was made following the normal due diligence process, also in August 2012. The exploration opportunity is a conventional oil project that is adjacent to existing production from Mississippian aged reservoirs.

Except for the above, no other matter or circumstance has arisen since 30 June 2012 that has significantly affected, or may significantly affect:

- the Consolidated Entity's operations in future financial years; or

- the results of those operations in future financial years; or
- the Consolidated Entity's state of affairs in future financial years.

NON-AUDIT SERVICES

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company are important.

The Directors when considering the auditor for non audit services, will ensure that they are satisfied the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The nature and scope of each type of non-audit service provided did not compromise auditor independence.

The board of Directors has considered the position and, in accordance with advice received from the Audit Committee, is satisfied that the provision of non-audit services is not incompatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The Directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed by the Audit Committee to ensure they do not impact the impartiality and objectivity of the auditor
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*

For the year ended 30 June 2012, PricewaterhouseCoopers received or were due to receive the following amounts for the provision of non-audit services:

Agreed-upon procedures \$6,000 (2011: \$nil)

AUDITOR INDEPENDENCE

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 17.

Signed in accordance with a resolution of the Board of Directors.



Terence M. Barr
Director

Denver, Colorado
14 September 2012

AUDITORS INDEPENDENCE DECLARATION



Auditor's Independence Declaration

As lead auditor for the audit of Samson Oil & Gas Limited for the year ended 30 June 2012, I declare that to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Samson Oil & Gas Limited and the entities it controlled during the period.

A handwritten signature in black ink, appearing to read 'P. Dreyer', is written over a faint, light-colored signature line.

Pierre Dreyer
Partner
PricewaterhouseCoopers

Perth
14 September 2012

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CORPORATE GOVERNANCE STANDARD

Samson Oil & Gas Limited (“the Company”) and the board are committed to achieving and demonstrating the highest standards of Corporate Governance. The Board continues to review the framework and practices to ensure they meet the interests of shareholders. The Company and its controlled entity together are referred to as the Consolidated Entity in this statement.

A description of the Consolidated Entity’s main corporate governance practice is set out below. All these practices, unless stated otherwise, were in place for the entire year. They comply with the August 2007 ASX *Principles of Good Corporate Governance and Best Practice Recommendations*.

Principle 1 – Lay solid foundations for management and oversight.

The relationship between the board and senior management is critical to the Consolidated Entity’s long term success. The Directors are responsible to the shareholders for the performance of the Consolidated Entity in both the short and longer term and seek to balance often competing objectives in the best interests of the Consolidated Entity as a whole. Their focus is to enhance the interests of the shareholders and other key stakeholders and to ensure the Consolidated Entity is properly managed.

The responsibilities of the Board include:

- contributing to developing and approving the corporate strategy;
- reviewing and approving business plans, the annual budget and financial plans including available resources and major capital expenditure initiatives;
- overseeing and monitoring
 - organisational performance and the achievement of the Consolidated Entity’s strategic goals and objectives
 - compliance with Company’s code of conduct
 - progress of major capital expenditures and other significant corporate projects including acquisitions and divestitures
- ensuring there are effective management processes in place and approving major corporate initiatives
- overseeing the operation of the Company’s system for compliance and risk management
- monitoring financial performance including the approval of the annual and half year financial reports and liaison with the Company’s auditors
- appointment, performance assessment and, if necessary, removal of the Managing Director
- ensuring appropriate resources are available to senior management.

Day to day management of the Company’s affairs and the implementation of the corporate strategy and policy initiatives are formally delegated by the Board to the Managing Director and senior executives.

Principle 2 – Structure the Board to add value

The board operates in accordance with the broad principles set out in its charter which is available from the corporate governance information section of the company’s website at www.samsonoilandgas.com. The charter details the board’s composition and responsibilities.

Board composition

The charter states:

- The board is to be comprised of both executive and non-executive Directors with a majority of non-executive Directors. Non-executive Directors bring a fresh perspective to the board’s consideration to strategic, risk and performance matters
- In recognition of the importance of independent views and the board’s role in supervising the activities of management, the Chair must be independent of management and all Directors are required to exercise independent judgement and review and constructively challenge the performance of management
- The Chair is elected by the full board and is required to meet regularly with the Managing Director
- The Company is to maintain a mix of Directors on the board from different backgrounds with complementary skills and experience.

The board seeks to ensure that:

- At any point in time, its membership represents an appropriate balance between Directors with experience and knowledge of the Consolidated Entity and Directors with an external or fresh perspective
- The size of the board is conducive to effective discussion and efficient decision-making.

Directors' Independence

The board has adopted specific principles in relation to Directors' independence. These state that when determining independence, a director must be a non-executive and the board should consider whether the director:

- Is a substantial shareholder of the Company or an officer or, or otherwise associated directly with, a substantial shareholder of the Company
- Is or has been employed in an executive capacity by the Company or any other Consolidated Entity member within three years before commencing to serve on the board
- Within the last year has been a principal of a material professional adviser or material consultant to the Company or any other Consolidated Entity member, or an employee materially associated with the service provided
- Is a material supplier or customer of the Company or any other Consolidated Entity member, or an officer or otherwise associated directly or indirectly with a material supplier or customer
- Has a material contractual relationship with the Company or a controlled entity other than as director of the Consolidated Entity
- Is free from any business or other relationship which could, or could reasonably be perceived to, materially interfere with the director's independent exercise of their judgement.

"Materiality" for these purposes is determined on a qualitative basis. A transaction of any amount or a relationship is deemed material if knowledge of it may impact the shareholders' understanding of the director's performance.

Recent thinking on corporate governance has introduced the view that a director's independence may be perceived to be impacted by lengthy service on the board. To avoid any potential concerns, the board has determined that a director will not be deemed independent if he or she has served on the board of the Company for more than ten years. The board continues to monitor developments on this issue.

The board assess independence each year. To enable this process, the Directors must provide all information to the Chief Financial Officer that may be relevant to the assessment.

Board members

Details of the members of the board, their experience, expertise, qualifications, term of office and their independent status are set out in the Directors report under the heading "Directors". At the date of signing the Directors' report, there is one executive director and three non-executive Directors. All non-executive Directors are deemed to be independent.

Term of office

The Company's Constitution specifies that all non-executive Directors appointed during the year, automatically retire at the next annual general meeting ("AGM") and are eligible for re-election at that general meeting. Any director that has been appointed during the year and is subject to automatic retirement at the AGM is not taken into account in the automatic retirement of one third of the Directors as detail below.

At each annual general meeting:

(a) one third (or if that is not a whole number, the whole number nearest to one third) of the Directors who are not:

- (i) appointed, and required to retire, as detailed above; or
- (ii) the Managing Director; or
- (iii) Directors only because they are Alternates; and

(b) any Director who would, if that Director remained in office until the next annual general meeting, have held that office for more than 3 years must retire from office and is eligible for re-election.

Chair and Chief Executive Officer

The Chair is responsible for leading the board, ensuring Directors are properly briefed in all matters relevant to their role and responsibilities, facilitating board discussions and managing the board's relationship with the Company's senior executives. In accepting the position, the Chair has acknowledged that it will require a significant time commitment and has confirmed that other positions would not hinder his effective performance in the role of Chair.

The CEO is responsible for implementing the Consolidated Entity's strategies and policies. The board charter specifies that these are separate roles to be undertaken by separate people. The CEO role is performed by the Managing Director.

Commitment

The board held 21 meetings (including those held by circulating resolution) during the year. The number of meetings of the Company's board of Directors and of each board committee held during the year ended 30 June 2012, and the number of meetings attended by each director is disclosed on page 15.

It is the Company's practice to allow its executive Directors to accept appointments outside the Company with prior written approval of the board. No appointments of this nature were requested during the year.

Prior to appointment or being submitted for re-election, each non-executive director is required to specifically acknowledge that they will have and continue to have the time available to discharge their responsibilities to the Company.

Independent professional advice

Directors and board committees have the right, in connection with their duties and responsibilities, to seek independent professional advice at the Company's expense. Prior written approval of the Chair is required, but this will not be unreasonably withheld.

Performance assessment

In order to ensure that the board continues to discharge its responsibilities in an appropriate manner, the performance of all Directors is reviewed annually by the Chair. Directors whose performance is unsatisfactory are asked to retire. The board has not formally documented the results of performance evaluations to date.

Board committees

The board has established an Audit Committee to assist in the execution of the supervision of the audit by the Board. Effective 28 July 2011, the Board also formed a Compensation Committee to assist in the Board in its responsibility in relation to the compensation of the Consolidated Entity's executive officers and Directors.

Audit Committee

The Audit Committee consists entirely of independent Directors, being Dr. DeAnn Craig, Mr. Keith Skipper and Dr. Victor Rudenno. The Audit Committee operates in accordance with a formal written charter, a copy of which is available on the Company's website. This committee oversees, reviews and acts on reports to the board on various auditing and accounting matters, selects the independent auditors and oversees the scope of annual audits, fees to be paid to the independent auditors, the performance of the independent auditors and our accounting practices. In addition, the Audit Committee oversees the Company's compliance programs relating to legal and regulatory requirements.

It is the board's responsibility to ensure that an effective internal control framework exists within the entity. This includes internal controls to deal with both the effectiveness and efficiency of significant business processes. This also includes the safeguarding of assets, the maintenance of proper accounting records, and the reliability of financial information.

Nomination Committee

The Company does not have a formally appointed Nomination Committee, as the Directors believe the size of the Company's operations does not warrant the establishment of such a committee.

Principle 3 – Promote ethical and responsible decision making

Code of Conduct

The Company has developed a Code of Conduct (“the Code”) which has been fully endorsed by the board and applies to all Directors and employees. The Code is regularly reviewed and updated as necessary to ensure it reflects the highest standards of behaviour and professionalism and the practices necessary to maintain confidence in the Consolidated Entity’s integrity and to take into account legal obligations and reasonable expectations of the Company’s stakeholders.

In summary, the Code requires that at all times all Company personnel act with the utmost integrity, objectivity and in compliance with the letter and the spirit of the law and Company policies.

The purchase and sale of Company securities by Directors and employees is only permitted during non-black out periods. Black out periods are defined in the Company’s Insider Trading Policy. Any transactions undertaken must be notified to the CEO or CFO prior to being entered into.

The Code and the Company’s trading policy is discussed with each new employee. Further training is periodically provided and all employees are asked to sign an annual declaration confirming their compliance with the Code and trading policy.

The Code requires employees who are aware of unethical practices with the Consolidated Entity or breaches of the Company’s trading policy to report these using the Company’s whistleblower program.

The Directors are satisfied that the Consolidated Entity has complied with its policies on ethical standards, including trading in securities.

A copy of the Code and the Insider Trading Policy are available on the Company’s website.

Principle 4 – Safeguard integrity in financial reporting

Audit Committee

The Audit Committee consists of the following non-executive Directors:

D. Craig
K. Skipper
V. Rudenno

Details of these Directors’ qualifications and attendance at Audit Committee meetings are set out in the Directors report on pages 2, 3 and 15.

All members of the Audit Committee are financially literate and have an appropriate understanding of the oil and gas industry. Dr Rudenno is deemed to be the financial expert.

The Audit Committee operates in accordance with a charter which is available on the Company’s website. The main responsibilities of the committee are to:

- review, assess and approve the annual report, Form 10K, the half-year financial report and all other financial information published by the Company or released to the market
- assist the board in reviewing the effectiveness of the organisation’s internal control environment covering:
 - effectiveness and efficiency of operations
 - reliability of financial reporting
 - compliance with applicable laws and regulations
- oversee the effective operation of the risk management framework
- recommend to the board the appointment, removal and remuneration of the external auditors and review the terms of their engagement, the scope and quality of the audit and assess performance
- consider the independence and competence of the external auditor on an on-going basis
- review and approve the level of non-audit services provided by the external auditors and ensure it does not adversely impact on auditor independence

- review and monitor related party transactions and assess their propriety
- report to the board on matters relevant to the committee's role and responsibilities.

In fulfilling its responsibilities, the Audit Committee:

- receives regular reports from management and the external auditors
- meets with external auditors at least twice a year, or more frequently if necessary
- reviews the processes the CEO and CFO have in place to support their certifications to the board
- reviews any significant disagreements between the auditors and management, irrespective of whether they have been resolved
- is given the opportunity to meet with external auditors without the presence of management if required
- provides the external auditors with a clear line of communication at any time to the either the audit committee or the Chair of the board.

The Audit Committee has authority, within the scope of its responsibilities, to seek any information it requires from any employee or external party.

External auditors

The Company's and Audit Committee's policy is to appoint external auditors who clearly demonstrate quality and independence. The performance of the external auditor is reviewed annually and applications for tender of external audit services are requested as deemed appropriate, taking into consideration assessment of performance, existing value and tender costs. The external audit was put to tender in 2008 with PricewaterhouseCoopers being appointed external auditors in October 2008. It is PricewaterhouseCoopers policy to rotate audit engagement partners on listed companies at least every five years.

An analysis of fees paid to the external auditors, including a break-down of fees for non-audit services, is provided in the Directors' report and in note 22 to the financial statements. It is the policy of the external auditors to provide an annual declaration of their independence to the Audit Committee.

The external auditor will attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the audit report.

Principle 5 and 6 – Make timely and balanced disclosures and respect the rights of shareholders

The Company recognises the importance of ensuring its continuous disclosure requirements are met, and has procedures in place to ensure this happens, however has not formally documented them.

The Company Secretary has been nominated as the person responsible for communications with the Australian Securities Exchange ("ASX"). This role includes responsibility for ensuring compliance with the continuous disclosure requirements in the ASX Listing Rules and overseeing and co-ordinating information disclosure to the ASX, analysts, brokers, shareholders, the media and the public.

All information disclosed to the ASX is posted on the Company's website as soon as it is disclosed to the ASX. When analysts are briefed on aspects of the Consolidated Entity's operations, the material used in the presentation is released to the ASX and posted on the Company's website. Procedures have also been established for reviewing whether any price sensitive information has been inadvertently disclosed and, if so, this information is also immediately released to the market.

From 30 June 2009, shareholders could elect whether or not they wished to receive a hard copy of the Annual Report. A copy of the Annual Report is sent to all shareholders who elected to receive one. All shareholders receive the Notice of Meeting for the Company's Annual General Meeting.

The Company actively promotes communication with shareholders through a variety of measures, including the use of the Company's website and email. The Company's reports and ASX announcements may be viewed and downloaded from its website: www.samsonoilandgas.com or the ASX website: asx.com.au under ASX code "SSN". The Company also maintains an email list for the distribution of the Company's announcements via email in a timelier manner.

Principle 7- Recognise and manage risk

The board, through the Audit Committee, is responsible for ensuring there are adequate policies in relation to risk management, compliance and internal control systems. In summary, the Company policies are designed to ensure strategic, operational, legal, reputational and financial risks are identified, assessed, effectively and efficiently managed and monitored to enable achievement of the Consolidated Entity's business objectives.

Considerable importance is placed on maintaining a strong control environment. There is an organisation structure with clearly drawn lines of accountability and delegation of authority. Adherence to the Code of Conduct is required at all times and the board actively promotes a culture of quality and integrity. The Company has an Enterprise Risk Policy though a formal Risk Management Committee has not been established. The Company believes that the regular communication between senior management and the board ensures that risks are identified and dealt with, when appropriate, in a timely manner.

Environmental Risk System

The Company recognises the importance of environmental risk management and is committed to the highest level of sound environmental management. The Company has established best practice environmental policies for those fields that it operates and seeks to ensure the operators of its non-operated properties operate in an environmentally sound manner.

Corporate reporting

The Managing Director and CFO have made the following certifications to the board:

- that the Company's financial reports are complete and present a true and fair view, in all material respects, of the financial condition and operational results of the Consolidated Entity and are in accordance with relevant Accounting Standards
- that the above statement is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the board and that the Company's risk management and internal compliance and control is operating efficiently and effectively in all material respects in relation to financial reporting risks.

Principle 8 – Remunerate fairly and responsibly

A Compensation Committee was formed on 28 July 2011. The Compensation Committee is responsible for determining and reviewing compensation arrangements for the Directors. Further detail in relation to the Company's remuneration policies can be found in the Remuneration Report included within the Directors' Report.

Members of the senior executive team sign a formal employment contract at the time of their appointment covering a range of matters including their duties, rights, responsibilities and any entitlements on termination. The standard contract refers to a specific formal job description.

Further information on Directors' and executives' remuneration, including principles used to determine remuneration, is set out in the Directors' report under the heading "Remuneration report".

The board also assumes responsibility for overseeing management succession planning.

STATEMENT OF COMPREHENSIVE INCOME

	Note	Consolidated Entity	
		2012	2011
		\$	\$
Revenue from operations			
Sale of oil and gas	3 (a)	8,385,799	5,968,776
Finance income	3 (a)	355,357	368,251
Total Revenue		8,741,156	6,337,027
Cost of Sales		(5,412,135)	(3,712,349)
Gross Profit		3,329,021	2,624,678
Other Income	3 (a)	58,598	73,510,103
Exploration and evaluation expense	3 (f)	(30,523,923)	(403,826)
General and administrative expenses	3 (b)	(7,795,621)	(7,886,650)
Impairment expense	3 (e)	(816,188)	(25,643)
Finance costs	3 (c)	(32,763)	(1,036,792)
(Loss)/Profit before income tax		(35,780,876)	66,781,870
Income tax benefit/(expense)	4	4,709,437	(21,011,788)
(Loss)/Profit after income tax from continuing operations		(31,071,439)	45,770,082
Profit from discontinued operations	31	-	1,555,103
Net (loss)/profit for the year attributable to owners of Samson Oil & Gas Limited	15	(31,071,439)	47,325,185
Other comprehensive (expense)/income			
Currency translation differences		(317,035)	1,263,145
Total comprehensive (expense)/income for the year attributable to the owners of Samson Oil & Gas Limited		(31,388,474)	48,588,330
Basic (loss)/earnings per share (cents) from continuing operations attributable to ordinary equity holds of the Company	23	(1.77)	2.72
Diluted (loss)/earnings per share (cents)	23	(1.77)	2.33
Basic (loss)/earnings per share for profit attributable to the ordinary equity holders of the company	23	(1.77)	2.81
Diluted (loss)/earnings per share (cents)	23	(1.77)	2.41

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

BALANCE SHEET

	Note	Consolidated Entity	
		2012	2011
		\$	\$
Current assets			
Cash and cash equivalents	6	18,845,894	58,448,477
Trade and other receivables	7	1,288,161	1,696,697
Pipe inventory		78,943	489,526
Tax receivable	4	4,348,456	2,579,626
Derivative financial instruments	16	-	22,268
Prepayments	8	344,108	592,805
Total current assets		24,905,562	63,829,399
Non-current assets			
Other receivables	7	99,961	206,679
Plant and equipment	9	448,061	352,263
Exploration and evaluation assets	10	16,380,277	3,347,738
Oil and gas properties	11	12,876,299	12,758,578
Total non-current assets		29,804,598	16,665,258
Total assets		54,710,160	80,494,657
Current liabilities			
Trade and other payables	12	6,655,267	3,406,377
Total current liabilities		6,655,267	3,406,377
Non-current liabilities			
Borrowings		7,322	29,770
Provisions	13	1,279,211	526,218
Total non-current liabilities		1,286,533	555,988
Total Liabilities		7,941,800	3,962,365
Net assets		46,768,360	76,532,292
Equity			
Contributed equity	14	77,557,896	76,925,795
Accumulated losses	15	(38,590,929)	(7,519,490)
Reserves	14	7,801,393	7,125,987
Total equity		46,768,360	76,532,292

The above balance sheet should be read in conjunction with the accompanying notes.

CASH FLOW STATEMENT

	Note	Consolidated Entity	
		2012	2011
		\$	\$
Cash flows from operating activities			
Receipts from customers		8,778,983	6,281,825
Cash received from commodity derivative financial instruments		38,508	152,171
Payments to suppliers & employees		(9,296,930)	(7,073,109)
Interest received		355,945	368,251
Interest paid		-	(878,528)
Income taxes refund received/(paid)		2,943,975	(9,360,000)
Net cash flows from/(used in) operating activities	20	2,820,481	(10,509,390)
Cash flows from investing activities			
Proceeds from sale of listed shares		-	49,040
Proceeds from sale of exploration acreage		-	73,199,687
Proceeds from sale of oil and gas properties		-	6,262,374
Payments for furniture and fittings		(189,599)	(280,663)
Payments for plant & equipment		(472,105)	(1,247,943)
Payments for exploration and evaluation		(39,987,483)	(3,751,769)
Payments for oil and gas properties		(2,083,096)	(4,792,620)
Net cash flows (used in)/ from investing activities		(42,732,283)	69,438,106
Cash flows from financing activities			
Proceeds from issue of share capital		632,101	3,969,374
Repayment of borrowings		-	(11,386,247)
Payments for costs associated with capital raising		-	(244,282)
Net cash flows from/(used in) financing activities		632,101	(7,661,155)
Net (decrease)/ increase in cash and cash equivalents		(39,279,701)	51,267,561
Cash and cash equivalents at the beginning of the financial year		58,448,477	5,885,735
Effects of exchange rate changes on cash and cash equivalents		(322,882)	1,295,181
Cash and cash equivalents at end of year		18,845,894	58,448,477

The above cash flow statement should be read in conjunction with the accompanying notes.

STATEMENT OF CHANGES IN EQUITY

Attributable to equity holders of the parent

CONSOLIDATED	Issued Capital	Accumulated Losses	Foreign Currency Translation Reserve	Equity Reserve	Share Based Payments Reserve	Total Equity
	\$	\$	\$	\$	\$	\$
Balance at 1 July 2010	75,714,264	(54,844,675)	2,924,429	(1,097,780)	2,419,430	25,115,668
Profit for the year	-	47,325,185	-	-	-	47,325,185
Other comprehensive income	-	-	1,263,145	-	-	1,263,145
Total comprehensive income for the year	-	47,325,185	1,263,145	-	-	48,588,330
Transactions with owners in their capacity as owners:						
Options vested	-	-	-	-	1,616,763	1,616,763
Share Based Payments – value of employee services	150,617	-	-	-	-	150,617
Issue of share capital	1,098,028	-	-	-	-	1,098,028
Share issue costs	(37,114)	-	-	-	-	(37,114)
Balance at 30 June 2011	76,925,795	(7,519,490)	4,187,574	(1,097,780)	4,036,193	76,532,292
Balance at 1 July 2011	76,925,795	(7,519,490)	4,187,574	(1,097,780)	4,036,193	76,532,292
Loss for the year	-	(31,071,439)	-	-	-	(31,071,439)
Other comprehensive expense	-	-	(317,035)	-	-	(317,035)
Total comprehensive expense for the year	-	(31,071,439)	(317,035)	-	-	(31,388,474)
Transactions with owners in their capacity as owners:						
Options vested	-	-	-	-	992,441	992,441
Issue of share capital	632,101	-	-	-	-	632,101
Balance at 30 June 2012	77,557,896	(38,590,929)	3,870,539	(1,097,780)	5,028,634	46,768,360

The above statement of changes in equity should be read in conjunction with the accompanying notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. CORPORATE INFORMATION

The financial statements of the Company for the year ended and as at 30 June 2012 were authorised for issue in accordance with a resolution of the Directors on 14 September 2012. The financial statements include the financial statements for the Consolidated Entity comprised of Samson Oil & Gas Limited and its subsidiaries, referred to hereafter as the Consolidated Entity.

Samson Oil & Gas Limited is a Company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange. Samson also trades an American Depository Share ("ADS") on NYSE AMEX under the symbol "SSN". Each ADS represents 20 fully paid Ordinary Shares of Samson.

The nature of the operations and principal activities of the Consolidated Entity are described in Note 19 Segment Reporting.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless stated otherwise. The financial statements are for the consolidated entity consisting of Samson Oil & Gas Limited and its subsidiaries.

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 2001*.

Historical cost convention

These financial statements have been prepared under the historical cost convention, except for derivative instruments, which have been measured at fair value.

Critical accounting estimates

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of the applying the Consolidated Entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are discussed at d) below.

a) Compliance Statement

The consolidated financial statements of the Consolidated Entity also comply with International Financial Reporting Standards (IFRS) as issued by International Accounting Standards Board (IASB).

b) New accounting standards adopted by the Consolidated Entity

None of the new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2011 affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods.

c) Principles of Consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Samson Oil & Gas Limited ("parent entity" or "Company") as at 30 June 2012 and the results of all subsidiaries for the year then ended. Samson Oil & Gas Limited and its subsidiaries together are referred to in this financial report as the group or Consolidated Entity.

Subsidiaries are all those entities over which the Consolidated Entity has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the

voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Consolidated Entity controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Consolidated Entity. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Consolidated Entity (refer to Note 2bb).

All intercompany balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered.

The financial statements of subsidiaries are prepared for the same reporting period as the parent entity, using consistent accounting policies.

Minority interests not held by the Consolidated Entity are allocated their share of net profit after tax in the profit and loss and are presented within equity in the consolidated balance sheet, separately from parent shareholders' equity.

The Consolidated Entity treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Consolidated Entity. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of Samson Oil & Gas Limited.

When the Consolidated Entity ceases to have control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, jointly controlled entity or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Consolidated Entity had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in a jointly-controlled entity or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

d) Significant accounting judgments, estimates and assumptions

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

Critical judgements in applying the entity's accounting policies

Management has identified the following critical accounting policies for which significant judgments, estimates and assumptions are made. Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results of the financial position reported in future periods. Further details of the nature of these assumptions and conditions may be found in the relevant notes to the financial statements.

Exploration and evaluation

The Consolidated Entity's accounting policy for exploration and evaluation is set out in Note 2 (q). The application of this policy necessarily 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. If, after having capitalised expenditure under our policy, we conclude that we are unlikely to recover the expenditure by future exploitation or sale, then the relevant capitalised amount will be written off to the profit and loss.

When assessing whether deferred exploration expenditure should be carried forward from the prior year the Consolidated Entity reviews each project on an individual basis, taking into account, but not limited, to the ongoing activity in relation to that field, including any new agreements or contracts entered into during the year and the Consolidated Entity's near future plans for the field or prospect.

The Consolidated Entity believes that exploration expenditures are incurred with the intent of making further investment decisions and are not directly related to the revenue producing activities of the Consolidated Entity and are therefore more appropriately presented as investing activities.

Critical accounting estimates and assumptions

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The resulting accounting estimates will, by definition, seldom equal the related actual results. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

Share-based payment transactions

The Consolidated Entity measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using a black scholes option pricing model.

The value of equity-settled transactions with other service providers, excluding employees, are measured based on the value of the service received by the Consolidated Entity. If a value for this cannot be reasonably measured, the value will be measured by reference to the fair value of the equity instruments at the date services are provided. The Consolidated Entity also uses a Black-Scholes option pricing model to determine this fair value, where appropriate.

Impairment of Assets

In determining the recoverable amount of assets, in the absence of quoted market prices, estimations are made regarding the present value of future cash flows using asset specific discount rates. For oil and gas properties, expected future cash flow estimation is based on proved and probable reserves, future production profiles, commodity prices and costs. The estimates of future cash flows are made as at each balance date, using the price estimates from the forward curve as at that date. The impact of future income taxes has not been considered in the future cash flows as to date, the Consolidated Entity has been able to use carry forward tax losses to offset any tax payable. This position is reviewed each balance date and will adjusted when it is probable that the Consolidated Entity's tax losses are no longer sufficient to offset tax payable.

Restoration obligations

The Consolidated Entity estimates the future removal costs of oil and gas wells and production facilities at the time of installation of the assets. In most instances, the removal of assets will occur many years into the future. This requires judgmental assumptions regarding removal data, future environmental legislation, and the extent of reclamation activities required the engineering methodology for estimating future cost, future removal technologies in determining the removal cost, and liability specific discount rates to determine the present value of these cash flows. For more detail regarding the policy in respect of the provision for restoration refer to Note 2 (v). The discount rate used to determine the present value of the cash flows was 5.25% (2011:7.13%).

Reserves estimates

Estimates of recoverable quantities of proven and probable reserves, that are used to review the carrying value of oil and gas properties, include assumptions regarding commodity prices, exchange rates, discount rates, and production and transportation costs for future cash flows. It also requires interpretation of complex and difficult geological and geophysical models in order to make an assessment of the size, shape, depth and quality of reservoirs and their anticipated recoveries. The economic, geological and technical factors used by the Consolidated Entity to estimate reserves may change from period to period. Changes in reserves can impact asset carrying values, the provision for restoration and the recognition of deferred tax assets, due to changes in estimated future cash flows. Reserves are integral to the amount of depreciation, depletion, amortisation and impairment charged to the profit and loss.

The impairment expense recognised in the income statement is \$816,188. A decrease in the prevailing commodity prices used in the reserve valuation of 10% would lead to an impairment expense of \$840,188 and an increase in the discount rate of 15% would lead to an impairment expense of \$1,037,466.

Reserve estimates are prepared by internal engineers and external independent third parties in accordance with guidelines prepared by the Society of Petroleum Engineers. The reserve estimates as at 30 June 2012 and 30 June 2011 were prepared by independent reserve engineers, Ryder Scott Company, L.P.

Units of production method of depreciation and amortisation

The Consolidated Entity applies the units of production method for depreciation of its oil and gas properties and assets based on hydrocarbons produced. These calculations require the use of estimates and assumptions. Significant judgment is required in assessing the available reserves and future production associated with the assets to be depreciated under this method. Factors that must be considered in determining reserves and future production are the Company's history of exploiting reserves and the relevant time frames, markets and future developments. When these factors change or become known in the future, such differences will impact pre-tax profit and carrying values of assets. It is impracticable to quantify the effect of these changes in these estimates and assumptions in future periods. The reassessment of rates occurs at 31 December and 30 June each and is performed consistently from period to period.

Income taxes

The Consolidated Entity recognises deferred tax assets relating to carried forward tax losses to the extent that it is considered probable sufficient taxable temporary differences (deferred tax liabilities) relating to the same taxation authority and the same subsidiary against which the unused tax losses can be utilised.

The utilisation of the losses depends on the ability of the entity to satisfy certain tests at the time the losses are recouped. The tax losses in prior periods had been recognised as deferred tax assets in relation to the Consolidated Entity's sale of a portion of its acreage interests in Goshen County, Wyoming. In the current year the Consolidated Entity recognised \$4,709,437 in income tax benefit as the Consolidated Entity has the ability to carry back expenses incurred in the current year against the revenue earned in the prior year. The Consolidated Entity will only have the ability to do this in future years if the Consolidated Entity is in a tax payable position.

e) Revenue Recognition

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to the Consolidated Entity and the revenue can be reliably measured. Amounts disclosed as revenue are net of rebates and amounts collected on behalf of third parties.

The following specific recognition criteria must also be met before revenue is recognised:

Sale of oil and gas

Revenue is recognised when the significant risks and rewards of ownership of the product have passed to the buyer and the amount of revenue can be measured reliably. Risks and rewards are considered to have passed to the buyer at the time of delivery of the product to the customer.

Gas imbalances occur when the Consolidated Entity sells more or less than its entitled ownership percentage of total gas production. Any amount received in excess of the Consolidated Entity's share is treated as a liability. If the Company receives less than its entitled share, the underproduction is recorded as a receivable.

Interest income

Revenue is recognised as the interest accrues using the effective interest method. This is a method of calculating the amortised cost (including allowances for impairment) of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimates of future cash receipts through the expected life of the financial asset to

the net carrying amount of the financial asset.

Dividend income

Revenue is recognised when the Consolidated Entity's right to receive the payment is established.

f) Borrowing Costs

Borrowing costs are recognised as an expense when incurred unless they relate to a qualifying asset being constructed. In that case they are capitalised during the period required to complete and prepare the asset for intended use or sale.

g) Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and whether the arrangement conveys a right to use the asset.

Consolidated Entity as lessee

Finance leases, which transfer to the Consolidated Entity substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised as an expense in profit or loss.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term if there is no reasonable certainty that the Consolidated Entity will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in the profit and loss on a straight line basis over the lease term. Operating lease incentives are recognised as a liability when received and subsequently reduced by allocating lease payments between rental expense and reduction of the liability.

h) Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purposes of Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts. Bank overdrafts are included within borrowings in current liabilities on the balance sheet.

Cash and cash equivalents exclude restricted cash.

i) Restricted cash

The Consolidated Entity may be required to place funds with third parties as bonds for environmental restoration. These bonds are carried as non-current receivables when the release of cash is not expected to occur within twelve months. The bonds are represented by cash and are valued as cash.

j) Trade and other receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised using the effective interest rate method, less provision for impairment. Trade receivables are generally due for settlement within 30-90 days. They are presented as current assets unless collection is not expected for more than 12 months from reporting date.

Collectability of trade receivables is reviewed on an ongoing basis. Debts that are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision

for impairment of trade receivables) is used when there is objective evidence that the Consolidated Entity will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties in the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 60 days overdue) are considered indicators that the trade receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

The amount of the impairment loss is recognised in profit and loss within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in profit and loss.

k) Prepayments

Prepayments relate to certain goods and services whereby the payment has been made and the resultant benefit is derived over future periods.

l) Foreign currency translation

(i) Functional and presentation currency

The functional currency of Samson Oil & Gas Limited (parent) is Australian Dollars. The functional currency of Samson Oil & Gas USA, Inc and Samson Oil and Gas USA Montana, Inc is United States Dollars. The presentation currency of the Consolidated Entity is United States Dollars.

(ii) Transaction and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss, except when they are deferred in equity as qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Foreign exchange gains and losses that relate to borrowings are presented in the profit and loss, within finance costs. All other foreign exchange gains and losses are presented in the profit and loss on a net basis within other income or other expenses.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the value gain or loss and translation differences on non-monetary assets such as equities classified as available-for-sale financial assets are recognised in other comprehensive income.

(iii) Translation of Consolidated Entity Companies' functional currency to presentation currency

The results and financial position of Consolidated Entity entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet
- Income and expense for each profit and loss are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on transaction dates, in which case income and expenses are translated at the dates of the transactions)
- Equity is translated at the historical exchange rate that approximates the rate in effect at the date of the transaction, and
- All resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, a proportionate share of such exchange differences are recognised in profit and loss, as part of the gain or loss on sale where applicable.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entities and translated at the closing rate.

m) Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax rates and laws enacted or substantively enacted at the end of the reporting period in the countries where the company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

n) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

o) Plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred. Similarly, when each major overhaul is performed its cost is recognised in the carrying amount of plant and equipment as a replacement only if it is eligible for capitalisation. All other repairs and maintenance are recognised in profit or loss as incurred.

Depreciation expense is estimated over the useful life of the assets as follows:

Furniture and fittings – over two to five years using the straight line method

Computer equipment – over two to five years using the straight line method

Motor vehicles – over three to five years using the straight line method

Lease and well equipment – over the life of the reserve (usually 3-25 years) – approximated using the units of production method.

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end.

Refer Note 2(s) for the Consolidated Entity's policy in relation to Impairment of Non-Financial Assets.

Derecognition and disposal

An item of plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Any gain or loss arising on derecognition (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit and loss in the year the asset is derecognised.

p) Oil and gas properties

Oil and gas properties include capitalised project expenditure and development expenditure.

The Consolidated Entity uses the units of production method to amortise costs carried forward in relation to its oil and gas properties. For this approach, the calculations are based on proved and probable reserves as determined by our reserves determination.

Impairment on the carrying value of oil and gas properties is based on proved and probable reserves and is assessed on a field by field basis.

q) Exploration and evaluation assets

Exploration and evaluation expenditure in respect of each area of interest is accounted for using the successful efforts method of accounting. The successful efforts method requires that the costs of wells that have initially been capitalised pending the results of the well, are reviewed at the completion of the well when well results are known and are then transferred to Oil and Gas Properties or expensed as appropriate.

An area of interest refers to an individual geographical area where the presence of oil or a natural gas field is considered favourable or has been proved to exist, and in most cases will comprise an individual oil or gas field. This means all exploration and evaluation costs, including general permit activity, geological and geophysical costs are expensed as incurred except where:

- the expenditure or asset acquired relates to an exploration discovery, that at balance date, the assessment of whether or not an economically recoverable reserve is not yet complete and active and significant operations in relation to the area of interest is continuing; or
- it is expected that the expenditure or asset acquired will be recouped through successful exploitation, or alternatively, by its sale.

Exploration costs are classified as cash flows from investing activities in the cash flow statement.

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 the Consolidated Entity has the right to explore
- planned and budgeted future exploration expenditure
- activities incurred during the year, and
- activities planned for future periods.

r) Investments and other financial assets

Investments and financial assets in the scope of AASB 139 *Financial Instruments: Recognition and Measurement* are categorised as either financial assets at fair value through profit or loss, loans and receivables, or available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Designation is re-evaluated at each financial year end, but there are restrictions on reclassifying to other categories.

When financial assets are recognised initially, they are measured at fair value, plus in the case of assets not at fair value through profit or loss, directly attributable transaction costs.

Recognition and Derecognition

Regular purchases and sales of financial assets are recognised on trade-date – the date on which the group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the group has transferred substantially all the risks and rewards of ownership.

When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in other comprehensive income are reclassified to profit or loss as gains and losses from investment securities.

Measurement

At initial recognition, the group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in profit or loss within other income or other expenses in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in profit or loss as part of revenue from when the Consolidated Entity's right to receive payments is established. Interest income from these financial assets is included in the net gains/(losses).

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences related to changes in the amortised costs are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income. Changes in the fair value of other monetary and non-monetary securities classified as available-for-sale are recognised in the other comprehensive income.

(i) Financial assets at fair value through profit or loss

Financial assets classified as held for trading are included in the category 'financial assets at fair value through profit or loss'. Financial assets are classified as held for trading in that they are acquired for

the purpose of selling in the near term with the intention of making a profit. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on financial assets held for trading are recognised in profit or loss and the related assets are classified as current assets in the balance sheet.

(ii) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest rate method. Gains and losses are recognised in the profit and loss when the loans and receivables are derecognised or impaired. These are included in current assets, except for those with maturities greater than 12 months after the balance date, which are classified as non-current.

(iii) *Impairment*

The Consolidated Entity assesses at each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the assets are impaired. Impairment losses are recognised through the profit and loss.

(iv) *Assets carried at amortised cost*

For loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated profit and loss. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Consolidated Entity may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in a debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated profit and loss.

(v) *Assets classified as available-for-sale*

If there is objective evidence of impairment for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss.

Impairment losses on equity instruments that were recognised in profit or loss are not reversed through profit or loss in a subsequent period.

If the fair value of a debt instrument classified as available-for-sale increases in a subsequent period and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss.

s) Impairment of non-financial assets

The Consolidated Entity assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Consolidated Entity makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the

cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount. Impairment losses relating to continuing operations are recognised in profit and loss.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired assets.

An assessment is also made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

t) Trade and other payables

These amounts represent liabilities for goods and services provided to the Consolidated Entity prior to the end of the financial year which are unpaid. These amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months from the reporting date. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

u) Provisions

Provisions for legal claims and make good obligations are recognised when the Consolidated Entity has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likely of an outflow with respect to any one item including in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

v) Restoration costs

The Consolidated Entity records the present value of the estimated cost of legal and constructive obligations to restore operating locations in the period in which the obligation arises. The nature of restoration activities includes the removal of facilities, abandonment of wells and rehabilitation of affected areas.

Typically, the obligation arises when the asset is installed at the production location. When the liability is initially recorded, the estimated cost is capitalised by increasing the carrying amount of the related oil and gas properties. Over time, the liability is increased for the change in present value based on a risk adjusted pre-tax discount rate appropriate to the risks inherent in the liability. The unwinding of the discount is recorded as an accretion charge within finance costs. The carrying amount capitalised in oil and gas properties is depreciated over the useful life of the related asset.

Each year, the Consolidated Entity reviews the estimated restoration costs and the estimated period in

which the obligation is likely to occur to ensure that they are appropriate. The Consolidated Entity also reviews the discount rate to ensure it is still appropriate. If changing any of these variables results in a decrease in the liability the difference is recorded against the corresponding asset, which is included in oil and gas properties in the balance sheet.

Costs incurred that relate to an existing condition caused by past operations, and that do not have a future economic benefit, are expensed.

w) Employee leave benefits

Wages, salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employee's services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable. The liability for annual leave and all other short-term employee benefit obligations is presented in payables.

Long service leave

The liability for long service is recognised in the provision for employee benefits and measured as the fair value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturities and currencies that match, as closely as possible, the estimated future cash outflows. The liability for long service leave is presented in current payables.

x) Share-based payment transactions

Equity settled transactions:

The Consolidated Entity provides benefits to employees (including senior executives) of the Consolidated Entity in the form of share based payments, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions).

The cost of equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value at grant date is determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

In valuing equity settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of Samson Oil & Gas Limited (market conditions) if applicable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period, if any, in which the performance and/or services conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the vesting period).

At each subsequent reporting date until vesting, the cumulative charge to profit and loss is the product of:

- i. The grant date fair value of the award;
- ii. The current best estimate of the number of awards that will vest, taking into account such factors as the likelihood of employee turnover during the vesting period and the likelihood of non-market performance conditions being met; and
- iii. The expired portion of the vesting period.

The charge to profit and loss for the period is the cumulative amount as calculated above, less the amounts already charged in previous periods. There is a corresponding entry to equity.

Until an award has vested, any amounts recorded are contingent and will be adjusted if more or fewer awards vest than originally anticipated to do so. Any award subject to a market condition is considered to vest irrespective of whether or not that market condition is fulfilled, provided that all other conditions are satisfied.

If the terms of an equity-settled award are modified, as a minimum, an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and the new award are treated as they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of the outstanding options is reflected as additional share dilution in the computation of earnings per share.

The expense for share based payments in relation to Directors and executives is recognised in the parent entity.

y) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any member of the Consolidated Entity purchases the Company's equity instruments, for example as a result of a share buy-back or share based payment plan, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the owners of Samson Oil & Gas Limited. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, and is included in equity attributable of the owners of Samson Oil & Gas Limited.

z) Earnings per share

i) Basic earnings per share

Basic earnings per share is calculated by dividing:

- The result attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares
- By the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares (note 23).

ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- The after income tax effect of interest and other financing costs associated dilutive potential ordinary shares, and
- The weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

aa) Joint Ventures

Jointly controlled assets

Interests in jointly controlled assets are reported in the financial statements by including the Consolidated Entity's share of assets employed in the joint ventures, the share of liabilities incurred in relation to the joint ventures and the share of any expenses incurred in relation to the joint ventures in their respective classification categories.

bb) Business Combinations

The acquisition method of accounting is used to account for all business combinations, including business combinations involving entities or businesses under common control, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. On an acquisition by acquisition basis, the group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of the consideration transferred and the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the group's share of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the different is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

cc) Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of operating segments, has been identified as the Board of Directors.

dd) Derivative Financial Instruments

The Consolidated Entity uses derivative financial instruments, such as fixed forward swaps to manage price risk. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and subsequently remeasured to fair value. Derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative.

Any gains or losses arising from changes in the fair value are taken directly to the profit and loss.

ee) Borrowings

Borrowings are classified as current liabilities unless the Consolidated Entity has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Interest

Interest is classified as an expense consistent with the balance sheet classification of the related debt instrument.

ff) Discontinued Operations

Non-current assets and disposal groups are classified as held for sale and measured at the lower of their carrying amount and fair value less costs to sell if their carrying amount will be recovered principally through a sale transaction. They are not depreciated or amortised. For an asset or disposal group to be classified as held for sale it must be available for immediate sale in its present condition and its sale must be highly probable.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses are attributable to the liabilities of a disposal group classified as held for sales continue to be recognised.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from other assets in the balance sheet.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately on the face of the statement of comprehensive income and the assets and liabilities are presented separately on the face of the balance sheet.

gg) Parent entity financial information

The financial information for the parent entity, Samson Oil & Gas Limited, disclosed in note 30 has been prepared on the same basis as the consolidated financial statements, except as set out below.

(i) Investments in subsidiaries, associates and joint venture entities

Investments in subsidiaries, associates and joint venture entities are accounted for at cost in the financial statements of Samson Oil & Gas Limited.

The Consolidated Entity does not meet the definition of a Group for the purposes of Tax Consolidation therefore there are no tax sharing or funding agreements in place.

hh) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2012 reporting periods. The Consolidated Entity's assessment of the impact of these new standards and interpretations is set out below.

- (i) AASB 9 *Financial Instruments*, AASB 2009-11 *Amendments to Australian Accounting Standards arising from AASB 9* and AASB 2010-7 *Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)* (effective from 1 January 2013) AASB 9 *Financial Instruments* addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2013 but is available for early adoption. When adopted, the standard will affect the Consolidated Entity's accounting for its available for sale financial assets (if any are held), since AASB 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity instruments that are not held for trading. Fair value gains and losses on available for sale debt instruments, for example, will therefore have to be recognised directly in profit or loss.

There will be no impact on the Consolidated Entity's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Consolidated Entity does not have any such liabilities.

The de-recognition rules have been transferred from AASB 139 *Financial Instruments: Recognition and Measurement* and have not been changed. The Consolidated Entity has not yet decided when to adopt AASB 9.

- (ii) AASB 13 *Fair Value Measurement* and AASB 2011-8 *Amendments to Australian Accounting Standards arising from AASB 13* (effective 1 January 2013). AASB 13 was released in September 2011. It explains how to measure fair value and aims to enhance fair value disclosures. The Consolidated Entity determined this standard may impact its measurement of Oil and Gas Properties; however it has not quantified what the impact might be. The application of the new standard will also impact the type of information disclosed in the notes to the financial statements. The Consolidated Entity does not intend to adopt the new standard before its operative date, which means that it would be first applied in the annual reporting period ending 30 June 2014.
- (iii) AASB 10 *Consolidated Financial Statements*, AASB 11 *Joint Arrangements*, AASB 12 *Disclosure of Interests in Other Entities*, revised AASB 127 *Separate Financial Statements and AASB 128 Investments in Associates and Joint Ventures and AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards* (effective 1 January 2013) In August 2011, the AASB issued a suite of five new and amended standards which address the accounting for joint arrangements, consolidated financial statements and associated disclosures.

AASB 10 replaces all of the guidance on control and consolidation in AASB 127 *Consolidated and Separate Financial Statements*, and Interpretation 12 *Consolidation – Special Purpose Entities*. The core principle that a consolidated entity presents a parent and its subsidiaries as if they are a single economic entity remains unchanged, as do the mechanics of consolidation; however the standard introduces a single definition of control that applies to all entities. It focuses on the need to have both power and rights or exposure to variable returns before control is present. Power is the current ability to direct the activities that significantly influence returns. Returns must vary and can be positive, negative or both. There is also new guidance on participating and protective rights and on agent/principal relationships. While the Consolidated Entity does not expect the new standard to have a significant impact on its composition, it has yet to perform a detailed analysis of the new guidance in the context of its various investees that may or may not be controlled under the new rules.

AASB 11 introduces a principles based approach to accounting for joint arrangements. The focus is no longer on the legal structure of joint arrangements, but rather on how rights and obligations are shared by the parties to the joint arrangement. Based on the assessment of rights and obligations, a joint arrangement will be classified as either a joint operation or joint venture. Joint ventures are accounted for using the equity method, and the choice to proportionately consolidate will no longer be permitted. Parties to a joint operation will account their share of revenues, expenses, assets and liabilities in much the same way as under the previous standard. AASB 11 also provides guidance for parties that participate in joint arrangements but do not share joint control. While the Consolidated Entity does not expect the new standard to have a significant impact on its composition, it has yet to perform a detailed analysis of the new guidance in the context of its various investees that may or may not be subject to joint arrangements under the new rules.

AASB 12 sets out the required disclosures for entities reporting under the two new standards, AASB 10 and AASB 11, and replaces the disclosure requirements currently found in AASB 128. Application of this standard by the group will not affect any of the amounts recognised in the financial statements, but will impact the type of information disclosed in relation to the group's investments.

AASB 127 is renamed *Separate Financial Statements* and is now a standard dealing solely with separate financial statements. Application of this standard by the Consolidated Entity will not affect any of the amounts recognised in the financial statements. Amendments to AASB 128 provide clarification that an entity continues to apply the equity method and does not remeasure its retained interest as part of ownership changes where a joint venture

becomes an associate, and vice versa. The amendments also introduce a “partial disposal” concept. The Consolidated Entity is still assessing the impact of these amendments.

The Consolidated Entity does not expect to adopt the new standards before their operative date. They would therefore be first applied in the financial statements for the annual reporting period ending 30 June 2014.

NOTE 3. REVENUE AND EXPENSES

	Consolidated Entity	
	2012	2011
	\$	\$
Revenue and Expenses from Continuing Operations		
a Revenue		
<i>Sale of oil and gas</i>		
Oil sales	7,352,494	5,038,446
Gas sales	1,020,945	930,330
Other liquids	12,360	-
	<u>8,385,799</u>	<u>5,968,776</u>
<i>Finance Income</i>		
Interest income	355,357	368,251
	<u>355,357</u>	<u>368,251</u>
Total Revenue	<u>8,741,156</u>	<u>6,337,027</u>
<i>Other Income</i>		
Gain on sale of assets	-	73,199,687
Gain on fixed forward swaps	38,508	152,171
Movement in fair value of held for trading investments	-	5,494
Movement in asset retirement obligation provision due to change in unwind rate	-	150,505
Other	20,090	2,246
Total Other Income	<u>58,598</u>	<u>73,510,103</u>

b General and Administration	Consolidated Entity	
	2012	2011
	\$	\$
<i>Employee Benefits</i>		
Salary and employee benefits	(3,033,400)	(2,659,004)
Share based payments	(992,441)	(1,767,380)
Total Employee Expense Benefits	(4,025,841)	(4,426,384)
<i>Other General and Administration</i>		
Consultants' fees	(459,657)	(808,969)
Lease payments	(222,701)	(132,425)
Legal costs	(545,178)	(572,798)
Assurance, accounting and taxation advice	(1,051,596)	(756,975)
Travel and accommodation	(424,577)	(313,017)
Filing and listing fees	(22,991)	(23,663)
Insurance	(300,874)	(191,660)
Investor and public relations	(180,642)	(216,093)
Printing, postage and stationery	(74,949)	(33,319)
Movement in fair value of derivative instruments	(22,268)	(24,557)
Other	(464,347)	(386,790)
Total Other General and Administration Expenses	(3,769,780)	(3,460,266)
	(7,795,621)	(7,886,650)

c Finance costs	Consolidated Entity	
	2012	2011
	\$	\$
Unwinding of discount associated with restoration obligation	(32,763)	(55,488)
Amortised borrowing costs	-	(102,249)
Interest expense	-	(879,055)
Total Finance Costs	(32,763)	(1,036,792)

d Depreciation and amortisation, included in the profit and loss	Consolidated Entity	
	2012	2011
	\$	\$
<i>Included in cost of sales:</i>		
Depreciation on lease and well equipment	(479,997)	(388,483)
Depletion of oil and gas properties	(2,142,235)	(1,645,355)
	(2,622,232)	(2,033,838)
Depreciation of furniture and fittings	(90,016)	(50,532)
	(2,712,248)	(2,084,370)

	Consolidated Entity	
	2012	2011
	\$	\$
e Impairment movements		
Impairment expense	(816,188)	(25,643)
Total Impairment Expense	(816,188)	(25,643)

	Consolidated Entity	
	2012	2011
	\$	\$
f Included in exploration expenditure		
General exploration expense	(333,770)	(403,826)
Deferred exploration expenditure written off	(25,132,634)	-
Dry Hole Costs	(5,057,519)	-
	(30,523,923)	(403,826)

NOTE 4. INCOME TAX

	Consolidated Entity	
	2012	2011
	\$	\$
The major components of income tax benefit/(expense) are:		
Profit and Loss		
Current income tax	4,709,437	(6,783,577)
Deferred income tax	-	(6,317,000)
Income tax benefit reported in the profit and loss	4,709,437	(13,100,577)
Continuing operations	4,709,437	(21,011,788)
Discontinued operations	-	7,911,211
	4,709,437	(13,100,577)
Income (loss) from continuing operations	(35,780,876)	66,781,870
Income (loss) from discontinued operations	-	(6,356,108)
Income (loss) before income tax	(35,780,876)	60,425,762
At the Australian statutory income tax rate of 30% (2011: 30%)	10,734,263	(18,127,728)
Expenditure not allowable for income tax purposes	(37,670)	(452,334)
Change in deferred tax rate	67,380	-
Effect of US tax rate differential	2,160,755	(3,021,288)
Deferred tax assets not brought to account as realisation is not considered probable	(9,175,220)	7,538,392
Prior year losses not previously recognised brought to account	-	962,381
Adjustment for deferred tax of prior periods	959,929	-
Aggregate income tax benefit/(provision)	4,709,437	(13,100,577)

Consolidated	Balance Sheet		Profit and Loss	
	2012	2011	2012	2011
	\$	\$	\$	\$
Deferred Income Tax				
Deferred income tax at 30 June relates to the following:				
<i>Deferred tax liabilities</i>				
Hedge Liability	-	7,963	7,963	10,299
Loan fees	-	-	-	665
Gross deferred tax liabilities	-	7,963		
<i>Deferred tax assets</i>				
Tax losses	4,940,710	3,702,894	1,237,816	(6,841,888)
Oil and gas properties	8,456,508	15,423	8,441,085	(9,127,000)
Share issue costs	-	370,861	(370,861)	312,698
Other	90,620	231,404	(140,784)	231,404
Deferred tax assets not brought to account as realisation is not regarded as probable	(13,487,839)	(4,312,619)	(9,175,220)	9,096,822
Gross deferred tax assets	-	7,963		
Deferred tax benefit	-	-	-	(6,317,000)
Net deferred tax recognised in the balance sheet	-	-		

The Consolidated Entity has tax losses carried forward arising in Australia of \$9,553,496 (2011: \$8,773,972). The benefit of these losses of \$2,866,049 (2011: \$2,632,192) will only be obtained in future years if:

- i. the Consolidated Entity and the Parent Entity derive future assessable income of a nature and an amount sufficient to enable the benefit from the deduction for the losses to be realised; and
- ii. the Consolidated Entity and the Parent Entity have complied and continue to comply with the conditions for deductibility imposed by law; and
- iii. no changes in tax legislation adversely affect the Consolidated Entity and the Parent Entity in realising the benefit from deduction for the losses.

The Consolidated Entity has Federal net operating tax losses in the United States of approximately \$17,674,196 (2011: \$5,242,426). The current year loss has been carried back against prior year profits and is approximately \$12,431,770 (2011: \$20,798,232). Future years are limited to an estimated \$403,194 per year as a result of a change in ownership of the one of the subsidiaries which occurred in January 2005. If not utilised, the tax net operating losses will expire during the period from 2008 to 2025.

In addition to the above mentioned Federal carried forward losses in the United States, the Company also has approximately \$11,224,209 (2011: \$6,598,099) of State carried forward tax losses, with expiry dates between June 2010 and June 2030. A deferred income tax asset in relation to these losses has not been recognised as realisation of the benefit is not regarded as probable.

The deferred tax benefit the Consolidated Entity will ultimately realise is dependent both upon the loss recoupment legislation in the United States and taxable income at the time recoupment.

The Consolidated Entity has recorded income receivable from the Internal Revenue Service in the United States of \$4,348,456 (2011: \$2,579,626).

The Consolidated Entity does not meet the definition of a group for the purposes of applying tax consolidation.

NOTE 5. DIVIDENDS

No dividends have been declared during the year (2011: \$Nil).

The balance of the franking account at the end of the year was nil (2011: Nil).

NOTE 6. CASH AND CASH EQUIVALENTS

	Consolidated Entity	
	2012	2011
	\$	\$
Cash at bank and on hand	<u>18,845,894</u>	<u>58,448,477</u>

Cash at bank earns interest at floating interest rates based on daily bank deposit rates.

a) Risk exposure

The Consolidated Entity's exposure to interest rate risk is discussed in note 28. The maximum exposure to credit risk at the reporting date is the carrying amount of cash mentioned above.

NOTE 7. TRADE AND OTHER RECEIVABLES

	Consolidated Entity	
	2012	2011
	\$	\$
CURRENT		
Trade receivables (i)	1,241,225	1,265,222
Net GST Receivable	10,635	19,418
Receivable – JV partner (ii)	-	390,578
Other receivables (iii)	36,301	21,479
	<u>1,288,161</u>	<u>1,696,697</u>

(i) These receivables relate to the sale of oil and gas. They are non-interest bearing, unsecured and are generally on 30-90 day terms.

(ii) This receivable relates to monies to be recovered from a privately held company who participated in the Consolidated Entity's acquisition of 3D seismic data in the Hawk Springs Project, Goshen County Wyoming. These funds are non-interest bearing, unsecured and were received prior to the signing of this financial report.

(iii) These receivables are non-interest bearing, unsecured and are due for repayment within the next twelve months.

a) Foreign exchange and interest rate risk - current receivables

Information about the Consolidated Entity's exposure to foreign currency risk and interest rate risk in relation to trade and other receivables is provided in note 28.

b) Fair value and credit risk – current receivables

Due to the short-term nature of these receivables, their carrying amount is assumed to approximate their fair value.

The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivables mentioned above. All receivables are unsecured. Refer to note 28 for more information on the risk management policy of the Consolidated Entity and the credit quality of trade receivables.

No receivables are past due. No impairment has been recognised in respect of any of these receivables.

	Consolidated Entity	
	2012	2011
	\$	\$
NON CURRENT		
Other receivables (iv)	99,961	206,679
	<u>99,961</u>	<u>206,679</u>

(iv) These receivables are non-interesting bearing, unsecured and not due for repayment within the twelve months. The carrying value of these receivables approximates their fair value.

c) Risk Exposure – non current receivables

Information about the Consolidated Entity's exposure to credit risk, foreign exchange and interest rate risk is provided in note 28. The maximum exposure to credit risk at the reporting date is the carrying amount of the receivables mentioned above.

NOTE 8. PREPAYMENTS

Prepayments include:

	Consolidated Entity	
	2012	2011
	\$	\$
CURRENT		
Prepaid drilling expenses	239,772	515,934
Other prepaid expenses	104,336	76,871
	<u>344,108</u>	<u>592,805</u>

Prepaid drilling expenses include cash advanced to the operators of the drilling operations in advance of the drilling commencing.

NOTE 9. PLANT & EQUIPMENT

	Consolidated Entity	
	2012	2011
	\$	\$
<i>Office Equipment</i>		
Cost	700,315	544,402
Accumulated depreciation	(252,254)	(192,139)
	<u>448,061</u>	<u>352,263</u>
At 1 July, net of accumulated depreciation	352,263	150,039
Additions	189,599	280,663
Disposals	(3,785)	(27,907)
Depreciation charge for the year	(90,016)	(50,532)
At 30 June, net of accumulated depreciation and impairment	<u>448,061</u>	<u>352,263</u>

NOTE 10. EXPLORATION AND EVALUATION ASSETS

	Consolidated Entity	
	2012	2011
	\$	\$
Balance at the beginning of the year	3,347,738	-
Expenditure capitalised	38,165,173	3,347,738
Value written off to the Statement of Comprehensive Income	(25,132,634)	-
Balance at the end of the year	<u>16,380,277</u>	<u>3,347,738</u>

The exploration expenditure capitalised relates to the Company's acreage in the Hawk Springs Project, Goshen County, Wyoming and the Roosevelt Project, Roosevelt County, Montana. Activity is continuing in both project areas. Expenditure written off relates to the costs associated with drilling Australia II and Gretel II in the Roosevelt Project. The costs associated with both wells are unlikely to be recovered based on current well results.

\$5 million in cost relating to the drilling of the Spirit of America II well remains capitalised pending the completion of the fracture stimulation planned for this well. The carrying value of this well will be reviewed following analysis of the results of this stimulation, expected sometime in the fourth quarter of the 2012 calendar year.

The recoverability of the carrying value of deferred exploration and evaluation expenditure is dependent on the successful exploitation, or alternatively sale, of the respective areas of interest.

NOTE 11. OIL AND GAS PROPERTIES

	Consolidated Entity	
	2012	2011
	\$	\$
Proved developed producing properties at cost	24,506,226	20,950,084
Accumulated depletion	(7,934,269)	(5,312,036)
Impairment	(3,695,658)	(2,879,470)
	<u>12,876,299</u>	<u>12,758,578</u>

Proved Developed Producing Properties

At 1 July, net of accumulated depreciation and impairment	12,758,578	16,606,570
Additions	3,556,142	7,557,583
Net impairment expense	(816,188)	(4,670,455)
Disposals	-	(4,718,492)
Transfer from proved undeveloped properties	-	268,171
Depreciation charge	(2,622,233)	(2,284,799)
At 30 June, net of accumulated depreciation and impairment	<u>12,876,299</u>	<u>12,758,578</u>

Proved Undeveloped Properties

At 1 July, net of accumulated depreciation and impairment	-	3,931,660
Transfer to proved developed producing properties	-	(268,171)
Disposals	-	(1,629,362)
Net impairment expense	-	(2,034,127)
At 30 June, net of accumulated depreciation and impairment	<u>-</u>	<u>-</u>

Impairment of oil and gas properties

At 30 June 2012, the Consolidated Entity reviewed the carrying value of its oil and gas properties for impairment. An independent review by the Consolidated Entity's reserve engineers, Ryder Scott Company was performed to assess the recoverable amount based on the net present value of the Consolidated Entity's assets (by cash generating unit). The discount rate used to assess the recoverable amount (based on the value in use) was 10% (2011: 10%). The value in use has been based on the expected useful lives of the respective fields. The effect of future income taxes on discounted cashflows has not been considered in relation to the value of the current properties due the entity's considerable tax losses and other tax deductions available to the Consolidated Entity.

The value of oil and gas properties was reviewed on a field by field basis and has resulted in net impairment expense of \$816,188 (2011:\$25,643). \$347,601 was related to the Davis Bintliff property, in Brazoria county, Texas. This well is primarily a gas well and the decrease in its value is aligned with the continued fall in the gas price. This well continues to perform well.

The remaining impairment expense relates to the write off of the asset value associated with the asset retirement obligation recognised for new wells drilled during the year – Australia II, Gretel II, Defender and Spirit of America I.

It is the Consolidated Entity's policy to use proved and probable reserves to support the carrying value of its properties. During the half year ended 31 December 2010, the Consolidated Entity recognised \$6,678,940 in impairment expense in relation to its Jonah and Lookout Wash fields. These fields were sold in March 2011, and this impairment has been included in discontinued operations.

NOTE 12. TRADE AND OTHER PAYABLES

	Consolidated Entity	
	2012	2011
	\$	\$
Trade payables (i)	6,287,563	2,855,106
Accrual of bonus payable (ii)	133,168	390,000
Other payables (iii)	234,536	161,271
	6,655,267	3,406,377

(i) Trade payables are non-interest bearing and normally settled on 30 day terms.

(ii) In the prior year this accrual relates to the expense associated with the calendar year 2011 bonus plan. Based on probability analysis, using Monte Carlo simulation, 60% of the total bonus was expected to be paid out. This expense represented the accrual from 1 January 2011 to 30 June 2011. A total of \$802,942 was paid out in the current year in relation to this bonus for the period 1 January 2011 to 31 December 2011. The accrual in the current year relates to the discretionary piece of the bonus payable for the period 1 January 2012 to 30 June 2012.

(iii) Other payables include accruals for annual leave. The entire obligation is presented as current, since the Consolidated Entity does not have an unconditional right to defer settlement. Based on past experience, the Consolidated Entity expects employees to take the full amount of accrued leave within the next twelve months.

NOTE 13. PROVISIONS

	Consolidated Entity	
	2012	2011
	\$	\$
<i>Non-current</i>		
Provision for Restoration	1,279,211	526,218
	1,279,211	526,218

A provision for restoration is recognised in relation to the oil and gas activities for costs such as reclamation, plugging wells and other costs associated with the restoration of oil and gas properties. Estimates of the restoration obligations are based on anticipated technology and legal requirements and future costs, which

have been discounted to their present value. In determining the restoration provision, the entity has assumed no significant changes will occur in the relevant government legislation in relation to the restoration of such oil and gas properties in the future.

	Consolidated Entity	
	2012	2011
	\$	\$
<i>Provision for Restoration</i>		
Balance at beginning of year	526,218	851,502
Recognised upon acquisition or development of new assets	540,894	29,510
Increase/(decrease) in liability due to change in timing of obligation	179,336	(207,058)
Released from provision upon sale of assets	-	(194,938)
Reduction in provision relating to wells plugged and abandoned during the year	-	(8,286)
Unwinding of discount	32,763	55,488
Balance at end of the year	1,279,211	526,218

NOTE 14. CONTRIBUTED EQUITY AND RESERVES

(a) Issued and paid up capital

Contributed Equity

	Consolidated Entity	
	2012	2011
	\$	\$
1,772,456,827 ordinary fully paid shares including shares to be issued (2011 – 1,732,043,789 ordinary fully paid shares including shares to be issued)	77,557,896	76,925,795
	77,557,896	76,925,795

Movements in contributed equity for the year

	2012		2011	
	No. of shares	\$	No. of shares	\$
Opening balance	1,731,978,789	76,925,795	1,440,429,587	75,714,264
Capital Raising (i)	-		214,414,880	-
Shares issued upon exercise of options (ii)	39,913,038	632,101	70,554,301	1,098,028
Share based payment (iii)	-	-	6,580,021	150,617
Transaction costs incurred	-	-		(37,114)
<i>Shares on issue at balance date</i>	<i>1,771,891,827</i>	<i>77,557,896</i>	<i>1,731,978,789</i>	<i>76,925,795</i>
Shares to be issued upon exercise of options (ii)	500,000	-	-	-
Shares to be issued as part of Kestrel acquisition (iv)	65,000	-	65,000	-
Closing Balance	1,772,456,827	77,557,896	1,732,043,789	76,925,795

(i) In June 2010 the Company completed a share purchase plan. All share applications were received prior to 30 June 2010 though some funds were not received into the Consolidated Entity's bank

account until post 30 June 2010. The shares were issued on 9 July 2010. The Company issued 205,189,880 ordinary shares at A\$ 3.4 cents per share/US\$ 0.027 cents per share to raise US\$5,817,133.

In June 2010 the Company placed 9,225,000 ordinary shares at \$ 3.4 cents per share/US \$ 2.8 cents per share to raise US\$261,528. The funds were received prior to year end however the shares were not issued until 9 July 2010.

- (ii) During the course of the year the Company issued 39,913,038 (2011: 70,554,301) ordinary shares upon the exercise of 39,913,038 (2011: 70,554,301) options.

The exercise price of the options exercised was (average price based on the exchange rate on the date of exercise) A\$0.015 per share/US\$0.015 per share (2011: A\$0.015 per share/US\$0.015 per share) to raise US\$632,101 (2011: US\$1,055,812).

In the prior year the exercise price of 500,000 of the options exercised was A\$0.08 per share/US\$0.084 per share (average price based on the exchange rate on the date of exercise) to raise 2011: US\$42,216. No 8 cent options were issued during the current year

In the current year cash was received in relation to the exercise of 500,000 options prior to year end however these shares were not issued until 4 July 2012.

- (iii) During the year ended 30 June 2011, in conjunction with the reduction in salaries accepted by all employees and Directors of the Company, the Company issued 6,580,021 shares to employees and Directors. These shares were valued at the volume weighted average share price across the ASX and NYSE Amex for the period being compensated for being 1 October 2009 to 30 April 2010, being US\$ 2.3 cents per share.

- (iv) These shares were issued to Kestrel shareholders throughout 2008 as part of the offer to non-US resident shareholders whereby they received five Samson shares for every one Kestrel share held. The Samson share price on the date the acceptance of the offer was received was deemed to be the fair value of the share. As at balance date acceptances had been received for 65,000 (2011:65,000) shares which have not yet been issued. These shares will be issued upon the presentation of Kestrel Share Certificates by the owner of the shares.

(b) Share Options

All references to exercise price and deemed value of options are in Australian Dollars.

On 11 October 2007, 3,379,077 options were issued to the participants of the share issue completed in the year with an exercise price of 30 cents per share and an expiry date of 10 October 2012. These options vested immediately.

On 11 October 2007, 4,000,000 options were issued to key management personnel. These options have an exercise price of 30 cents per share and an expiry date of 10 October 2012. These options vested immediately.

On 12 May 2008, 2,000,000 options were granted to key management personnel. These options have an exercise price of 25 cents per share and an expiry date of 11 May 2013. 600,000 options vested immediately, 600,000 vested following twelve months of service by the employee, with the remaining 800,000 vested on 1 April 2010, following twenty four months of service.

In October and November 2009, 344,431,141 options were issued in conjunction with a rights offering completed by the Company at the same time. These options have an exercise price of 1.5 cents and expire on 31 December 2012. During the year ended 30 June 2012 40,413,038 (2011: 70,004,681) of these options were exercised.

In November 2009, 1,000,000 options were issued to certain Directors. These options have an exercise price of 20 cents and an expiry of 30 December 2013. These options vested immediately.

In November 2010, 29,000,000 options were issued to the Directors. These options have an exercise price of 8 cents per share and an expiry date of 31 October 2014. These options vested immediately.

In December 2010, 32,000,000 options were issued to employees of the Company. These options have an exercise price of 8 cents and an expiry date of 31 December 2014. One third of the options vested on 31 January 2011, one third vested on 31 January 2012 with the remaining third vesting on 31 January 2013. 500,000 of these options were exercised during the year ended 30 June 2011.

In July 2011, 4,000,000 options were issued to an employee of the Company. These options have an exercise price of 16.4 cents and an expiry date of 31 December 2014. One third of the options vested on 31 July 2011, one third vested on 31 July 2012 with the remaining third vesting on 31 July 2013.

In November 2011, 4,000,000 options were issued to an Non-executive Director of the Company. These options have an exercise price of 15.5 cents and an expiry date of 31 October 2015. These options vested immediately.

At the end of the year there were 301,499,902 (2011: 322,911,075) unissued ordinary shares in respect of which options were outstanding. Option holders do not have any right by virtue of the option to participate in any share issue of the Company.

(c) Terms and Conditions of Contributed Equity

Ordinary shares have the right to receive dividends as declared and, in the event of winding up the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held.

Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the Company.

(d) Reserves

Reserves	Consolidated Entity	
	2012	2011
	\$	\$
Foreign currency translation reserve	3,870,539	4,187,574
Equity reserve	(1,097,780)	(1,097,780)
Share based payments reserve	5,028,634	4,036,193
	7,801,393	7,125,987

Movement in Reserves	Consolidated Entity	
	2012	2011
	\$	\$
<i>Foreign currency translation reserve</i>		
Balance 1 July	4,187,574	2,924,429
Currency translation differences	(317,035)	1,263,145
Balance at 30 June	3,870,539	4,187,574
 <i>Share based payments reserve</i>		
Balance 1 July	4,036,193	2,419,430
Options vested	992,441	1,616,763
Balance at 30 June	5,028,634	4,036,193

Nature and purpose of reserves

Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange rate differences arising from the translation of financial statements of the Parent Entity with a functional currency that differs to the presentation currency of the Consolidated Entity.

Share Based Payments Reserve

This reserve is used to record the value of share based payments granted.

Equity Reserve

This reserve is used to recognise the difference between the consideration paid and book value of minority interests' acquired.

NOTE 15. ACCUMULATED LOSSES

	Consolidated Entity	
	2012	2011
	\$	\$
Balance previously reported at the beginning of the year	(7,519,490)	(54,844,675)
Net (loss)/profit attributable to members of Samson Oil & Gas Limited, after income tax	(31,071,439)	47,325,185
Balance at the end of the year	(38,590,929)	(7,519,490)

NOTE 16. DERIVATIVE FINANCIAL INSTRUMENTS

a) Asset	Consolidated Entity	
	2012	2011
	\$	\$
Current Asset		
Fixed forward swaps/collars – at fair value	-	22,268
	-	22,268

Refer to note 24 for further details in relation to the terms, conditions and valuation of the fixed forward swap and derivative collars.

NOTE 17. COMMITMENTS

(a) Exploration Commitments

Due to the nature of the Consolidated Entity's operations in exploring and evaluating areas of interest, it is very difficult to accurately forecast the nature or amount of future expenditure, although it will be necessary to incur expenditure in order to retain present interests. Expenditure commitments on mineral tenure for the Consolidated Entity can be reduced by selective relinquishment of exploration tenure or by the renegotiation of expenditure commitments.

The minimum level of exploration commitments expected as at year ended 30 June 2012 is \$145,000 (2011: \$45,000), which includes the minimum amounts required to retain tenure. It is anticipated that the exploration expenditure commitments in the ensuing periods will be at a similar level.

(b) Development Expenditure

At year end, the Company had committed to capital development expenditure of \$nil (2011: \$1,943,133). None (2011:\$1,024,360) of these funds was paid prior to the end of the period and has been recorded as a prepayment. As at the end of the period \$nil (2011:\$ 305,379) was remaining to be spent.

Rig commitment – The Consolidated Entity has entered into a drilling contract with Frontier Drilling. The contract is for Rig 24 and is an 18 month contract, expected to commence on 1 November 2012. The rig is a 1,500 horsepower, diesel electric rig equipped with a top drive. The rig is mounted on a box on box structure and capable of being skidded between wells on a single Eco Pad. The commitment over 18 months is approximately \$14.2 million. The rig is a high quality rig and we have the right to sub-contract the rig to other parties should we not be able to utilise the rig for the full 18 months.

(c) Operating Lease Commitments – Consolidated Entity as lessee

The Parent and its subsidiaries have entered into operating leases for the lease of its office space in Perth, Western Australia and Denver, Colorado.

Future minimum rentals payable under non-cancellable operating leases as at 30 June are as follows:

	Consolidated Entity	
	2012	2011
	\$	\$
Minimum lease payments		
- not later than one year	142,186	159,091
- later than one year and not later than five years	373,384	516,956
Aggregate lease expenditure contracted for at balance date	515,570	676,047

(d) Remuneration commitments

Commitments for the payment of salaries and other remuneration under long-term employment contracts in existence at the reporting date but not recognised as payables:

	Consolidated Entity	
	2012	2011
	\$	\$
Within one year:	1,204,017	1,255,009
Within two to five years:	602,009	1,882,514
	1,806,026	3,137,523

Amounts disclosed as remuneration commitments include commitments arising from service contracts of Directors and executives referred to in Note 18 that are not recognised as liabilities and are not included in the Directors' or executives' remuneration.

During the year ended 30 June 2012 \$802,942 was paid out in relation to the 2011 calendar year bonus. \$133,168 has been accrued for the bonus period from 1 January 2012 to 30 June 2012. Certain performance criteria need to be met in order for this bonus to be paid.

NOTE 18. DIRECTOR AND EXECUTIVE DISCLOSURES

a) Compensation by category: key management personnel

	Consolidated Entity	
	2012	2011
	\$	\$
Short Term	1,980,488	1,977,642
Post Employment	77,761	90,004
Share-based Payments	584,572	1,671,898
	2,642,821	3,739,544

Detailed remuneration disclosures are provided in the remuneration report on pages 6 to 13.

b) Option holdings of key management personnel

30 June 2012	Balance at beginning of period 1 July 2011	Exercised during the year	Expired during the year	Granted as compensation	Balance at end of period 30 June 2012	Options vested at 30 June 2012
Directors						
D.Craig	-	-	-	4,000,000	4,000,000	4,000,000
T. Barr	10,512,960	(500,000)	-	-	10,012,960	10,012,960
V. Rudenno	6,800,000	-	-	-	6,800,000	6,800,000
K. Skipper	6,500,000	-	-	-	6,500,000	6,500,000
					-	-
					-	-
Executives						
D. Rakich	5,000,000	-	-	-	5,000,000	3,333,333
R. Lamont	9,030,000	-	-	-	9,030,000	6,696,667
D. Ninke	9,000,000	-	-	-	9,000,000	6,666,667
D. Gralla	6,500,000	-	-	-	6,500,000	4,166,666
Total	53,342,960	(500,000)	-	4,000,000	56,842,960	48,176,293

30 June 2011	Balance at beginning of period 1 July 2010	Exercised during the year	Expired during the year	Granted as compensation	Balance at end of period 30 June 2011	Options vested at 30 June 2011
Directors						
N. MacLachlan	1,500,000	-	(500,000)	7,000,000	8,000,000	8,000,000
T. Barr	4,512,960	-	(4,000,000)	10,000,000	10,512,960	10,512,960
V. Rudenno	800,000	-	-	6,000,000	6,800,000	6,800,000
K. Skipper	500,000	-	-	6,000,000	6,500,000	6,500,000
Executives						
D. Rakich	-	-	-	5,000,000	5,000,000	1,666,666
R. Lamont	2,030,000	-	-	7,000,000	9,030,000	4,363,333
D. Ninke	2,000,000	-	-	7,000,000	9,000,000	4,333,333
D. Gralla	-	(500,000)	-	7,000,000	6,500,000	1,833,333
Total	11,342,960	(500,000)	(4,500,000)	55,000,000	61,342,960	44,009,625

c) Shares issued on exercise of options

500,000 options were exercised during the year ended 30 June 2012 (2011: 500,000)

d) Shareholdings of key management personnel

Ordinary Shares held in Samson Oil & Gas Limited (number)

30 June 2012	Balance at beginning of period 1 July 2011	Granted as compensation	On exercise of options	Net change other	Balance at end of period 30 June 2012
Directors					
D. Craig	-	-	-	-	-
T. Barr	10,026,142	-	500,000	2,000,000	12,526,142
V. Rudenno	4,236,502	-	-	-	4,236,502
K. Skipper	736,502	-	-	-	736,502
Executives					
D. Rakich	-	-	-	-	-
R. Lamont	2,362,038	-	-	80,000	2,442,038
D. Ninke	2,084,624	-	-	28,000	2,112,624
D. Gralla	500,000	-	-	-	500,000
	19,945,808	-	500,000	2,108,000	22,553,808

30 June 2011	Balance at beginning of period 1 July 2010	Granted as compensation	On exercise of options	Net change other	Balance at end of period 30 June 2011
Directors					
N. MacLachlan	12,020,719	810,397	-	330,882	13,161,998
T. Barr	7,372,482	2,300,580	-	353,080	10,026,142
V. Rudenno	3,638,813	266,807	-	330,882	4,236,502
K. Skipper	138,813	266,807	-	330,882	736,502
					-
Executives					
D. Rakich	-	667,018	-	(667,018)	-
R. Lamont	1,000,595	1,030,561	-	330,882	2,362,038
D. Ninke	765,786	987,956	-	330,882	2,084,624
D.Gralla	-	-	500,000	-	500,000
	24,937,208	6,330,126	500,000	1,340,472	33,107,806

All equity transactions with key management personnel other than those arising from the exercise of compensation options have been entered into under terms and conditions no more favourable than those the Consolidated Entity would have adopted if dealing at arm's length. In the tables above "Net Change Other" represents purchase of shares on market or during capital raisings open to all shareholders.

g) Loans to key management personnel (Consolidated)

No loans have been granted to key management personnel during the current or prior year.

h) Other transactions and balances with key management personnel

There were no transactions with key management personnel or their related parties during the current or prior year other than those mentioned above.

NOTE 19. SEGMENT REPORTING

Operating segments are now reported in a manner that is consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker has been identified as the Board of Directors.

The group operates primarily in one business segment being oil and gas exploration, development and production in the United States of America.

The following table presents revenue and loss information regarding geographic segments for the year ended 30 June 2011 and 30 June 2012 as presented to the Board of Directors.

	United States of America – continuing operations		United States of America – discontinued operations		Other segments		Consolidated	
	2012	2011	2012	2011	2012	2011	2012	2011
Segment revenue from external customers	8,433,219	6,095,169	-	751,565	307,937	241,858	8,741,156	7,088,592
Segment result before amortisation and impairment	(30,578,685)	71,421,107	-	573,796	(1,673,754)	(2,529,224)	(32,252,439)	69,465,679
(Impairment)/Reversal of impairment	(816,188)	(25,643)	-	(6,678,940)	-	-	(816,188)	(6,704,583)
Depreciation and amortisation	(2,712,249)	(2,081,755)	-	(250,964)	-	(2,615)	(2,712,249)	(2,335,334)
Total Segment result	(34,107,122)	69,313,709	-	(6,356,108)	(1,673,754)	(2,531,839)	(35,780,876)	60,425,762
Total Segment Assets	48,897,441	74,002,746	-	-	5,812,719	6,491,911	54,710,160	80,494,657
Additions to non current assets	41,910,914	11,185,984	-	-	-	-	41,910,914	11,185,984
Total Segment Liabilities	(7,709,686)	(3,697,674)	-	-	(232,114)	(264,691)	(7,941,800)	(3,962,365)

NOTE 19. SEGMENT REPORTING (CONT)

Segment revenue reconciles to total revenue from continuing operations as follows:

	Consolidated Entity	
	2012	2011
	\$	\$
Total segment revenue	8,741,156	7,088,592
Revenue attributed to discontinued operations	-	(751,565)
Total revenue from continuing operations (note 3a)	<u>8,741,156</u>	<u>6,337,027</u>

Segment assets reconcile total assets as follow:

	Consolidated Entity	
	2012	2011
	\$	\$
Total segment assets	54,710,160	80,494,657
Total assets as per the balance sheet	<u>54,710,160</u>	<u>80,494,657</u>

Segment liabilities reconcile to total liabilities as follows:

	Consolidated Entity	
	2012	2011
	\$	\$
Total segment liabilities	7,941,800	3,962,365
Total liabilities as per the balance sheet	<u>7,941,800</u>	<u>3,962,365</u>

Segment result reconciles to the net (loss)/profit for the year attributable to owners of Samson Oil & Gas Limited as follows:

	Consolidated Entity	
	2012	2011
	\$	\$
Total segment result	(35,780,876)	60,425,762
Income tax benefit/(expense) from continuing operations	4,709,437	(21,011,788)
Income tax benefit from discontinued operations	-	7,911,211
Net (loss)/profit for the year attributable to owners of Samson Oil & Gas Limited	<u>(31,071,439)</u>	<u>47,325,185</u>

All revenue from the United States of America segment is from customers based in the United States of America.

Other Segments revenue relates principally to interest income earned on cash balances in Australia.

NOTE 20. RECONCILIATION OF (LOSS)/PROFIT AFTER INCOME TAX TO NET CASH FLOW FROM OPERATING ACTIVITIES

	Consolidated Entity	
	2012	2011
	\$	\$
Reconciliation of the net (loss)/profit after tax to the net cash flows from operations		
Net (loss)/profit after tax	(31,071,439)	47,325,185
Net gain recognised on re-measurement to fair-value of investments held for trading	-	(5,494)
Depreciation of non-current assets	2,712,249	2,335,330
Share based payments	992,441	1,767,380
Movement in asset retirement obligation provision due to change in unwind rate	-	(150,505)
Exploration expenditure	30,523,923	403,826
Net loss on fair value movement of fixed forward swaps	22,268	24,557
Impairment losses of oil and gas properties	816,188	6,704,583
Net gain on sale of assets	-	(73,358,883)
<i>Changes in assets and liabilities:</i>		
Increase in receivables	(1,360,293)	(3,102,602)
Decrease in deferred tax asset	-	6,317,000
Increase in employee benefits	73,265	53,386
Increase in payables	111,879	1,176,847
NET CASH FLOWS PROVIDED BY/(USED IN) OPERATING ACTIVITIES	2,820,481	(10,509,390)

NOTE 21. RELATED PARTY DISCLOSURES

The consolidated financial statements include the financial statements of Samson Oil & Gas Limited and the following subsidiaries:

Name	Country of Incorporation	% Equity Interest		Investment	
		2012	2011	2012	2011
				\$	\$
Samson Oil & Gas USA Inc	United States	100	100	5,757,790	6,067,403
Samson Oil and Gas Montana USA, Inc (100% owned subsidiary of Samson Oil & Gas USA Inc)	United States	100	100	31,684,285	52,058
				37,442,075	6,119,461

Ultimate parent

Samson Oil & Gas Limited is the ultimate parent Company.

Other related party transactions

During the prior year Mr Fearis was an alternate Director for Mr Neil MacLachlan, though was not required to act in this capacity. Squire Sanders, the law firm at which Mr Fearis is Special Counsel was paid \$ 18,853 for the provision of services provided by Mr Fearis. These services were charged on normal commercial terms. Following Mr MacLachlan resignation as a Director on 30 June 2011, Mr Fearis was no longer an alternate Director.

During the prior year the Consolidated Entity paid \$158,952 (including a bonus of \$42,500) to Whitehall Engineering, an entity controlled by Mr Dan Gralla for the provision of his services. Mr Gralla became an employee of the Consolidated Entity, effective 1 January 2011.

There were no other related party transactions during 2012 and 2011.

NOTE 22. AUDITORS' REMUNERATION

	Consolidated Entity	
	2012	2011
	\$	\$
Amounts received or due and receivable by PricewaterhouseCoopers (Australia) for:		
an audit or review of the financial report of the entity and any other entity in the Consolidated Entity	94,215	118,369
agreed-upon procedures in relation to the entity and any other entity in the Consolidated Entity	6,000	-
	100,215	118,369
Amounts received or due and receivable by other member firms of PricewaterhouseCoopers International for:		
an audit or review of the reporting forms of the Consolidated Entity	717,683	510,115
	817,898	628,484

NOTE 23. EARNINGS/(LOSS) PER SHARE

Basic earnings/(loss) per share amounts are calculated by dividing net result for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings/(loss) per share amounts are calculated by dividing the net result attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all dilutive potential ordinary shares into ordinary shares.

The following reflects the income and share data used in the basic and diluted earnings/(loss) per share computations:

	Consolidated Entity	
	2012	2011
	\$	\$
Net (loss)/profit from continuing operations attributable to ordinary equity holders of the parent Company (used in calculating basic and diluted earnings per share)	(31,071,439)	45,770,082
Profit from discontinued operations	-	1,555,103
Net (loss)/profit for the year attributable to owners of Samson Oil & Gas Limited (used in calculating basic and diluted earnings per share)	(31,071,439)	47,325,185
	Number of Shares	
	2012	2011
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	1,752,408,357	1,680,247,878
Adjustments for calculation of diluted earnings per share:		
Options	-	261,317,567
Bonus element for rights issue	-	26,488,246
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	1,752,408,357	1,968,053,691

At the end of the current year there are 301,499,902 potential ordinary shares on issue. These potential ordinary shares are not dilutive for 30 June 2012.

At the end of the prior year, there were 312,482,881 potential ordinary shares on issue that were dilutive for the year ended 30 June 2011.

There have been no transactions involving ordinary shares that would significantly change the number of ordinary shares or potential ordinary shares outstanding between the reporting date and the date of completion of these financial statements.

NOTE 24. FINANCIAL INSTRUMENTS

a) Guarantees

There are no guarantees in place (2011 \$nil).

b) Derivatives

On 13 November 2009, the Company entered into the following new hedges:

Oil – Ratio Collar priced at West Texas Intermediate

Date	Call/Put	Volume – barrels	Price – \$ per Barrel
Dec 2009 – Dec 2011	Put	21,431	60.00
Dec 2009 – Dec 2011	Call	21,431	102.90

Natural Gas – Ratio Collar priced at Henry Hub

Date	Call/Put	Volume – mmbtu	Price – \$ per MCF
Dec 2009 – Dec 2011	Put	125,149	4.75
Dec 2009 – Dec 2011	Call	125,149	6.15

Natural Gas – Ratio Collar priced at Colorado Interstate Gas

Date	Call/Put	Volume – mmbtu	Price – \$ per MCF
Dec 2009 – Dec 2011	Put	440,884	4.25
Dec 2009 – Dec 2011	Call	440,884	5.80

These terms of these derivative arrangements are in line with Master International Swaps and Derivatives Agreement.

The fair value of these derivative instruments is recorded in the current year balance sheet as a current or non current asset depending on the maturity date of the swaps. They have been valued by the Consolidated Entity with reference to the forward curve for the Colorado Interstate Gas price, Henry Hub Gas price or West Texas Intermediate for oil, for the relevant time period. Any movement in its fair value is taken directly to the profit and loss. At balance date the instruments were a net asset valued at \$nil (2011: \$22,268) and the Consolidated Entity recorded a loss in relation to the fair value movement of these instruments of \$22,268 (2011: loss \$24,557).

Following the sale of the interests in the Jonah and Lookout Wash properties the Consolidated Entity's exposure to natural gas prices decreased significantly. On 6 July 2011, the Consolidated Entity closed out the remaining gas derivative positions. The termination of these positions resulted in Macquarie Bank Limited (the counter party to the hedges) paying Samson \$36,500 in July 2011.

NOTE 25. CONTINGENCIES

There are no unrecorded contingent assets or liabilities in place for the Consolidated Entity at balance date (2011: \$Nil).

NOTE 26. INTEREST IN JOINTLY CONTROLLED ASSETS

The Consolidated Entity has an interest in the following joint ventures whose principal activities are oil and gas exploration and production.

Project/Property Name	Location	Interest Held	
		% 2012	% 2011
Exploration			
Baxter Shale	United States of America	10.00	10.00
Hawk Springs	United States of America	25-100	25-100
Gold Coast Unit CBM	United States of America	50.00	50.00
South Goose Lake	United States of America	25.00	25.00
Roosevelt	United States of America	100.00	100.00
Production			
Big Hand	United States of America	4.00	4.00
Bird Canyon	United States of America	16.00	16.00
Deep Draw	United States of America	5.00	5.00
Hilight	United States of America	9.00	9.00
Jalmat	United States of America	60.00	60.00
Jayson Unit	United States of America	2.00	2.00
Kicken Draw	United States of America	15.00	15.00
LA Ward	United States of America	3.00	3.00
Neta	United States of America	13.00	13.00
Powder River Basin	United States of America	18.00	18.00
San Simon	United States of America	27.00	27.00
Scribner	United States of America	28.00	28.00
Wagensen	United States of America	8.00	8.00

North Stockyard	United States of America	34.50	34.50
Sabretooth	United States of America	12.50	12.50

Oil and gas properties held as jointly controlled assets total \$12,876,299 (2011: \$12,758,578).

NOTE 27. EVENTS SUBSEQUENT TO BALANCE DATE

In August 2012, the Company executed a definitive agreement to participate in the exploration of an area within the Williston Basin in North Dakota. Pursuant to this agreement we acquired a 25% working interest in 23,700 acres (net 5,925 acres) at a price of \$266 per acre. A payment of \$1.58 million was made following the normal due diligence process, also in August 2012. The exploration opportunity is a conventional oil project that is adjacent to existing production from Mississippian aged reservoirs.

Except for the event disclosed above, the Directors are not aware of any matters or circumstances not otherwise dealt with in this report that have significantly or may significantly affect the operations of the Consolidated Entity, the results of those operations or the state of affairs of the Consolidated Entity in the subsequent financial years.

NOTE 28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Consolidated Entity's principal financial assets and financial liabilities comprise receivables, payables and cash.

The Consolidated Entity manages its exposure to key financial risk in accordance with the Board's financial risk management strategy. The objective of the strategy is to support the delivery of the Consolidated Entity's financial targets whilst protecting future financial security.

The Consolidated Entity enters into derivative transactions, principally oil and gas price fixed forward swaps, to manage the price risk arising from the Consolidated Entity's operations. These derivatives do not qualify for hedge accounting.

The main risks arising from the Consolidated Entity's financial instruments are interest rate risk, foreign currency risk, credit risk, price risk and liquidity risk. The Consolidated Entity uses different methods to measure and manage the different types of risks to which it is exposed. These include monitoring levels of exposure to foreign currency and price risk and assessments of market forecasts for foreign exchange and commodity prices. Ageing analysis and monitoring of specific debtors are undertaken to manage credit risk and liquidity risk is monitored through the development of future rolling cash flow forecasts.

Primary responsibility for identification and control of financial risks rests with the executive management group, specifically the Chief Executive Officer and Chief Financial Officer, under the authority of the Board. The Board reviews and approves policies and strategies for managing each of the risks identified below.

Risk Exposures and Responses

Capital Management

When managing capital, management's objective is to ensure the entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. The Consolidated Entity funds its activities through capital raisings and debt funding, where appropriate. The Consolidated Entity is not subject to any externally imposed capital requirements.

Interest rate risk

The Consolidated Entity continually reviews its interest rate exposure. Consideration is given to potential restructuring of its existing positions and alternative financing.

The Consolidated Entity has no interest rate risk in relation to its financial liabilities as the Consolidated Entity currently has no borrowings that are subject to interest.

The Consolidated Entity's cash assets are exposed to minimal interest rate risk. The Consolidated Entity's cash accounts are primarily held in low or no interest rate accounts. Interest revenue is not a significant income item for the Consolidated Entity and the Consolidated Entity does not rely on the cash generated from interest income.

	Consolidated Entity	
	2012	2011
	\$	\$
Cash exposed to Australian interest rates	5,732,304	6,415,736
Cash exposed to United States of America interest rates	13,113,590	52,032,741
	18,845,894	58,448,477

The average floating interest rate for the Consolidated Entity in the United States was 0.16% per annum (2011: 0.5%).

The average fixed interest rate for the Consolidated Entity in the United States was 0.14% (2011: 0.08%).

The average floating interest rate for the Consolidated Entity in Australia was per annum 1.09% (2011: 2.4%)

The average fixed interest rate for the Consolidated Entity in Australia was 5.68% per annum (2011:4.4%).

At year end, the Consolidated Entity has \$16,215,379 (2011: \$15,619,812) in short term deposits that have fixed interest rates. These term deposits have terms no longer than 90 days. \$5,164,396 (2011: \$5,611,021) is held in an AUD term deposit and has an interest rate of approximately 4.9%. \$11,050,983 (2011: \$10,008,791) is held in an USD term deposit and has an interest rate of approximately 0.09%.

At 30 June 2012 if interest rates had moved, as illustrated in the table below (estimated from historical movements), with all other variables held constant, the impact would be:

	Post Tax Result		Other Equity	
	Higher/(Lower)		Higher/(Lower)	
	2012	2011	2012	2011
	\$	\$	\$	\$
Cash exposed to AUS interest rates				
+ 0.25% (25 basis points)	14,331	14,180	-	-
- 0.50% (50 basis points)	(28,662)	(28,360)	-	-

	Post Tax Result		Other Equity	
	Higher/(Lower)		Higher/(Lower)	
	2012	2011	2012	2011
	\$	\$	\$	\$
Cash exposed to US interest rates				
+ 0.10% (10 basis points)	13,114	26,495	-	-
- 0.25% (25 basis points)	(32,784)	(66,238)	-	-

Foreign Currency Risk

As a result of significant operations in the United States, the Consolidated Entity's financial statements can be affected significantly by movements in the US\$/A\$ exchange rates.

The majority of the transactions (both revenue and expenses) of the United States subsidiaries are denominated in US dollars.

The Consolidated Entity does not have any foreign currency cash flow hedges.

At balance date, the Consolidated Entity had the following exposure to A\$ foreign currency that is not designated in cash flow hedges:

	Consolidated Entity	
	2012	2011
	\$	\$
Financial Assets		
Cash and cash equivalents	5,732,304	6,415,736
Trade and other receivables	46,935	40,896
Financial Liabilities		
Trade and other payables	163,875	174,297
Net Exposure	5,615,364	6,282,335

At 30 June 2012 if foreign exchange rates had moved, as illustrated in the table below (estimated from historical movements), with all other variable held constant, the impact would be:

	Post tax result		Other Equity	
	Higher/(lower)		Higher/(lower)	
	2012	2011	2012	2011
	\$	\$	\$	\$
Consolidated				
A\$:US\$ +10%	-	-	558,060	625,842
A\$:US\$ -10%	-	-	(558,060)	(625,841)

Consolidated Entity

The impact of the foreign exchange on the Consolidated Entity relates to the value of assets, net of liabilities that are held in the Consolidated Entity which are held in the Parent Entity, which has a functional currency of Australian Dollars.

For the Consolidated Entity, the change in foreign exchange rate does not have any impact on the profit and loss of the entity as the impact of the foreign exchange movements is recorded in the foreign exchange reserve.

Management believes the balance date risk exposures are representative of the risk exposure inherent in the financial instruments.

Price risk

Price risk arises from the Consolidated Entity's exposure to oil and gas prices. These commodity prices are subject to wide fluctuations and market uncertainties due to a variety of factors that are beyond the control of the Consolidated Entity. Sustained weakness in oil and natural gas prices may adversely affect the Consolidated Entity's financial condition.

The Consolidated Entity manages this risk by continually monitoring the oil and gas price and the external factors that may affect it. The Board reviews the risk profile associated with commodity price risk periodically to ensure that it is appropriately managing this risk. Derivatives are used to manage this risk where appropriate. The Board must approve any derivative contracts that are entered into by the Company. As at Balance Date, the Consolidated Entity does not have derivative contracts in place.

At 30 June 2012 if the price of natural gas and oil had moved, as illustrated in the table below (estimated from historical movements), with all other variable held constant, the impact would be:

Consolidated	Post tax result		Other Equity	
	Higher/(lower)		Higher/(lower)	
	2012	2011	2012	2011
	\$	\$	\$	\$
Gas				
Gas price + 10%	102,095	152,170	-	-
Gas price – 20%	(204,189)	(304,340)	-	-
Oil				
Oil price + 10%	735,249	510,628	-	-
Oil price – 20%	(1,470,499)	(1,021,256)	-	-

Credit Risk

The Consolidated Entity manages its credit risk through constantly monitoring its credit exposure, to ensure it is acceptable.

Credit risk arises from the financial assets of the Consolidated Entity, which comprise cash and cash equivalents, trade and other receivables, and financial assets at fair value through profit and loss. The Consolidated Entity's exposure to credit risk arises from potential default of the counter party, with a maximum exposure equal to the carrying amount of these instruments. Exposure at balance date is addressed in each applicable note.

The Consolidated Entity trades only with recognised, creditworthy third parties, and as such collateral is not requested nor is it the Consolidated Entity's policy to securitise its trade and other receivables.

The Consolidated Entity holds its cash with large well respected banks, with no history of default and therefore its credit exposure to cash is minimal. The minimum credit rating of the Consolidated Entity's bank is Prime-1 as determined by Moody's Rating Agency.

Receivables balances are monitored on an ongoing basis with the result that the Consolidated Entity's exposure to bad debts is not significant.

Whilst a small number of debtors account for a large percentage of the Consolidated Entity's receivable balance, the Board does not consider this a significant risk to the Consolidated Entity as the debtors are all creditworthy with no history of default. As at the date of this report, the Consolidated Entity does not have any receivables which are past their due date and the Consolidated Entity has not recorded any impairment in relation to its receivables.

Liquidity Risk

The Consolidated Entity's objective is to fund future development through cash flow from operations, equity and debt, where appropriate. It is the Consolidated Entity's policy to review the cash flow forecasts regularly to ensure that the Consolidated Entity can meet its obligations when they fall due.

The table below reflects all contractual repayments and interest resulting from recognised financial liabilities, including derivative instruments as of 30 June 2012. For derivative financial instruments the market value is presented, whereas for the other obligations the undiscounted cash flows for the respective upcoming fiscal years are presented. Cash flows for financial liabilities without fixed amounts or timing are based on the conditions existing at 30 June 2012.

The remaining contractual maturities of the Consolidated Entity's financial liabilities are:

Trade Payables	Consolidated Entity	
	2012	2011
	\$	\$
6 months or less	6,287,563	2,737,880
6-12 months	-	-
1-5 years	7,322	29,770
	<u>6,294,885</u>	<u>2,767,650</u>

The Consolidated Entity monitors rolling forecasts of liquidity reserve on the basis of expected cash flow.

At balance date, the Consolidated Entity does not have any unused credit facility (2011: \$nil).

Fair Value

The methods for estimating fair value and the fair value of the financial assets and liabilities are outlined in the relevant notes to the financial statements.

Set out below is a comparison by category of carrying amounts and fair values of the Consolidated Entity's financial instruments recognised in the financial statements.

The carrying amount of trade receivables and payables approximates their fair value. Derivatives are carried at their fair value on the balance sheet. All financial assets and liabilities are held as level 2 (quoted prices in active markets for identical assets or liabilities) in the fair value measurement hierarchy.

NOTE 29. SHARE BASED PAYMENT PLANS

The Consolidated Entity provides benefits to employees (including senior executives) of the Consolidated Entity in the form of share based payments, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions).

During the prior year, the Consolidated Entity filed a Form S-8 with the Securities and Exchange Commission. The Form S-8 is a registration statement used by U.S. public companies to register securities to be offered pursuant to employee benefit plans; in this case the ordinary shares issuable and reserved for issuance underlying the options which may be issued pursuant to the Samson Oil & Gas Limited Stock Option Plan were registered.

All references to inputs in this note are in Australian Dollars as they refer to Australian listed securities, unless noted otherwise.

During the year ended 30 June 2012, the following share based payments were made:

Options issued to Directors

On 30 November 2011, 4,000,000 options were issued to a non-Executive Director. These options have an expiry date of 31 October 2015 and an exercise price of 15.5 cents per share. These options have been valued at 7.62 cents per option, using a Black-Sholes option pricing model, which takes into account the following variables:

Share price at grant date (cents)	10.0
Exercise price (cents)	15.5
Time to expiry (years)	4
Risk free rate (%)	6.00
Share price volatility (%)	124.61
Dividend yield	Nil

The value of these options has been expensed in the current period as these options vested immediately.

Options issued to employees

In July 2011, 4,000,000 stock options were granted under the Samson Oil & Gas Limited Stock Option Plan to an employee of the Company. These options have an exercise price of 16.4 cents and an expiry date of 31 December 2014. One third of these stock options vested on 31 July 2011. Another third will vest on 31 July 2012 with the remaining third vesting on 31 July 2013, provided the employee is still employed by the Company on those dates. These options have been valued at 10.55 cents per option, using a Black-Scholes option pricing model which takes into account the following variables:

Share price at grant date (cents)	14.0
Exercise price (cents)	16.4
Time to expiry (years)	3.5
Risk free rate (%)	5.25
Share price volatility (%)	129.33
Dividend yield	Nil

At year end there were 76,879,077 (2011: 69,879,077) options outstanding that had been granted to employees, Directors and other service providers. The weighted average exercise price was 11 cents (2011: 10 cents) per option.

The weighted average remaining contractual life for the share options outstanding as at 30 June 2012 is between 4 months and 4 years (2011: between 1 and 4 years).

The range of exercise prices for options outstanding at the end of the year was 8-30 cents (2011: 8 – 30 cents).

The weighted average fair value of options granted during the year was 7.5 cents per option (2011: 3.3 cents).

NOTE 30. PARENT ENTITY FINANCIAL INFORMATION

(a) Summary financial information

The individual financial statements for the parent entity show the following aggregate amounts:

	2012	2011
	\$	\$
Balance Sheet		
Current assets	5,779,239	6,456,632
Total assets	14,319,143	12,138,867
Current liabilities	232,115	233,491
Total liabilities	232,115	233,491
Net assets	14,087,028	11,905,376
Shareholders' equity		
Issued capital	77,557,896	76,925,795
Reserves		
Share based payments reserve	4,930,424	4,036,193
Foreign currency translation reserve	3,233,595	3,800,842
Accumulated Losses	(71,634,887)	(72,857,454)
Net shareholders' equity	14,087,028	11,905,376
Profit/(Loss) for the year	1,222,567	(15,736,069)
Total comprehensive income	1,789,814	11,937,823

(b) Guarantees

No guarantees have been entered into by Samson Oil and Gas on behalf of its subsidiaries.

(c) Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities at 30 June 2012 or 30 June 2011.

NOTE 31. DISCONTINUED OPERATIONS

In March 2011, the Consolidated Entity sold its interests in the Jonah and Look Out Wash Fields in Wyoming for \$6,300,000. The Consolidated Entity's interest in this field consisted of 21% working interest in 240 acres in the Jonah field, located in Sweetwater County, Wyoming and 17% working interest in approximately 20 wells in the Lookout Wash Field, Carbon County, Wyoming. The Consolidated Entity recognised a gain before income tax of \$159,196 in relation to this sale. These assets were written down to the value of the sale at 31 December 2010. The value of assets sold was \$6,300,000 following this impairment. The profit made on the sale was a result of the Consolidated Entity releasing the asset retirement obligation previously provided for these properties.

All assets were part of the United States of America geographical reporting segment.

Revenue and Expenses from Discontinuing Operations	Consolidated Entity	
	2012	2011
	\$	\$
Revenue		
Sale of oil and gas		
Oil sales	-	67,831
Gas sales	-	590,031
Other	-	93,703
Total Revenue	-	751,565
Expenses		
Cost of sales	-	(587,930)
Impairment expense	-	(6,678,940)
Net loss before income tax from discontinuing operations	-	(6,515,305)
Gain on sale of oil and gas properties	-	159,196
Income tax benefit	-	7,911,211
Net gain after income tax from discontinuing operations	-	1,555,102
Total comprehensive income attributable to discontinued operations	-	1,555,102
Basic earnings/(loss) per share from discontinuing operations - cents	-	0.09
Diluted earnings/(loss) per share from discontinuing operations - cents	-	0.08
Cash Flow Information		
Net cash flows from operating activities	-	414,600
Net cash flows used in investing activities	-	-
Net cash flows from financing activities	-	6,300,000

DIRECTORS' DECLARATION

In accordance with a resolution of the Directors of Samson Oil & Gas Limited, I state that:

In the opinion of the Directors:

- (a) the financial statements and notes set out on pages 24 to 74 are in accordance with the *Corporations Act 2001*, including :
 - (i) giving a true and fair view of the Consolidated Entity's financial position as at 30 June 2012 and of its performance for the financial year ended on that date; and
 - (ii) complying with *Australian Accounting Standards, the Corporations Regulations 2001* and other mandatory professional reporting requirements, and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Note 2(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The Directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A of the *Corporations Act 2001*.

On behalf of the Board



Terence M. Barr
Director

Denver, Colorado
14 September 2012

INDEPENDENT AUDIT REPORT



Independent auditor's report to the members of Samson Oil & Gas Limited

Report on the financial report

We have audited the accompanying financial report of Samson Oil & Gas Limited (the company), which comprises the balance sheet as at 30 June 2012, and the statement of comprehensive income, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for the Samson Oil & Gas Group (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 2(a), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

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Independent auditor's report to the members of Samson Oil & Gas Limited (continued)

Auditor's opinion

In our opinion:

- (a) the financial report of Samson Oil & Gas Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 2(a)

Report on the Remuneration Report

We have audited the remuneration report included in pages 6 to 14 of the directors' report for the year ended 30 June 2012. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion

In our opinion, the remuneration report of Samson Oil & Gas Limited for the year ended 30 June 2012, complies with section 300A of the *Corporations Act 2001*.

A handwritten signature in black ink, appearing to read 'Pierre Dreyer', written in a cursive style.

PricewaterhouseCoopers

A handwritten signature in black ink, appearing to read 'Pierre Dreyer', written in a cursive style.

Pierre Dreyer
Partner

Perth
14 September 2012

SHAREHOLDER INFORMATION

Statement of Issued Securities at 12 September 2012

- (a) There are 1,792,121,059 fully paid ordinary shares and 204,389,738 options on issue which are quoted on the Australian Stock Exchange.
- (b) Members are entitled to one vote for each share held.
- (c) The twenty largest shareholders hold 73.43% of the Company's issued capital.

Distribution of Securities

Spread of Securities	Number of Shareholders	Number of Listed Option Holders	Number of Unlisted Option Holders
1 - 1,000	935	56	-
1,001 - 5,000	514	99	-
5,001 - 10,000	453	65	-
10,001 - 100,000	1,848	271	4
100,001 - and over	875	261	41
	4,625	752	45

There are 1,717 shareholders who do not hold a marketable parcel of shares.

The following details appear in the company's register of Substantial Shareholdings at 12 September 2012.

Substantial Shareholder	No. of Shares	Percentage
Nil		

Twenty Largest Shareholders

Rank	Registered Holder	Number of Shares	%
1	National Nominees Pty Ltd	1,147,775,917	64.05
2	JP Morgan Nom Aust Ltd	26,236,832	1.46
3	Flush Nom PL	19,650,000	1.10
4	NEFCO Nom PL	13,338,467	0.74
5	Macquarie Bank Limited	11,800,000	0.66
6	Citicorp Nominees PL	11,541,140	0.64
7	Vogliotti Peter Anthony	9,000,009	0.50
8	Paesler C B & A	9,000,000	0.50
9	Barr Super PL	8,318,000	0.46
10	Ehrlich Joshua	7,720,000	0.43
11	HSBC Custody Nom Aust Ltd	6,443,339	0.36
12	Lewis Loma Dawn	6,000,000	0.33
13	JP Morgan Nom Aust Ltd	5,883,853	0.33
14	Christopher Lawson	5,500,000	0.31
15	Wilson C J & Chang W M J	5,330,882	0.30
16	Gerendasi Holdings PL	4,959,588	0.28
17	Jauleski B & Jauleska Y	4,624,717	0.26
18	Arras PL & 50 Long PL	4,500,000	0.25
19	Victor Rudenno	4,236,502	0.24
20	Kuti Gabriel Louis & T	4,185,558	0.23
Total		1,316,044,804	73.43

Twenty Largest Listed Option Holders

Rank	Registered Holder	Number of Shares	%
1	Vogliotti Peter Anthony	10,000,000	4.97
2	O'Brien John W & M A	7,800,000	3.88
3	Jones Stephen Harry	6,900,494	3.43
4	Paesler C B & A	5,400,000	2.68
5	Kampar PL	4,758,610	2.37
7	Murphy Edward James	4,520,839	2.25
8	Wilson C J & Chang W M J	4,000,000	1.99
8	Crute Peter John	3,989,842	1.98
9	Pinto Carla Camille	3,540,000	1.76
10	Verma Ashok	3,224,996	1.60
11	Brown Kevin Albert	3,150,000	1.57
12	Banks Dennis & Janine	2,832,256	1.41
13	Bell Potter Nom Ltd	2,747,228	1.37
14	Milanto PL	2,435,000	1.21
15	Beira PL	2,400,000	1.19
16	Graaug Rebekah Suzzane	2,255,351	1.12
17	Chrisp Aust PL	2,252,000	1.12
18	Zientek Paul	2,100,000	1.04
19	Riley Glen Haxton & WJ	2,000,000	0.99
20	Winnell Timothy	2,000,000	0.99
Total		78,306,616	38.92