ASX ANNOUNCEMENT – FOR IMMEDIATE RELEASE

15 October 2010

The Manager
Company Announcements
Australian Securities Exchange Limited

Dear Sir,

Annual Report 2010, Notice of Annual General Meeting & Sample Proxy Form

Australian oil producer and explorer, Stuart Petroleum Limited (ASX code: STU) advises that copies of the Notice of Meeting and Proxy Form in respect of its 2010 Annual General Meeting were despatched to Members of the Company on 15 October 2010. Copies of these documents are attached hereto.

A copy of the 2010 Annual Report, as attached, has been despatched to shareholders who elected to receive a printed copy. All other shareholders have been invited to view the Report online at the Stuart Petroleum website or the Computershare Investor Services website as set out below:

Stuart Petroleum Limited
www.stuartpetroleum.com.au

Computershare Investor Services:
www.edocumentview.com.au/stu1

Stuart's 2010 Annual General Meeting will be held at the Stamford Plaza Hotel, 150 North Terrace, Adelaide, on Thursday, 18 November 2010, commencing at 10.00am Adelaide time.

Yours faithfully

Jarek Kopias
Company Secretary

Attachments:
1. Notice of Annual General Meeting
2. Sample Proxy Form
3. Annual Report for 2010

For further information please contact: Chief Executive Officer Iain MacDougall on (08) 8410 0611 or Email: macdougall.i@stuartpetroleum.com.au

STUART PETROLEUM LIMITED

ABN 58 059 146 226

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of Stuart Petroleum Limited (**the Company**) will be held at the **Stamford Plaza Hotel, 150 North Terrace, Adelaide** at 10.00am Adelaide time on Thursday, 18th November 2010 to transact the business set out below.

Members should refer to the accompanying Explanatory Notes for further information concerning agenda items set out below.

Members are encouraged to exercise their right to fully participate in the meeting by asking questions on any matters of interest or concern with the Company's operations, irrespective of whether those matters are the subject of an agenda item.

ORDINARY BUSINESS

1. Financial Statements and Reports

To receive and consider the Company's Financial Report including the Directors' Declaration for the year ended 30 June 2010 and the accompanying Directors' Report and Auditor's Report.

Shareholders will be given the opportunity to ask questions about the Company's performance and prospects during this item, and to ask questions of the Company's Auditor.

2. Remuneration Report

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

That the remuneration report that forms part of the Directors' Report of the Company for the financial year ended 30 June 2010 be adopted.

Please note that the vote on this resolution is advisory only and does not bind the Directors or the Company.

3. Election of Director

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

That Mr John Gilbert Branson, being a Director who retires by rotation at the Annual General Meeting in accordance with the Company's Constitution, be re-elected as a Director of the Company.

4. Election of Director

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

That, for the purposes of clause 56.2 of the Company's Constitution, Mr Jeffrey Bruce Parncutt who was appointed a Director on 31 August 2010 be elected as a Director of the Company.

5. Share Placement

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

That, for the purposes of ASX Listing Rule 7.4, the shareholders of the Company approve and ratify the issue and allotment of 4,000,000 ordinary fully paid shares in the Company to M F Custodians Limited on 27 August 2010, as more fully described in the Explanatory Notes accompanying this Notice of Annual General Meeting.

By order of the Board

Jarek Kopias
Company Secretary
Adelaide, 7th October, 2010

PROXIES AND CORPORATE REPRESENTATIVES

A member who is entitled to vote at this meeting may appoint a proxy who need not be a member of the Company. For the convenience of members a proxy appointment form is enclosed. A member who is entitled to cast more than one vote may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise.

In order to be valid the proxy form must be received by the Company at the address or facsimile number specified below, along with any power of attorney or certified copy of a power of attorney (if the proxy form is signed pursuant to a power of attorney), by no later than 48 hours before the Annual General Meeting (ie, by no later than 10.00am Adelaide time on **16 November 2010**):

Stuart Petroleum Limited
c/- Computershare Investor Services Pty Ltd
GPO Box 242
MELBOURNE VIC 3001
AUSTRALIA

or facsimile: within Australia (1800 783 447) or outside Australia (+61 3 9473 2555).

Online voting is also available for shareholders at www.investorvote.com.au

A member who is a body corporate may appoint an individual as a representative to exercise all or any of the rights and privileges the body corporate may exercise at the Annual General Meeting pursuant to section 250D of the Corporations Act. Representatives will be required to present documentary evidence of their appointment on the day of the meeting.

CUSTODIAN VOTING

For Intermediary Online subscribers only (custodians) please visit www.intermediaryonline.com to submit your voting intentions.

DETERMINATION OF ENTITLEMENT TO ATTEND AND VOTE

For the purpose of the Corporations Act, the Company has determined that all securities of the Company that are quoted securities at 7.00pm Adelaide time on **16 November 2010** will be taken, for the purpose of the Annual General Meeting, to be held by the persons who held them at that time.

QUESTIONS AND COMMENTS BY MEMBERS

In accordance with the Corporations Act, the Chairman of the Annual General Meeting will allow a reasonable opportunity for members at the meeting to ask questions about, or make comments on, the management of company.

Similarly, the Chairman will allow a reasonable opportunity for members at the meeting to ask questions of a representative of the Company's Auditor, PricewaterhouseCoopers, relevant to the conduct of the audit, the preparation and content of the Auditor's Report, the accounting policies adopted by the Company in relation to the preparation of the Financial Statements and the independence of the Auditor in relation to the conduct of the audit.

Pursuant to the Corporations Act 2001, members may submit written questions to the Company's Auditor relevant to the content of the Auditor's report or the conduct of the audit of the annual financial report. If a member wishes to submit such a question, please submit it to the Company no later than 5.00pm Adelaide time on **11 November 2010**.

The Chairman of the Annual General Meeting will allow a reasonable opportunity at the Annual General Meeting for a representative of the Company's Auditor to answer any written questions submitted in accordance with the above procedure. If the Company's Auditor has prepared written answers to written questions, the Chairman may allow these to be tabled at the meeting and such written answers will be available to members as soon as practicable after the meeting.

EXPLANATORY NOTES

These explanatory notes have been prepared to assist shareholders with items 1, 2, 3, 4 and 5 set out in the Notice of Annual General Meeting dated 7 October 2010.

Item 1 – Financial Statements and Reports

The annual report is available for viewing online at the following website www.edocumentview.com.au/stu1 or at the Company's website at www.stuartpetroleum.com.au

Item 2 – Remuneration Report resolution

The remuneration report is set out in the Directors' Report within the 2010 Annual Report.

Pursuant to section 250R(2) of the Corporations Act 2001, a resolution that the remuneration report be adopted must be put to the vote at the Company's Annual General Meeting. The vote on the proposed resolution is advisory only and does not bind the Directors or the Company. However, the Board will take the outcome of the vote into consideration when reviewing remuneration practices and policies.

The Chairman of the Annual General Meeting will allow a reasonable opportunity for members to ask questions about, or make comments on, the remuneration report.

Item 3 – Election of Mr John Gilbert Branson as a Director

Mr John Gilbert Branson, a current non-executive director of the Company, will retire by rotation at the Annual General Meeting as required by the Company's Constitution. Mr Branson, being eligible, offers himself for re-election.

Mr Branson has been a non-executive director of the Company since 9 April 1999. Mr Branson has over 30 years' experience in law and business management. He is Chairman of Stuart and holds directorships in one other publicly listed resource company and one private company. In addition, he is a member of the Bank of South Australia Advisory Board.

Item 4 – Election of Mr Jeffrey Bruce Parncutt as a Director

Mr Jeffrey Bruce Parncutt was appointed by the Board as an additional non-executive director on 31 August 2010. Under the Company's Constitution, Mr Parncutt's appointment must be confirmed at the Company's next Annual General Meeting and, consequently, Mr Parncutt offers himself for election.

Mr Parncutt is a senior figure in the Australian securities industry. He was Chief Executive of listed securities firm McIntosh Securities for seven years (1990-1996) and Senior Vice President of Merrill Lynch for three years (1997-1999). He was a Member of the Australian Stock Exchange Limited for 19 years (1981-2000) and a Director at the Australian Stock Exchange for six years (1994-1999). He holds a Bachelor of Science, a Masters of Business Administration and is a Senior Associate of the Financial Services Institute of Australasia.

Item 5 – Share Placement

On 27 August 2010, the Company issued 4,000,000 ordinary shares to M F Custodians Limited at an issue price of 50 cents per share (which was at a premium to the Company's share price prevailing at the time the placement was announced) (**Placement Shares**). The proceeds from the issue of the Placement Shares (being $2,000,000) are to be used to fund the general working capital requirements of the Company and the Placement Shares were issued on terms under which they rank equally with all other ordinary shares as from the date of their issue. The shareholder has entered into an escrow agreement with the Company to restrict sale of any of the Placement Shares for a twelve month period.

Shareholder approval was not required to issue the Placement Shares as the issue did not involve the issue of securities in excess of the 15% threshold specified by ASX Listing Rule 7.1.

However, shareholder approval is now sought to ratify the issue of the Placement Shares under Resolution 5 to "refresh" the Company's ability and flexibility to issue new securities up to the 15% threshold specified by ASX Listing Rule 7.1.

The impact of the passing of Resolution 5 is that the issue of the Placement Shares will be regarded as having been issued with shareholder approval.

Information required under ASX Listing Rule 7.5

For the purposes of ASX Listing Rule 7.5, the following information is provided to shareholders in connection with the issue of the Placement Shares:

1. A total of 4,000,000 ordinary shares were issued;

2. The shares were issued for 50 cents per share, raising a total of $2,000,000;

3. The shares issued rank equally in all respects with all existing ordinary shares issued in the capital of the Company;

4. The allottee of the shares was M F Custodians Limited, being a company associated with Mr Jeffrey Bruce Parncutt; and

5. Funds raised from the issue of the Placement Shares are to be used by the Company to fund the general working capital requirements of the Company.

Voting Exclusion

For the purposes of ASX Listing Rule 7.4, the Company will disregard any votes cast on Resolution 5 by M F Custodians Limited and its associates. However, the Company need not disregard a vote if:

- it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or

- it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

STUART PETROLEUM LIMITED

ABN 58 059 146 226

Lodge your vote:

Online:
www.investorvote.com.au

By Mail:
Computershare Investor Services Pty Limited
GPO Box 242 Melbourne
Victoria 3001 Australia

Alternatively you can fax your form to
(within Australia) 1800 783 447
(outside Australia) +61 3 9473 2555

For Intermediary Online subscribers only
(custodians) www.intermediaryonline.com

For all enquiries call:
(within Australia) 1300 556 161
(outside Australia) +61 3 9415 4000

Proxy Form

Vote online or view the annual report, 24 hours a day, 7 days a week:

www.investorvote.com.au

☑ **Cast your proxy vote**	***Your secure access information is:***
☑ **Access the annual report**	**Control Number:**
☑ **Review and update your securityholding**	**SRN/HIN:**
	PLEASE NOTE: For security reasons it is important that you keep your SRN/HIN confidential.

For your vote to be effective it must be received by 10:00am (Adelaide time) Tuesday 16th November 2010

How to Vote on Items of Business

All your securities will be voted in accordance with your directions.

Appointment of Proxy

Voting 100% of your holding: Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote as they choose. If you mark more than one box on an item your vote will be invalid on that item.

Voting a portion of your holding: Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

Appointing a second proxy: You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

A proxy need not be a securityholder of the Company.

Signing Instructions for Postal Forms

Individual: Where the holding is in one name, the securityholder must sign.
Joint Holding: Where the holding is in more than one name, all of the securityholders should sign.
Power of Attorney: If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.
Companies: Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held. Delete titles as applicable.

Attending the Meeting

Bring this form to assist registration. If a representative of a corporate securityholder or proxy is to attend the meeting you will need to provide the appropriate "Certificate of Appointment of Corporate Representative" prior to admission. A form of the certificate may be obtained from Computershare or online at www.investorcentre.com under the information tab, "Downloadable Forms".

Comments & Questions: If you have any comments or questions for the company, please write them on a separate sheet of paper and return with this form.

GO ONLINE TO VOTE,
or turn over to complete the form ➔

☐ **Change of address.** If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with '**X**') should advise your broker of any changes.

Proxy Form

Please mark ☒ to indicate your directions

STEP 1 Appoint a Proxy to Vote on Your Behalf

I/We being a member/s of Stuart Petroleum Limited hereby appoint

☐ **the Chairman of the meeting** **OR** ____________________

PLEASE NOTE: Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, as the proxy sees fit) at the Annual General Meeting of Stuart Petroleum Limited to be held at the Stamford Plaza Hotel, 150 North Terrace, Adelaide on Thursday, 18 November 2010 at 10:00am (Adelaide time) and at any adjournment of that meeting.

STEP 2 Items of Business

PLEASE NOTE: If you mark the **Abstain** box for an item, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

ORDINARY BUSINESS		For	Against	Abstain
2	To adopt the Remuneration Report	☐	☐	☐
3	To re-elect Mr John Gilbert Branson as a Director	☐	☐	☐
4	To elect Mr Jeffrey Bruce Parncutt as a Director	☐	☐	☐
5	To approve the Share Placement	☐	☐	☐

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business.

SIGN Signature of Securityholder(s) *This section must be completed.*

Individual or Securityholder 1	Securityholder 2	Securityholder 3
Sole Director and Sole Company Secretary	Director	Director/Company Secretary

Contact Name ____________________ Contact Daytime Telephone ____________________ Date ___/___/___

STUART PETROLEUM LIMITED

ANNUAL REPORT 2010

COOPER BASIN

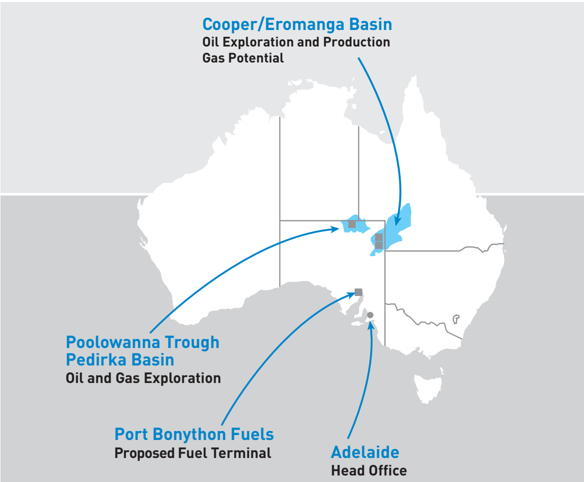
Oil production increasing
Major gas potential recognised

PORT BONYTHON

Fuels Project
approaching final investment decision

CONTENTS

STUART BUSINESS LOCATIONS



STUART PETROLEUM LIMITED

ABN 58 059 146 226

CORPORATE DIRECTORY

Directors

Chairman:
John G Branson AM., R.afD., LLB., C.Univ., FAICD

Non-executive Directors:
J Bruce Parncutt B.Sc., MBA, SA Fin

David B Clarke B.Sc

Chief Executive Officer (Acting)

Iain D MacDougall B.Sc (Hons), MSPE

Company Secretary

Jarek K Kopias B.Com, CPA, ACIS

Registered Office and Head Office

Level 3 , 22 King William Street
Adelaide SA 5000
Phone: (08) 8410 0611
Fax: (08) 8410 0250
Email: info@stuartpetroleum.com.au

Postal Address

PO Box 8148 Station Arcade
Adelaide SA 5000

Website

www.stuartpetroleum.com.au

Share Registry

Computershare Investor Services Pty Limited
Level 5, 115 Grenfell Street
Adelaide SA 5000

Postal address:
GPO Box 1903
Adelaide SA 5001

Enquiries within Australia:
Ph: 1300 556 161
Enquiries outside Australia:
Ph: 61 3 9415 4000

Email:
web.queries@computershare.com.au

Home Stock Exchange

Australian Securities Exchange Limited
Level 30, 91 King William Street
Adelaide SA 5000
ASX Code: STU

Auditor

PricewaterhouseCoopers
Level 14, 91 King William Street
Adelaide SA 5000

Solicitor

Johnson Winter & Slattery
Level 10, 211 Victoria Square
Adelaide SA 5000

Banker

Commonwealth Bank of Australia
100 King William Street
Adelaide SA 5000

KEY PERFORMANCE INDICATORS

OIL PRODUCTION

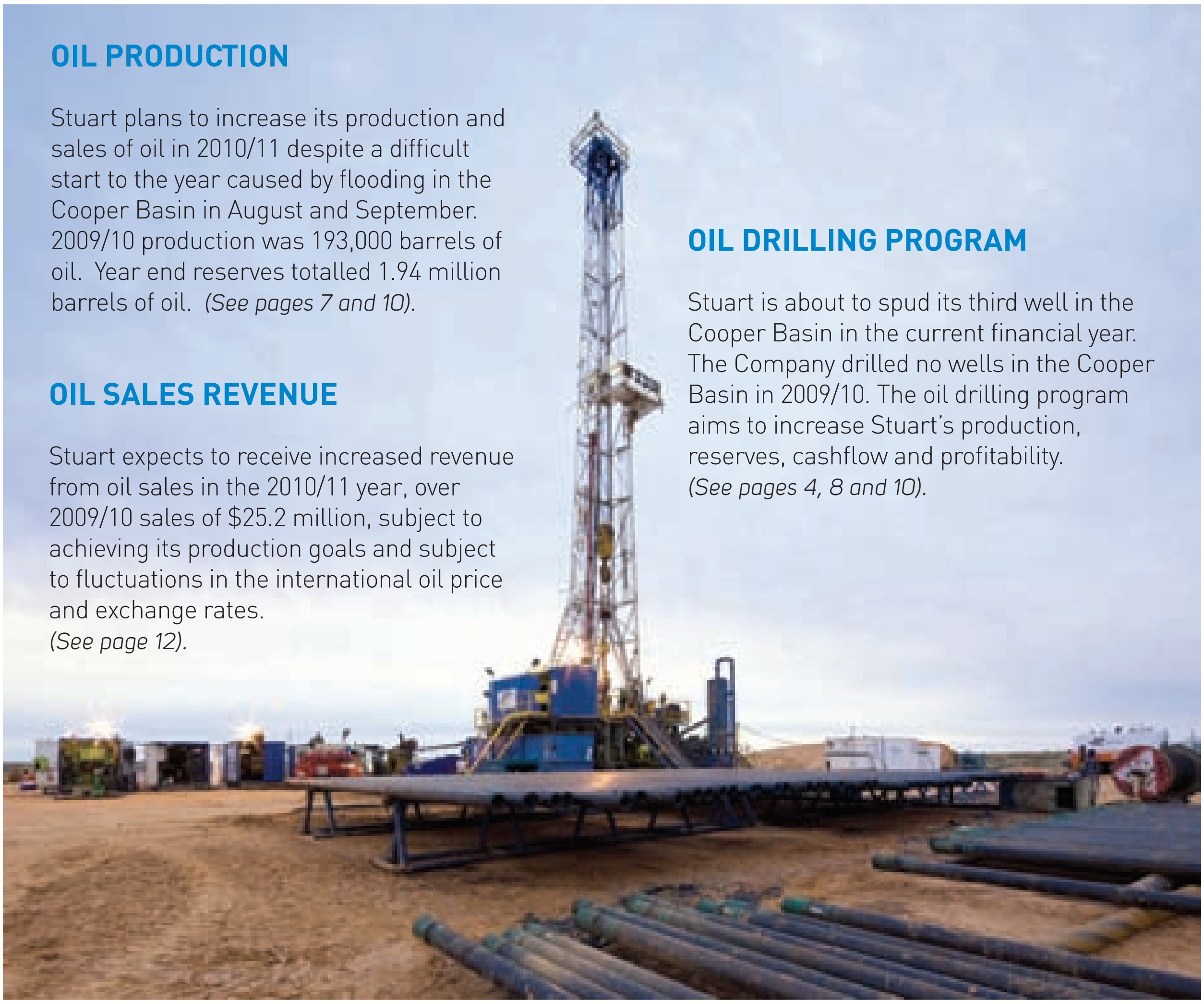
Stuart plans to increase its production and sales of oil in 2010/11 despite a difficult start to the year caused by flooding in the Cooper Basin in August and September. 2009/10 production was 193,000 barrels of oil. Year end reserves totalled 1.94 million barrels of oil. *(See pages 7 and 10).*

OIL SALES REVENUE

Stuart expects to receive increased revenue from oil sales in the 2010/11 year, over 2009/10 sales of $25.2 million, subject to achieving its production goals and subject to fluctuations in the international oil price and exchange rates.
(See page 12).

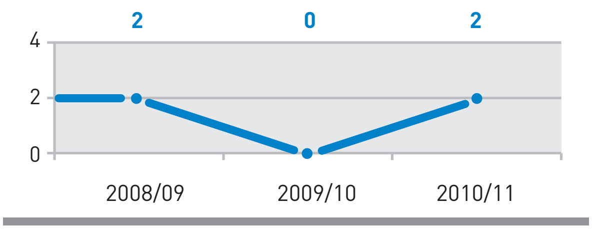
OIL DRILLING PROGRAM

Stuart is about to spud its third well in the Cooper Basin in the current financial year. The Company drilled no wells in the Cooper Basin in 2009/10. The oil drilling program aims to increase Stuart's production, reserves, cashflow and profitability.
(See pages 4, 8 and 10).



Drilling at dusk – Worrior 7 – Cooper Basin July 2010

DIVIDEND PAYMENTS
(Cents per Share)



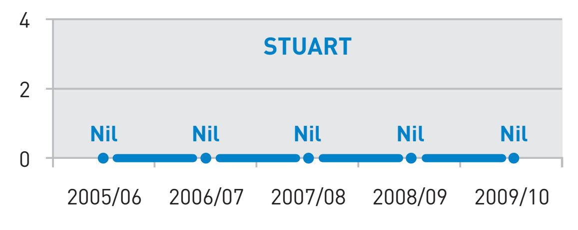
DIVIDEND PAYMENTS

Stuart has paid a 2 cent per share dividend for the year ended 30 June 2010. This is the fifth dividend that Stuart has paid in the last six years. No dividend was paid in 2009.
(See pages 2, 19, 48 and 64).

SAFETY PERFORMANCE

For the fifth year in a row, Stuart recorded no injuries to its employees in the course of its operations. Statistics published by the Australian Petroleum Production and Exploration Association for 2008 and 2009 show that Stuart ranked equal first out of 22 companies in posting the lowest possible Total Recordable Injury Frequency Rate.
(See pages 2,3,4 and 15).

TOTAL RECORDABLE INJURY FREQUENCY RATE
(Events per million person-hours worked)



Stuart Petroleum Limited

Letter from the Chairman

From the Chairman's Office
Level 3, 22 King William Street
Adelaide SA 5000

6 October 2010

Dear Shareholder,

Stuart has completed a year of rebuilding and growth and, for the fifth year in a row, your Company has achieved a record of no lost time or medical treatment injuries to Stuart employees in the course of their work. Your Directors acknowledge the achievement of staff and management in securing this outstanding safety record.

On the financial front, your Company returned to profit with Net Profit after Tax of A$6.8 million. It substantially upgraded its holdings in the Cooper Basin and sold its Timor Sea exploration interests at a profit. Stuart is now projecting an increase in oil production for the current financial year and has returned to the ranks of dividend–paying oil producers with its fifth dividend payment in six years.

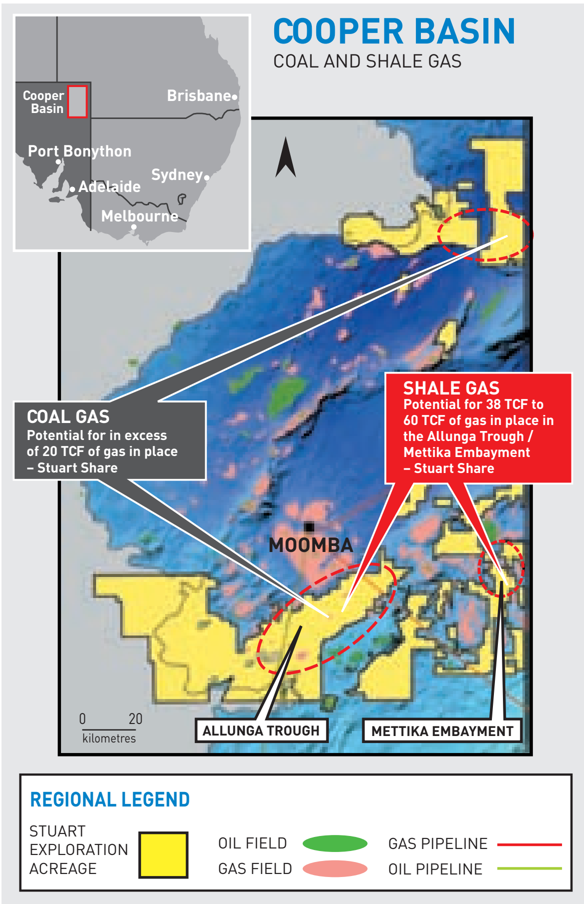
Most importantly for long term shareholders, Stuart has recently been advised that its Cooper Basin acreage holds potential for World Class resources of gas in unconventional reservoirs. Independent gas expert, MHA Petroleum Consultants of Denver, Colorado, has concluded that Stuart's Cooper Basin tenements have the potential to contain major resources of natural gas in two settings, in Shale and in Coal.

- **SHALE**

  Thick organic Permian-age shales are thermally mature for the generation of petroleum liquids and gas in the southern Cooper Basin. MHA advises that Stuart may have between **38 and 60 Trillion Cubic Feet "TCF" of Shale Gas in place** in the Allunga Trough and Mettika Embayment regions of PEL 516, with potential to define additional gas resources elsewhere in the licence.

- **COAL**

  Thick coal seams occur locally through the Permian Cooper Basin section. They are thermally mature for gas generation and MHA advises that Stuart has the potential to identify an additional **20 TCF of Gas in place in its Coal** measures.



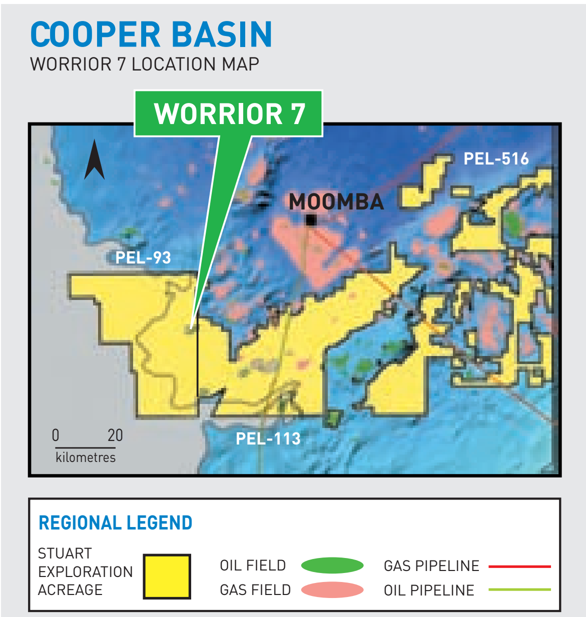
Location map showing the distribution of Stuart's shale and coal gas potential

Stuart's tenements potentially contain WORLD-CLASS GAS RESOURCES, of significance to Australia and the Pacific/Indian Ocean region.

Top: Operations at the Worrior 7 well, July 2010

It is partly as a result of the success of its recently-completed Worrior 7 development well that Stuart is able to project a lift in its rate of oil production through 2010/11.

Worrior 7 delivered a six metre oil column in the McKinlay Member and an unexpected four metre oil column in the Birkhead Formation. Both zones are expected to be good oil producers and Worrior 7 has been completed for production.



Above: Worrior Location Map

During the year Stuart progressed the commercial and Government discussions required for realisation of its proposed Fuel Infrastructure Project on Spencer Gulf in the mid-north of South Australia. Your Directors expect to be able to provide further and better particulars to shareholders later this calendar year.

As announced to ASX Limited, long-term Stuart shareholder, Mr. Bruce Parncutt, accepted a placement of shares in the capital of the Company in August this year at a premium to the then-prevailing share price and he has since joined the Board.

Mr. Parncutt is a senior figure in the Australian Securities Industry. He was Chief Executive of listed securities firm McIntosh Securities for seven years (1990–1996) and Senior Vice President of Merrill Lynch for three years (1997–1999). He was a member of the Australian Stock Exchange Limited for 19 years (1981–2000) and a director at the Australian Stock Exchange for six years (1994–1999).

He holds a Bachelor of Science, a Masters of Business Administration and he is a Senior Associate of the Financial Services Institute of Australasia.

Mr Tino Guglielmo, Managing Director since 2005 and Chief Executive Officer since 2003, tendered his resignation from the Company and its affiliates on 6 October 2010.

On behalf of his fellow Directors, staff and contractors, I thank Mr Guglielmo for his contribution to the Company's affairs and wish him well for the future.

On behalf of the Board I wish to thank shareholders for their support during this period of rebuilding. On behalf of shareholders, I wish to thank staff and management for the efforts which now position the Company for a major phase of growth and for the care which they have shown for the physical safety of our workforce.

Yours faithfully

John G Branson AM., R.afD., LLB., C.Univ., FAICD
Chairman

OPERATIONS REPORT

In a significant year, Stuart Petroleum has been able to:

- Identify major gas resource potential – expressed in the tens of Trillion Cubic Feet (TCF) of gas – in its Cooper Basin acreage.
- Commence a drill program designed to increase oil production and to concurrently increase reserves.
- Advance the Port Bonython Fuel Terminal proposal to a point where the Company expects, within months, to hold all requisite approvals.

In addition, Stuart has now completed its fifth year of operations in a row without recordable injury to a Stuart employee.

Stuart's oil fields provide an ongoing productive life, with approximately
2 million barrels of proven and probable reserves and prospects believed capable of delivering further producible oil.

Stuart is about to spud its third Cooper Basin well this financial year. Drilling commenced in July and the first well, Worrior 7 found an unexpected oil leg in the Birkhead Formation. Your Company hopes that drilling this financial year will increase the Company's production, cashflow and profitability.

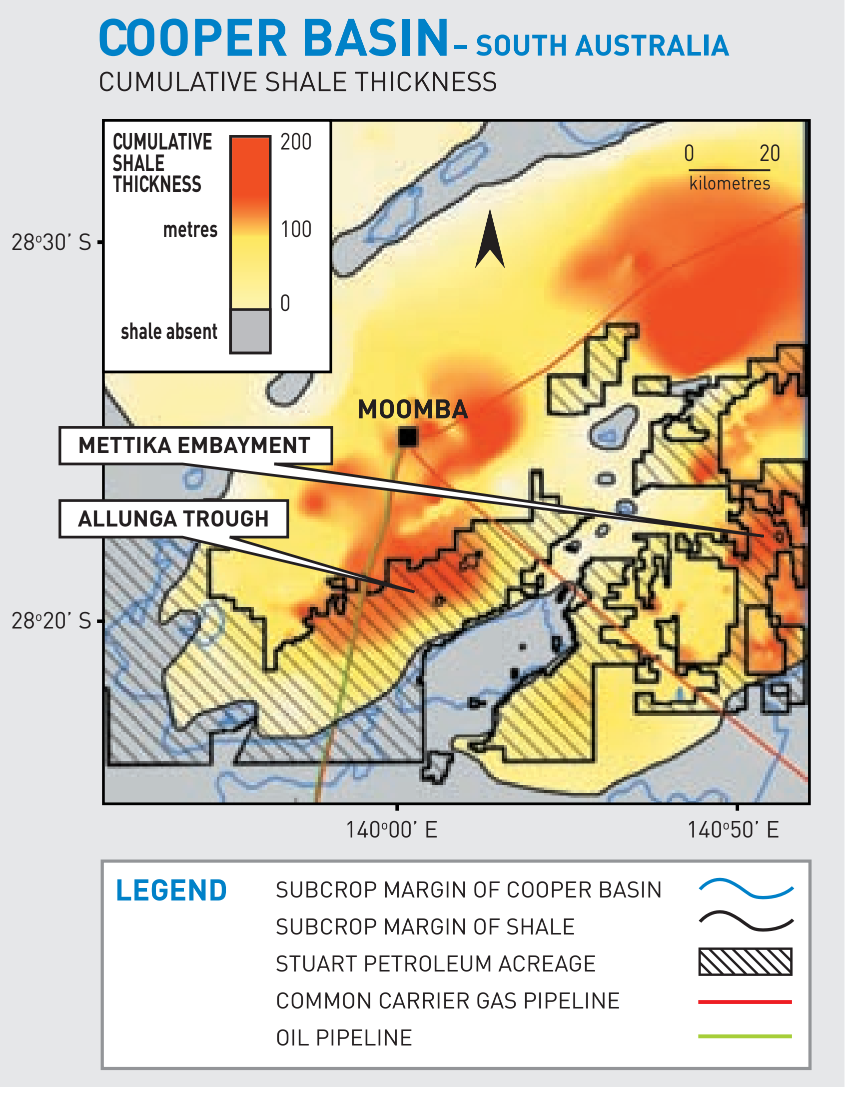
POTENTIALLY WORLD CLASS GAS RESOURCES

SHALE GAS

During the year Denver-based unconventional gas expert, MHA Petroleum Consultants (MHA), delivered a Scoping Study on the potential for generation and entrapment of natural gas in the Roseneath and Murteree Shales in Stuart's 100% owned Petroleum Exploration Licence (PEL) 516, in the southern Cooper Basin.

MHA concluded that Stuart has the potential to define between **38 and 60 TCF** of Shale Gas-in-place **in the Allunga Trough and the Mettika Embayment.** MHA also notes additional Shale Gas potential in other sectors of PEL 516.

PEL 516 contains some of the thickest—and possibly some of the best—accumulations of Permian shale in the Cooper Basin. The Roseneath and Murteree Shales reach cumulative thicknesses in excess of 150 metres through the Allunga



Isoopach map of Cumulative Shale Thickness – Roseneath and Murteree Shales – in the Southern Cooper Basin

Trough and the Mettika Embayment. In these structural lows Shales of Permian age are believed to be comparable **in area, thickness, depth, organic content, thermal maturity and pipeline infrastructure with currently productive Shale Gas provinces in the United States.**

The Roseneath and Murteree Shales generally contain between 2.5 and 3.0% Total Organic Carbon in the South Australian sector of the Cooper Basin. In PEL 516 they also exhibit maturity levels which are optimal for the generation of gas rich in high value liquids – condensate, LPG and ethane - and lean in valueless carbon dioxide. PEL 516 Shale Gas characteristics are, on a preliminary basis, expected to be:

Gas Credits	(barrels/ million cubic feet of gas)	**Gas Debits**	(molar %)
Condensate	5 to 15		
LPG	5 to 15	CO_2	10 to 15
Ethane	30 to 50		

The Roseneath Shale lies at approximately 2,400 metres and the Murteree Shale lies at approximately 2,600 metres in depth in PEL 516, well within the bounds of efficient shale gas production technology. Stuart's drilling and well completion costs are expected to be mid-range as a result.

MHA advises that Permian Shale accumulations in PEL 516 have the potential, subject to the results of a considerable amount of further work, to be amongst the best in the Cooper Basin in terms of their capacity to deliver gas rich in valuable liquids and low in CO_2.

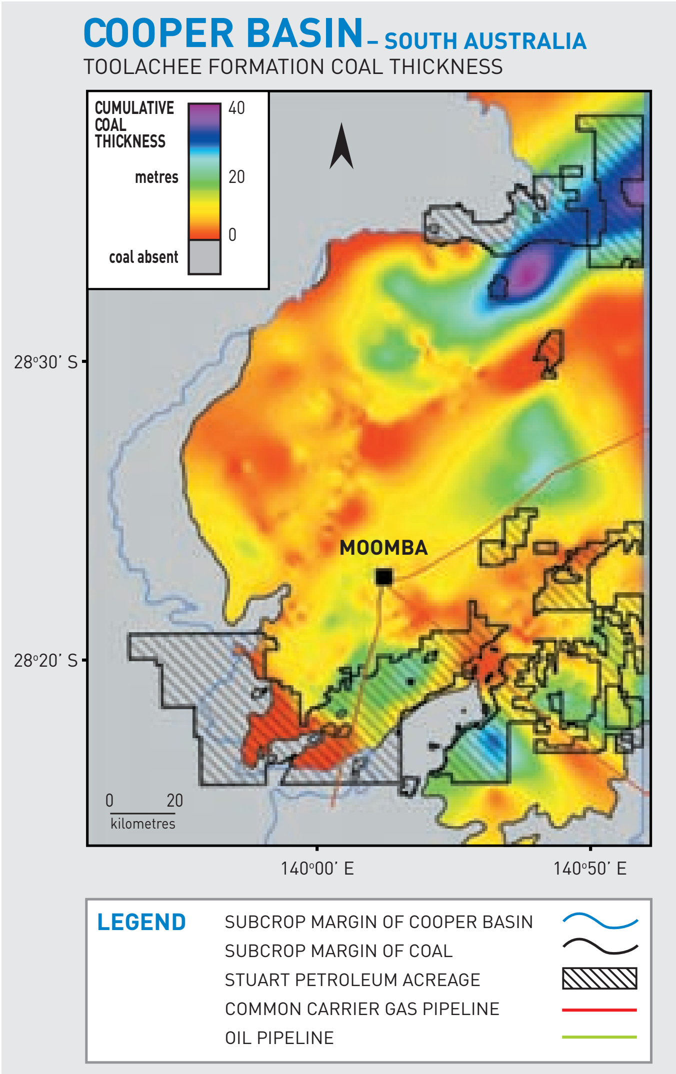
Cumulative Shale thickness:	–	generally in excess of 150 metres
Depth of burial:	–	less than 2,750 metres and potentially amenable to existing Shale Gas drilling and production technology
Gas Liquids content:	–	shale maturity is optimal for the generation of gas which is rich in high value liquids and lean in value-less carbon dioxide

COAL GAS

Stuart holds extensive areas underlain by coals of the Permian aged Toolachee and Patchawarra Formations. Stuart's northern acreage is in part underlain by a single Toolachee coal seam which exceeds **30 metres** in thickness, while its southern acreage hosts Patchawarra coals which cumulatively exceed **25 metres** in thickness.

MHA's studies concluded that Stuart's coals have the potential to contain **in excess of 20 TCF of Coal Gas–in-place.**

MHA has, on a scoping study basis, opined that Stuart's Toolachee Formation coals could contain **340 standard cubic feet of gas per ton** and that observable coal cleating and fracturing can be expected to result in enhanced rates of gas production. MHA considers that Stuart's Toolachee Coals are optimally mature for the generation of high-value, liquids-rich, low-CO_2 gas.



Coal measures Isopach map in the Cooper Basin showing the cumulative thickness of Toolachee Coal Measures

Stuart is progressing studies to better understand the gas potential of its Shales and Coals in the Cooper Basin. This work will enable Stuart to prepare a drilling and fracture stimulation work program, which will hopefully be able to demonstrate commercial producibility of what may prove to be exceptionally large resources of gas.

Port Bonython Jetty looking landward towards facilities which adjoin Stuart's Fuels Terminal site

PORT BONYTHON FUELS PTY LTD

– a wholly owned subsidiary of Stuart Petroleum Limited

During the year Stuart continued discussions with the South Australian Government to secure Port Bonython Fuels long term access from the head of the Port Bonython Jetty to the site of its proposed Fuels Terminal. All matters attendant on this question are likely to be resolved in the current Quarter. The Company also continued to progress its negotiations regarding long term fuel supply arrangements, project finance and marketing.

Port Bonython Fuels Pty Ltd plans to develop a fuel import, storage and distribution business. The Company proposes to land fuel via the government–owned Port Bonython Jetty and to store and distribute fuel from tanks to be built on land which it has secured from the South Australian Government.

During the year Port Bonython Fuels received Development Approval from the Minister for Urban Development and Planning to construct the proposed Port Bonython Fuel facility.

Map showing the location of Port Bonython, the site of the proposed fuel import and storage facility. Regional centres of diesel consumption and their proximity to existing diesel import and storage facilities in the Port of Adelaide are also shown.

Flooding in the Cooper Basin in February/April 2010 impacted Stuart's production results for the 2009/10 year

PRODUCTION

Stuart produced 193,038 barrels of oil for the 2009/10 year. Of this total, 90% was produced from the Stuart-operated Worrior, Padulla, Acrasia and other fields and 10% was produced from the Santos-operated Derrilyn field.

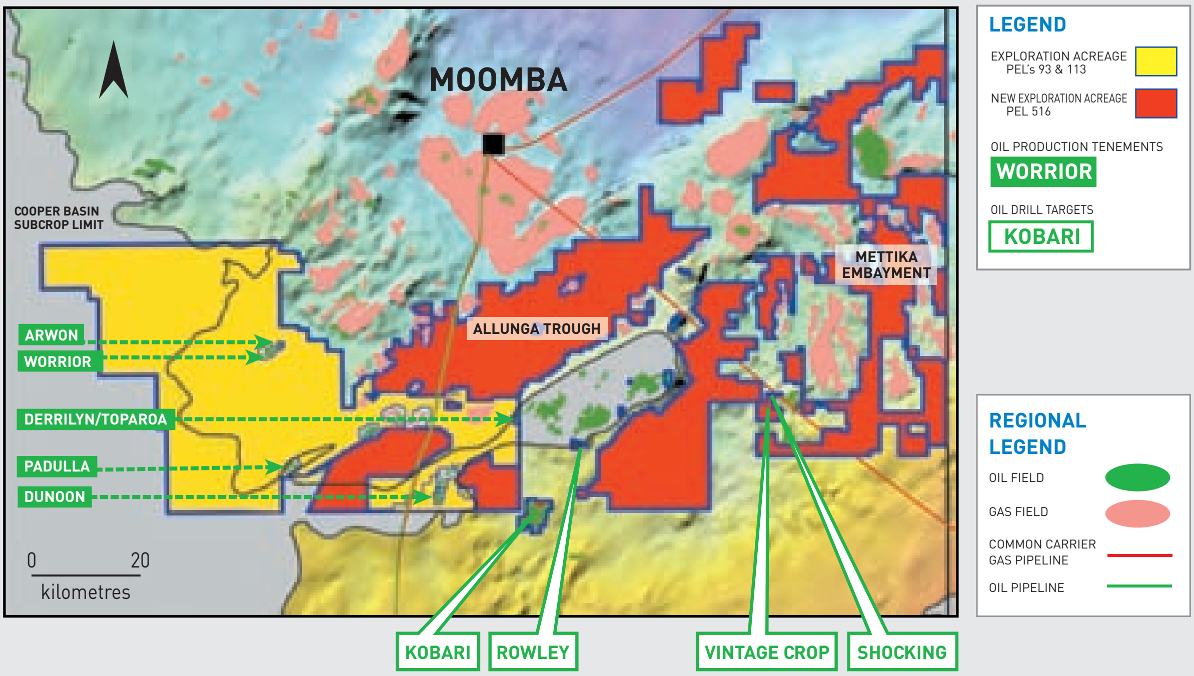
Production was constrained by rain and flood-affected haul roads in the Cooper Basin in the period February to April 2010 and again in July 2010.

Production well Worrior 7 was drilled in July 2010 and has been completed for production. The well encountered McKinlay Member oil pay and unexpected oil pay in the underlying Birkhead Formation. The reserves impact of this second pay zone is currently being assessed.

Stuart expects to produce and sell more oil in the 2010/11 financial year than the 193,000 barrels of oil produced and sold in 2009/10.

This production uplift is expected to be drawn from the Worrior and Acrasia fields as a result of the successful drilling and connection of development well Worrior 7 and the planned drilling of oil development well Acrasia 5.

COOPER BASIN–SOUTH



Map showing the extent of Stuart's land holdings in the southern Cooper Basin

EXPLORATION

COOPER BASIN

On 9 December 2009 Stuart was awarded oil exploration rights to an area of 2,560 square kilometres in the southern Cooper Basin, for an initial term of 5 years with a right of renewal for a further 5 years. Stuart was granted tenure over this area on a 100% basis with the issuance of Petroleum Exploration Licence (PEL) 516 in May 2010.

Stuart believes that PEL 516 has outstanding exploration potential for Shale gas, in the Allunga Trough and the Mettika Embayment in particular. Studies by United States of America unconventional gas expert, MHA Petroleum Consultants, have at the current preliminary level of investigation, confirmed the Company's expectations in this regard.

The new licence also provides Stuart with additional oil exploration coverage in the productive southern reaches of the Cooper Basin, where the Company already has established production facilities.

Review of Stuart's Cooper Basin licence areas and the granting of PEL 516 has considerably expanded Stuart's oil exploration opportunity base.

Stuart's exploratory Cooper/Eromanga drill program is planned to resume in calendar 2011 and a drill site has been prepared at the Vintage Crop location in PEL 516.

Stuart currently has an inventory of over 200 prospects and 150 leads identified in its landholdings in the South Australian sector of the Cooper/Eromanga Basin.

Worrior 7 oil drilling rig, Cooper Basin, with the Worrior facilities in the background

PEDIRKA/POOLOWANNA TROUGH

Stuart is the applicant for four tenement areas - PELA's 288, 289, 290 and 331 – over an area of 33,000 square kilometres of the Poolowanna Trough, the Pedirka Basin and the Simpson Desert Basin. This regional low contains Permian (in part), Triassic, Jurassic, Cretaceous and younger strata which are extensions of, or directly analogous to, strata which occur further to the east, in the Cooper/Eromanga Basin.

Preliminary work by Stuart indicates that extensive areas of Triassic strata in the Perdirka/Poolawanna Trough contain appreciable levels of total organic carbon that have passed through the thermal maturity window for the conversion of kerogens to liquid hydrocarbons (oil) and gas.

Existing 2D seismic coverage indicates that large rollovers have developed in Stuart's acreage. Some of this structuring appears to have occurred early in the basin's history and these structures may have been in place and able to entrap hydrocarbons as they were first generated and released from underlying source rocks.

It is noted that Poolowanna 1, drilled by Delhi and partners in 1977 approximately 10 kilometres north of Stuart's acreage, reported a flow of 96 barrels of oil per day from the basal Jurassic Poolowanna Beds.

Stuart is currently negotiating the requisite Native Title Agreement as a precursor to the grant of tenure.

RESERVES REPORT

RESERVES REPORT

Stuart's Proved and Probable (2P) oil reserves at 30 June 2010 were 1.94 million barrels, compared with 2.35 million barrels at 30 June 2009. Proved (1P) reserves were 1.40 million barrels, compared with 1.70 million barrels at 30 June 2009.

This reserves report is based on an independent review of reserves data as at 31 October 2009, adjusted for production to June 2010 and for divestments. The review was conducted by Mr Bruce Gunn of RISC Pty Ltd. Mr Gunn and RISC have agreed to the inclusion of this information in the form and context presented in this report.

The reduction in **proved and probable** (2P) reserves was the result of:

> Production of 193,038 barrels (plus 13,000 barrels of oil used as fuel).
> Sale of the Harpoono Complex oilfields (45,000 barrels of 2P reserves).
> Downward revisions of reserves (160,000 barrels of 2P reserves).

Proved (1P) reserves were reduced by:

> Production of 193,000 barrels (plus 13,000 barrels of oil used as fuel).
> Sale of the Harpoono Complex oilfields (22,000 barrels of 1P reserves).
> Downward revisions of reserves (76,000 barrels of 1P reserves).

The Company's share of technically recoverable contingent gas resources at Kiwi and Worrior is unchanged at an estimated 1.8 billion cubic feet on a 2C basis, of which 1.4 billion cubic feet are categorised as 1C resources.

OIL RESERVES – STUART SHARE – 30 JUNE 2010

Field	Stuart Participating Interest	Stuart Proved (1P) Reserves	Stuart Proved & Probable (2P) Reserves
	%	'000 bbls	'000 bbls
Acrasia	75.00	75	102
Arwon	100.00	2	14
Derrilyn Unit	35.00	128	166
Padulla	100.00	182	223
Reg Sprigg West	18.75	16	18
Worrior	70.00	996	1412
Totals		**1399**	**1935**

2010/11 OUTLOOK

Stuart's 2010/11 development drilling program targets 120,000 barrels of previously unrecognised and undeveloped 2P oil reserves in the Acrasia oil field.

The Worrior 7 oil development well – drilled in July 2010 – identified potential additional oil resources in the Birkhead Formation within the field. The impact of this discovery on reserves is being assessed.

Above: Wireline access platform allowing safe access to the wellhead – Stuart oilfield installation – Cooper Basin

STUART LANDHOLDING INTERESTS

AS AT 30 JUNE 2010

PETROLEUM	**Stuart Equity (%)**
• COOPER/EROMANGA BASIN:	
• Exploration Interests	
PEL 113	
Saintly Block	66.67
Dunoon Block	66.67
Murteree Block	65
Remainder PEL 113	100
PEL 90	
Maribu Block	100
Candra Block	75
Kiwi Block	75
PEL 93	70
PEL 102	100
PEL 100	50
PEL 516	100
• Production Interests	
Derrilyn PPL's 206, 208, 214 and 215	35
Padulla PPL 221	100
Worrior PPL 207	70
Arwon PPL's 217, 218	100
Acrasia PPL 203	75
Reg Sprigg West PPL 211	18.75
• Retention Interest	
Dunoon PRL 221	100
• PEDIRKA BASIN (POOLOWANNA TROUGH):	
PELA 288	100
PELA 289	100
PELA 290	100
PELA 331	100

PETROLEUM ACREAGE ACQUISITIONS AND DISPOSALS:

• Acquired	PEL 516 – Cooper/Eromanga Basin (Stuart 100%)
• Disposed	PPL 209 – Cooper/Eromanga Basin (Stuart 66.67%)
	AC/P33 – Timor Sea (Stuart Contingent 50%)
	AC/P35 – Timor Sea (Stuart Contingent 50%)
	Vic P53 – Gippsland Basin (Stuart Contingent 50%)

GEOTHERMAL EXPLORATION

Stuart also holds 12 Geothermal Exploration Licences (GEL'S) in the Cooper/Eromanga Basin and applications for a further 14 Geothermal Exploration Tenements elsewhere in the Eromanga Basin.

Refer to page 88 for definitions and abbreviations.

Right: Operations at the Worrior 7 well, July 2010

FINANCE REPORT

2009/10 RESULTS AT A GLANCE

Year ended 30 June	2010	2009
Financial Performance (A$million)		
Gross Profit	14.8	17.4
Exploration Expense	(2.1)	(40.8)
Impairment	(3.0)	(8.8)
Income Tax	(3.2)	11.0
Net Profit (Loss) after Tax	6.8	(25.9)
Financial Position (A$million)		
Total Assets	38.8	52.2
Borrowings	Nil	(11.3)
Shareholders Equity	30.8	29.6
Ratios		
Earnings per share (cents/share) – Diluted	9.9	(41.0)
Gearing (%)	0	26.9
Ave Price Received Net of Hedging (A$/bbl)	130.51	103.50

NET PROFIT *(Also page 38)*

Stuart recorded a Net profit after tax of $6.8 million, a turnaround from the loss of $25.9 million in the previous year. The Company's return to profitability was mainly a reflection of the impact of lower exploration expense and reduced impairment charges.

Reconciliation	$ million
Net Loss after Tax 30 June 2009	**(25.9)**
Lower Gross Profit	(2.6)
Higher Other Income	5.0
Higher Other Expenses	(2.8)
Lower Exploration Expense	38.7
Lower Impairment Charge	6.0
Lower Finance Costs	2.6
	21.0
Higher Income Tax	(14.2)
Net Profit after Tax 30 June 2010	**6.8**

Stuart's Net profit per share was 9.9 cents compared to a Net loss per share of 41.0 cents in the prior year.

GROSS PROFIT

Stuart's Gross Profit of $14.8 million was $2.6 million (15%) lower than in 2008/09, mainly due to lower product sales ($9.9 million) partially offset by lower cost of sales ($7.3 million).

- **PRODUCT SALES ($25.2 MILLION DOWN BY $9.9 MILLION OR 28%)**
  - » The lower product sales were primarily due to lower production, reflecting natural field decline and the impact of rain and subsequent flooding in the Cooper Basin region from February through April 2010.
  - » The Company's average sales price after hedging increased to A$130.51 per barrel of oil from A$103.50 per barrel.
- **COST OF SALES ($10.4 MILLION DOWN BY $7.3 MILLION OR 41%)**
  - » Government royalties decreased by $1.3 million as a result of lower sales and reduced oil prices (measured before hedging gains).
  - » Tolls and export tariffs decreased by $2.7 million, primarily as a result of lower production/sales volumes.
  - » Amortisation and depreciation charges decreased by $2.2 million as a result of reduced production volumes.
  - » Production costs decreased by $1.0 million primarily due to reduced activity, the result of flooding.

OTHER INCOME/EXPENSE

Stuart's other income/expense of $2.2 million (net) is a reflection of its gain on the sale of Timor Sea permit AC/P33, partially offset by an increase in other selling and administrative expenses.

EXPLORATION EXPENSE

Exploration expense was $2.1 million, down by $38.7 million (95%) from 2008/09 which included a one-off expense of $35 million before tax.

Exploration expense comprised seismic processing and studies ($1.6 million) and final costs related to the previous year's drilling ($0.5 million).

IMPAIRMENT OF OIL AND GAS ASSETS

Impairment charge was $2.9 million, down by $6.0 million (67%) from 2008/09. The charge resulted from reviews of the Harpoono ($1.9 million) and Acrasia ($1.0 million) oil fields where carrying values exceeded future cash flows.

FINANCE COSTS

Finance costs were $0.2 million, down by $2.6 million (91%) due to lower borrowings as the Company repaid debt during the year.

INCOME TAX

The Company recorded an income tax expense of $3.2 million for the year due to the profit reported – a 32% effective tax rate (2008/09: Income tax benefit of $11.0 million reflected net loss).

FINANCIAL POSITION *(Also page 39)*

Net tangible assets per ordinary share at 30 June 2010 were 49 cents (30 June 2009: 47 cents).

- **TOTAL ASSETS**

  The Company's total assets of $38.8 million decreased by $13.3 million (26%) from the previous year, the result of decreases in current assets ($6.3 million) and in non-current assets ($7.0 million).

  The Company's total assets mainly reflect reduced receivables ($1.7 million) – lower sales; reduced inventory ($2.3 million) – drilling supplies disposed; and reduced derivative financial instrument assets ($3.0 million) – none held at 30 June 2010.

  Non-current assets reflect decreased exploration and evaluation assets ($1.9 million) – lower net expenditures capitalised less the sale of Timor Sea permit AC/P33; and decreased oil and gas assets ($5.0 million) - mainly due to amortisation ($3.1 million) and the impairment write-down ($2.9 million). The decreases were partially offset by net additions of $1.0 million.

  Other changes to non-current assets include a $2.9 million increase in Port Bonython Fuels project expenditures during the year, offset by reduced goodwill of $2.8 million consequent upon Port Bonython Fuels Pty Ltd (PBF) becoming a 100% owned subsidiary during the year and the reduction in deferred purchase consideration on PBF shares.

- **TOTAL LIABILITIES**

  Total liabilities of $8.0 million decreased by $14.5 million (64%) from the previous year due to decreases in current liabilities ($11.2 million) and in non-current liabilities ($3.3 million).

  Current liabilities mainly reflects the result of repayment of bank borrowings ($11.3 million).

  Non-current liabilities mainly reflect the decreased deferred tax liability ($1.2 million) - cash flow hedges closed out in the prior year and the sale of the Harpoono Complex oil fields effective 30 June 2010 and decreased deferred purchase consideration ($1.9 million) - future payments on the purchase of shares in Port Bonython Fuels Pty Ltd.

- **TOTAL EQUITY**

  Total equity of $30.8 million increased by $1.2 million (4%) on the previous year due to an increase in retained profits ($6.8 million) partially offset by the elimination of minority interest consequent upon PBF becoming a wholly-owned subsidiary during the year ($0.7 million). It also reflects a decrease in reserves ($4.9 million) comprising hedge gains made in prior periods transferred to the income statement during 2009/10, to match the period designated in the original hedge.

CASH FLOW STATEMENT *(Also page 41)*

- **CASH FLOWS FROM OPERATING ACTIVITIES**

  Cash inflow of $15.9 million was down $13.1 million (45%) from the previous year mainly due to lower sales ($15.1 million), a smaller movement in receivables ($9.9 million), lower proceeds from the close-out of hedges ($10.3 million) and higher Income tax paid ($2.4 million).

  These reductions were offset by the proceeds from the sale of AC/P33 and other assets ($10.8 million), lower exploration and evaluation expenditure ($7.3 million), lower payments for royalties ($2.1 million), lower payments to contractors and suppliers ($3.9 million) consequent upon lower production, and lower other costs ($0.6 million).

- **CASH FLOWS FROM INVESTING ACTIVITIES**

  Cash outflow of $4.8 million was down $27.1 million (85%) from the previous year due to decreased payments for exploration and evaluation ($24.0 million) – no wells were drilled during the year; decreased payments for oil and gas assets ($2.4 million) – lower development activity; and decreased expenditure on drilling equipment and other investments ($1.8 million).

  These decreases were partially offset by increased cash payments on the Port Bonython Fuels project ($1.1 million).

- **CASH FLOWS FROM FINANCING ACTIVITIES**

  Cash outflow of $11.3 million was up $14.4 million on the previous year due to the repayment of bank borrowings during the year ($14.1 million), and no proceeds from share sales ($0.3 million). No dividend outflow occurred during the year as no dividend was declared for the year ending 30 June 2009. The outflow of $1.2 million in the year ended 30 June 2009 related to the dividend declared for the year ended 30 June 2008.

FINANCE REPORT

CAPITAL MANAGEMENT

Stuart has a working capital loan facility with the Commonwealth Bank of Australia. The facility is based on the value of proved reserves, which is reassessed twice yearly.

During 2009/10, the Company repaid all of its bank borrowings and, at 30 June 2010, had cash on hand of $0.1 million. The Company's gearing ratio was nil at year end (30 June 2009: 26.9%).

Stuart plans to fund its 2010/11 exploration and development expenditures with cash generated from operations, the $2 million of cash raised from the share placement in August 2010 and from the Company's working capital facility with the Commonwealth Bank.

Where it is useful, the Company plans to establish strategic partnerships to assist in funding major projects.

RISK MANAGEMENT

The principal financial risk to Stuart is the likelihood of a lower USD oil price compounded by a higher AUD/USD exchange rate. The Company mitigates this risk through the use of commodity price and foreign exchange hedges from time to time.

The historical success of its hedging strategy is demonstrated by the $2.2 million of value realised from the closeout of its currency hedge contracts during the 2009/10 year and the $20.7 million of cash generated from the closeout of commodity price hedge contracts from November 2008 to October 2009.

Realised hedging gains are recognised in the profit and loss account in the period which corresponds to the underlying hedge.

During the year, Stuart acquired commodity price hedges covering various periods and volumes to protect its price. As at 30 June 2010 these had been closed out and the Group had no commodity price or foreign exchange hedges at that date.

Stuart has since acquired new commodity price hedges covering 86,000 barrels of sales, over the period September 2010 to February 2010, to mitigate oil price risk in accordance with its loan facility. The Company will continue to use such instruments as appropriate.

Exploration risk is managed through the maintenance of the Company's prospect inventory, peer reviews and the adoption of standard oilfield risking methodology. Prospects with the highest risked reserves and the lowest finding cost per barrel are preferentially drilled in each licence.

SENSITIVITIES

Stuart's financial results are sensitive to movements in oil prices and in AUD/USD foreign exchange rates.

A US$1.00 movement in oil price impacts revenue by A$0.4 million before royalties and tax. A one cent movement in the USD/AUD foreign exchange rate impacts revenue by A$0.3 million before royalties and tax.

These calculations assume a base production figure of 300,000 barrels of oil. Any change in this assumption will impact the above results.

RESOURCE TAXATION

The Australian Government has announced that it intends to impose a Petroleum Resource Rent Tax (PRRT) on oil and gas companies from 1 July 2012.

The impact of the PRRT on Stuart is presently uncertain and will only be capable of being determined when further details are released.

COMMERCIAL

Contracts and agreements extended or entered into during the year provided the basis for the sale and movement of product from Stuart's fields to market. Stuart has sales contracts with Santos Limited (as the buyers representative for the Cooper Basin Producers), with The Shell Company of Australia Limited and with Beach Energy Limited. The Company also contracts with Toll Energy and the Scott Group of Companies for transportation services, among others.

2010/11 OUTLOOK

The Company's profitability is dependent upon its level of oil production, its costs of production and the AUD price of oil. In addition, unsuccessful exploration and downgrades to reserves can have a significant impact on exploration expense and asset impairment respectively thus reducing Net Profit after Tax.

Based on the Company's current plans, and subject to the above constraints, the Company expects to increase profitability in 2010/11.

SUSTAINABILITY REPORT

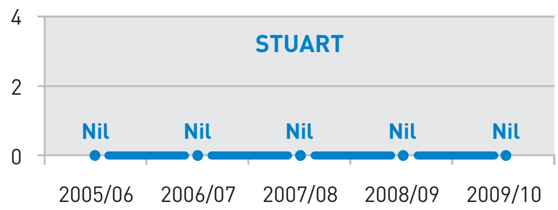
2009/10 SUMMARY

A summary of performance in respect of key areas follows:

- ### Health and Safety

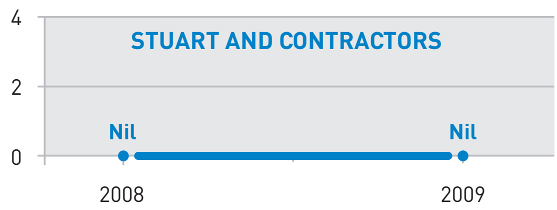
Stuart operates are one of the safest workplaces in the Australian Oil and Gas Industry. For the fifth year in a row Stuart recorded no injuries to Stuart employees in the course of its operations.

TOTAL RECORDABLE INJURY FREQUENCY RATE
(Events per million person-hours worked)



For the second year running, Stuart and its contractors together recorded no reportable injuries. Statistics published by the Australian Petroleum Production and Exploration Association show that Stuart ranked equal first out of 22 companies in posting the lowest possible Total Recordable Injury Frequency Rate.

TOTAL RECORDABLE INJURY FREQUENCY RATE
(Events per million person-hours worked)



- ### Environment

Stuart's objective is to, at all times, minimise the environmental impact of its work.

The relevant authorities were satisfied with your Company's environmental performance during the year with no incidents causing harm to the local environment.

In February, Stuart made a significant contribution, along with several other industry participants, to the purchase of the Witchelina Station by the Nature Foundation SA, thereby discharging its Significant Environmental Benefit obligations under the Native Vegetation Act. The Nature Foundation is de-stocking the station and plans to have a Heritage Agreement placed over the property.

The Nature Foundation's objective is to implement a management plan to deliver a sustainable "Significant Environmental Benefit".

- ### Greenhouse Gas Emissions

Stuart currently produces oil with low concentrations of the volatile fractions that comprise a significant source of greenhouse gases.

Stuart's greenhouse gas measurement methodology is compliant with the Federal National Greenhouse and Emissions Reporting (NGER) legislation, introduced for the 2008/09 financial year.

Although the Company is required to report as a producer of hydrocarbons with an energy content of more than 500 Terra Joules per annum, Stuart's emissions are well below the 25 kilotonnes per annum of CO_2 equivalent reporting threshold.

Stuart's registration under the NGER system was approved by the Department of Climate Change (DCC) in August 2009. The Company's emissions for the year ended 30 June 2009, reported in October 2009 in accordance with the requirements of the legislation, reflected a decrease of more than 50% to less than 20,000 tonnes CO_2 equivalent, compared to the previous financial year.

2010/11 OUTLOOK

Stuart is working to maintain its excellent health & safety and environmental performance.

The Company is targeting a greenhouse gas emissions rate for the year ending 30 June 2011 which is similar to the 2009/10 year.

STAKEHOLDER REPORT

INTRODUCTION

Stuart recognises that a significant number of stakeholders have ongoing interests in the activities of the Company. They include shareholders, staff, contractors, suppliers, landowners, indigenous communities and government bodies.

STAFF

Stuart had 16 employees at the 30 June 2010. This experienced team was supported by a group of outsource partner organisations which provide complementary services.

The Company contributed over $56,000 in 2009/10 to employee training, education and development allocated across its staff. Part of this investment has been directed to the management of succession planning and continued support for two employees pursuing tertiary qualifications.

COMMUNICATION

Stuart actively informs stakeholders of its corporate and community activities through the Company web-site and through direct consultation. The Company's activities are communicated pursuant to its continuous disclosure obligations under Australian Securities Exchange Listing Rules, through corporate reports and publications and through meetings with individual and group members of the community from time to time.

INDIGENOUS RELATIONS

Stuart participates in initiatives to assist the education and training of representatives of Indigenous Australians whose traditional lands include some of Stuart's Cooper Basin exploration and production licences. These initiatives include:

- Funding Indigenous education scholarships for students moving into year 8 or above
- Arranging introductions to key contractors to develop training and supply chain employment opportunities.

INDUSTRY ASSOCIATIONS

Stuart continues to contribute senior management time in supporting the South Australian Chamber of Mines and Energy on Indigenous affairs. This work is community focused and targets industry bodies, State and Federal Governments for increased support with regard to Indigenous community based projects in South Australia.

CHARITIES

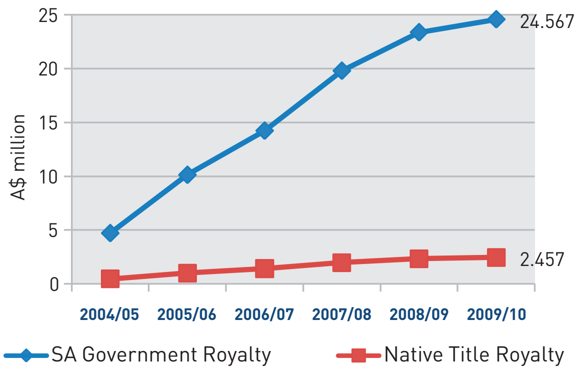
Stuart also contributes to a variety of charity and other community support groups.

ROYALTY CONTRIBUTIONS

During the year, Stuart (as Operator) paid over $1.2 million in Royalties to the South Australian Government and over $120,000 in Native Title royalties to traditional land owners from its Cooper/Eromanga Basin production.

Over the past 6 years, amounts paid to South Australian Government Royalties and Native Title Royalties total $24.5 million and $2.45 million respectively.

SOUTH AUSTRALIAN GOVERNMENT AND NATIVE TITLE ROYALTIES (CUMULATIVE)



2010/11 OUTLOOK

Stuart is committed to the ongoing support and development of relationships with its stakeholders.

The Company's staff will be assisted by outsource partners to progress its operations and growth projects during 2010/11, thus ensuring the continued cost effectiveness of the business model.

Stuart will continue to meet its Royalty obligations and contribute to the broader community in line with previous years.

STUART PETROLEUM LIMITED

FINANCIAL REPORT

For the year ended 30 June 2010

TABLE OF CONTENTS

This financial report covers the consolidated financial statements for Stuart Petroleum Limited and its subsidiaries. The financial report is presented in Australian currency.

Stuart Petroleum Limited is a company limited by shares, incorporated and domiciled in Australia.

Its registered office and principal place of business is:

Level 3
22 King William Street
Adelaide SA 5000

A description of the nature of the Company's operations and its principal activities are included in the Review of Operations in the Directors' Report released herewith.

The financial report was authorised for issue by the directors on 9 August 2010. The Company has the power to amend and reissue the financial report.

Through the use of the internet, Stuart Petroleum has ensured that all corporate reporting is timely, complete, and available globally at minimum cost to the Company. All press releases, financial reports and other information are available on the Company's website: www.stuartpetroleum.com.au

The Directors present their report on the consolidated entity (referred to hereafter as the Group) consisting of Stuart Petroleum Limited (the Company) and the entities it controlled at the end of, or during, the year ended 30 June 2010.

1. DIRECTORS

The names of the Directors of the Company in office during the whole of the financial year and up to the date of this report are as follows:

John G Branson AM., R.afD., LLB., C.Univ., FAICD
(Chairman)

Giustino (Tino) Guglielmo B.Eng.(Mech)., MAICD., MSPE., FIEAust
(Managing Director)

David B Clarke BSc
(Non-Executive Director)

Details of each director's qualifications, experience and special responsibilities; their attendance at board meetings; and the company secretary's qualifications and experience are contained in the Corporate Governance Report released with the Directors' Report.

2. PRINCIPAL ACTIVITIES

The principal activities of the Group during the financial year were oil and gas exploration, development and production in the Cooper/Eromanga Basin in South Australia and development of a fuel storage and distribution facility at Port Bonython in South Australia. The Group sold its interest in the offshore Timor Sea permit AC/P33 which contained the Oliver field and exited Gippsland Basin permit Vic P53 without earning an interest in the permit.

3. DIVIDENDS

The Directors did not declare a dividend as at 30 June 2009.

On 9 August 2010 the Directors declared the payment of a fully franked ordinary dividend of $1,261,648 (2 cents per fully paid share) which will be paid on 16 September 2010, out of retained profits at 30 June 2010 to shareholders registered in the books of the Company at the close of business on 3 September 2010.

4. REVIEW AND RESULTS OF OPERATIONS

The net profit after income tax attributable to the shareholders was $6.8 million, compared to the loss of $25.9 million in the previous corresponding period. The significant improvement in the result is due to lower exploration expense (prior year write off of the Bazzard 1 exploration well) and lower impairment charges.

The Group completed its strategic review announced at the Annual General Meeting on 16 November 2009 assisted by Gresham Advisory Partners.

The review determined that the Group can maximise its value to shareholders by focusing attention on its key strengths:

> Realise its potential to host a World-Class Gas resource in the Cooper Basin
> Realise the potential of the Port Bonython Fuels Project
> Realise the oil potential of its acreage in the Cooper / Eromanga Basins.

5. STATE OF AFFAIRS

Significant changes in the state of affairs of the Group during the financial year were as follows:

- The Group disposed of its interest in petroleum tenement AC/P33 in the Timor Sea (including the Oliver field) for US$7.5 million during the year. The Group received A$10.29 million on settlement of the sale of the interest. This amount included recovery of back costs and the sale of drilling materials transferred to the purchaser.
- The South Australian Minister for Urban Development and Planning, the Honorable Paul Holloway, formally approved the application to construct fuel receival, storage and distribution facilities at Port Bonython during the year.
- Award of PEL 516 (CO 2009E) in May 2010.
- The Group exited Gippsland Basin permit Vic P53 without earning an interest following its election not to drill a second well in the permit.

6. MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

Except as mentioned below, in the opinion of the Directors there has not arisen, in the interval between the end of the financial year and the date of this report, any matter or circumstance that has significantly affected 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 future financial years.

On 8 July 2010, the Company announced that it had commenced drilling the Worrior 7 oil development well. The Company subsequently announced that the well intersected six metres of oil pay in the McKinlay Formation of the Namur Sandstone and an additional four metres of net oil pay in the Birkhead Formation. The well is expected to have a positive impact on the 2010/11 year production.

7. LIKELY DEVELOPMENTS

Further information about likely developments in the operations of the Group and the expected results of those operations in future financial years has not been included in this report because disclosure of the information would likely to result in unreasonable prejudice to the Group.

8. REMUNERATION REPORT

The remuneration report is set out under the following main headings:

A Principles used to determine the nature and amount of remuneration
B Details of remuneration
C Service Agreements
D Share based compensation
E Additional Information

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 Group's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. In prior years, the framework aligned executive reward with achievement of strategic objectives and the creation of value for shareholders, and conforms to market practice for delivery of reward.

The Board ensures that executive reward satisfies the following key criteria for good reward governance practices:

- Competitiveness and reasonableness
- Acceptability to shareholders
- Performance linkage / alignment of executive compensation
- Transparency
- Capital Management

The Group has structured an executive remuneration framework so that it is market competitive and complementary to the reward strategy of the organisation.

Alignment to shareholders' interests:

- has reserves and production (which underlay economic profit) as a core component of the plan design
- focuses on sustained growth in shareholder wealth (share price and dividends) through reserves replacement and reserves growth
- focuses executives on key non financial drivers of value
- attracts and retains high calibre executives.

Alignment to program participants' interests:

- rewards capability and experience
- reflects competitive reward for contribution to growth in shareholder wealth
- provides a clear structure for earnings rewards
- provides recognition for contribution.

The framework provides a mix of fixed and variable pay, and a blend of short and long term incentives. As executives gain seniority with the group, the balance of this mix shifts to a higher proportion of "at risk" rewards.

As explained in the Corporate Governance Report, the Group does not have a Remuneration Committee. Matters that might have been considered by remuneration committee are reviewed by the full board of Directors.

During the year the Directors elected not to change the executive remuneration or to renegotiate new service agreements whilst it concluded a strategic review of the business. The Group did not provide either short term performance incentives or long term performance incentives by way of performance rights.

NON-EXECUTIVE DIRECTORS

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 (excluding options) are reviewed annually by the Board and any increase over $500,000 stipulated in the Company's Constitution, would be subject to shareholder approval. The limit of fees has not been increased since the adoption of the Constitution in 1999.

DIRECTORS' FEES

The current base remuneration was last reviewed with effect from 1 July 2008. The fees were based on a survey of publicly available data. Directors are also entitled to share based compensation and cash bonuses based on Company performance. Details of fees paid are included in Section B.

Consequent upon the time spent by Mr. Clarke in undertaking the strategic review, additional amounts of $71,250 (excluding GST) were charged by a Company related to Mr Clarke.
A further amount of $5,223 was paid for out-of-pocket expenses. The amount is included in the disclosure in Note 29 to the financial statements.

RETIREMENT ALLOWANCES FOR DIRECTORS

Non-executive directors receive superannuation contributions of 9% of fees. Superannuation contributions are in accordance with the requirements of the Superannuation Guarantee legislation.

As of 6 July 2007, the Company entered into Deeds with Mr JG Branson and Mr DB Clarke, to retain their services on commercial terms, under which the Company would pay retirement benefits in certain circumstances. The amount of any benefit payable will be determined in accordance with the Corporations Act.

EXECUTIVE PAY

The executive pay and reward framework has three components:

- Base pay and benefits, including superannuation;
- Short-term performance incentives - Performance Incentive Program (PIP); and
- Long term incentives through participation in the Stuart Petroleum Limited Performance Rights Plan (PRP). With the establishment of the PRP as of 27 August 2008, the Board determined that no new options will be issued under the Stuart Petroleum Directors and Executive Option Scheme.

The combination of the remuneration components listed above comprises the executives' total remuneration.

The performance incentive program has been suspended for the 2009/10 financial year and the performance rights plan for the 2010/11 financial year, consistent with economic conditions experienced throughout the year, but may be reinstated for subsequent years at the discretion of the Board.

BASE PAY

The base pay is structured as a total employment cost package which, at the executive's discretion, may be delivered as cash only, or a combination of cash and salary sacrifice.

The base pay of executives is reviewed annually to ensure that executive pay is competitive with the market. An executives' pay is also reviewed on promotion.

There are no guaranteed base pay increases included in any executives' contracts. Salaries have been frozen since an increase in September 2008 following the annual review.

BENEFITS

Executives receive benefits including payment of car parking and tax advisory services.

RETIREMENT BENEFITS

Superannuation contributions are made in accordance with the requirements of the Superannuation Guarantee legislation.

SHORT TERM INCENTIVES - PERFORMANCE INCENTIVE PROGRAM (PIP)

The PIP was suspended from 1 July 2008 for the 2008/09 and 2009/10 financial years, but may be reinstated for subsequent years at the discretion of the Board.

The PIP applies to all employees including executives. In the case of executives, cash bonuses up to 30% of base salary per annum are payable on achievement of specific performance targets. The PIP is calculated on a balanced scorecard of objectives agreed with employees at the beginning of the budget year and reviewed quarterly.

The objectives reflect a mix of corporate and budget outcomes as well as personal objectives relevant to the individuals' position. Bonuses, where approved, are payable along with the September monthly salary payment.

As part of its deliberation of the annual programme, the Board considers the appropriate targets and key performance indicators (KPIs) to link the performance incentive program. The Board also considers the outcomes achieved against the targets and approves all amounts paid under the program.

LONG TERM INCENTIVES - PERFORMANCE RIGHTS PLAN (PRP)

The PRP was suspended from 1 July 2009 for the 2009/10 and 2010/11 financial years, but may be reinstated for subsequent years at the discretion of the Board.

The Company has a PRP designed to complement overall remuneration objectives. During the year, no rights were issued to employees in accordance with the PRP.

B. Details of remuneration

AMOUNTS OF REMUNERATION

Details of the remuneration of the directors and the key management personnel (as defined in AASB 124 Related Party Disclosures) of Stuart Petroleum Limited are set out in the tables below.

The key management personnel of Stuart Petroleum Limited include the directors as previously identified and the six executives that report directly to the managing director.
All 6 executives served for the full twelve months except for Mr RA Frears who was on unpaid medical leave for the first three months of the year.

Executives of the entity:

- RA Frears - Exploration Manager
- JF McRae - Company Secretary and Commercial Manager
- ID MacDougall - Engineering and Production Manager
- ND Bird - Business Development and Supply Manager
- AJ Ikin - Chief Financial Officer
- MR Mussared - Exploitation Manager

There were no cash bonuses paid in 2009 based upon an assessment by the Board of the economic conditions experienced throughout the previous year. The Board determined that there would be no bonuses paid in September 2010 given the economic conditions faced by the Group. There were no performance rights granted during the year.

8. REMUNERATION REPORT – CONTINUED

2010	SHORT–TERM BENEFITS				LONG-TERM BENEFITS	POST EMPLOYMENT BENEFITS		EQUITY BENEFITS	
NAME	CASH SALARY AND FEES	CASH BONUS	NON MONETARY BENEFITS	OTHER SHORT-TERM BENEFITS[4]	LONG SERVICE LEAVE[2]	SUPER-ANNUATION	DIRECTORS' RETIREMENT BENEFITS[3]	OPTIONS / RIGHTS	TOTAL
	$	$	$	$	$	$	$	$	$
NON EXECUTIVE DIRECTORS									
JG Branson	140,000	-	-	3,348	-	12,600	15,811	-	171,759
DB Clarke	70,000	-	-	3,348	-	6,300	7,458	-	87,106
SUB-TOTAL NON-EXECUTIVE DIRECTORS	**210,000**	**-**	**-**	**6,696**	**-**	**18,900**	**23,269**	**-**	**258,865**
EXECUTIVE DIRECTOR									
G Guglielmo	384,881	-	-	3,348	21,502	34,639	-	27,527	471,897
OTHER KEY MANAGEMENT PERSONNEL									
RA Frears[1]	103,172	-	-	3,348	1,413	9,285	-	36,515	153,733
MR Mussared	218,548	-	-	3,348	9,033	19,669	-	34,807	285,405
ID MacDougall	218,548	-	-	3,348	13,730	19,669	-	34,807	290,102
JF McRae	217,591	-	-	3,348	8,766	19,583	-	34,655	283,943
AJ Ikin	218,000	-	-	3,348	9,057	19,620	-	34,721	284,746
ND Bird	197,375	-	-	3,348	10,037	17,764	-	31,435	259,959
TOTAL	**1,768,115**	**-**	**-**	**30,132**	**73,538**	**159,129**	**23,269**	**234,467**	**2,288,650**

[1] Salary reduced due to unpaid leave taken.
[2] No payments for long service leave were made during the year.
[3] No payments for Directors' retirement benefit have been made during the year – refer accounting policy note.
[4] Other short term benefits relate to car parking paid on behalf of the Director or Executive.

2009	SHORT–TERM BENEFITS				LONG-TERM BENEFITS	POST EMPLOYMENT BENEFITS		EQUITY BENEFITS	
NAME	CASH SALARY AND FEES	CASH BONUS[1]	NON MONETARY BENEFITS	OTHER SHORT-TERM BENEFITS[5]	LONG SERVICE LEAVE[3]	SUPER-ANNUATION	DIRECTORS' RETIREMENT BENEFITS[4]	OPTIONS / RIGHTS	TOTAL
	$	$	$	$	$	$	$	$	$
NON-EXECUTIVE DIRECTORS									
JG Branson	133,333	-	-	3,414	-	12,000	85,943	20,938	255,628
DB Clarke	66,667	-	-	3,414	-	6,000	40,540	13,959	130,580
SUB-TOTAL NON-EXECUTIVE DIRECTORS	**200,000**	**-**	**-**	**6,828**	**-**	**18,000**	**126,483**	**34,897**	**386,208**
EXECUTIVE DIRECTOR									
G Guglielmo	366,212	-	-	3,415	25,593	32,959	-	50,773	478,952
OTHER KEY MANAGEMENT PERSONNEL									
RA Frears[2]	179,915	7,679	1,000	3,415	6,768	16,192	-	50,684	265,653
MR Mussared	214,970	-	1,000	3,415	4,031	19,347	-	54,574	297,337
ID MacDougall	214,096	-	1,000	3,415	5,900	19,269	-	48,314	291,994
JF McRae	212,563	-	1,000	3,415	9,413	19,131	-	48,102	293,624
AJ Ikin	211,264	-	1,000	3,415	4,367	19,014	-	54,453	293,513
ND Bird	194,798	-	1,000	3,415	4,957	17,532	-	43,633	265,335
TOTAL	**1,793,818**	**7,679**	**6,000**	**30,733**	**61,029**	**161,444**	**126,483**	**385,430**	**2,572,616**

[1] Cash bonus is the additional amount paid in excess of the accrual in the prior year.
[2] Salary reduced due to unpaid leave taken.
[3] No payments for long service leave were made during the year.
[4] No payments for Directors' retirement benefit have been made during the year – refer accounting policy note.
[5] Other short term benefits relate to car parking paid on behalf of the Director or Executive.

The relative portions of remuneration that are linked to performance and those that are fixed are as follows:

NAME	FIXED REMUNERATION		AT RISK-STI		AT RISK-LTI	
	2010	2009	**2010**	2009	**2010**	2009
NON EXECUTIVE DIRECTORS						
JG Branson	**100%**	52	**-**	1%	**-**	47%
DB Clarke	**100%**	51	**-**	3%	**-**	46%
EXECUTIVE DIRECTOR						
G Guglielmo	**100%**	76	**-**	1%	**-**	23%
OTHER KEY MANAGEMENT PERSONNEL						
RA Frears	**100%**	68%	**-**	5%	**-**	27%
MR Mussared	**100%**	73%	**-**	1%	**-**	26%
ID MacDougall	**100%**	73%	**-**	1%	**-**	26%
JF McRae	**100%**	73%	**-**	1%	**-**	26%
ND Bird	**100%**	73%	**-**	1%	**-**	26%
AJ Ikin	**100%**	73%	**-**	1%	**-**	26%

8. REMUNERATION REPORT – CONTINUED

C. Service Agreements

Remuneration and other terms of employment for the Managing Director and other key management personnel are formalised in service agreements. The major provisions relating to remuneration are set out below:

NAME	TERM OF AGREEMENT (YEARS)[1]	COMMENCEMENT DATE OF AGREEMENT	BASE SALARY PLUS SUPERANNUATION GUARANTEE CONTRIBUTIONS, TO BE REVIEWED ANNUALLY	SALARY PAYABLE ON TERMINATION IN LIEU OF NOTICE (MONTHS)
G Guglielmo	1	July 2009	$420,000	3
RA Frears	3	February 2006	$250,000	3
JF McRae	3	October 2008	$237,000	3
ID MacDougall	1	May 2009	$238,000	3
ND Bird	5	May 2005	$215,000	3
AJ Ikin	1	May 2009	$238,000	3
MR Mussared	1	May 2009	$238,000	3

[1]Employment contracts extended beyond original expiry.

Salary as specified in the table above is payable upon termination based on existing employment contracts. Employment contracts have been renewed on a short-term basis due to an ongoing strategic review and will be renegotiated in coming months.

Each of the above employees participates in the Company's PRP and previously the Employee Share Option Plan as approved by the Board at its discretion. Whilst the issue of options under the scheme has been terminated, employees may still exercise unexpired options in accordance with the scheme. In addition, each of the above employees participates in performance bonuses in accordance with the Company's PIP.

D. Share based compensation

PERFORMANCE RIGHTS

Commencing in the 2008/09 year the "Directors and Executive Option Scheme" was replaced with the "Performance Rights Plan" (PRP). Under the PRP, performance rights are issued to all employees and executive directors based on their salary level. The performance hurdle of the right is set at 30 June with the hurdle represented by the Stuart Petroleum Limited share price measured at 30 June of the year of entitlement. The rights are granted under the plan for no consideration. Rights granted under the plan carry no dividend or voting rights. The expensing of these rights is in accordance with AASB 2 Share based payments.

The terms and conditions of each grant of rights affecting remuneration in the previous, this or future reporting periods are as follows:

GRANT DATE	ENTITLEMENT MEASUREMENT DATE	MINIMUM PERFORMANCE HURDLE (SHARE PRICE) – 50% ENTITLEMENT	MAXIMUM PERFORMANCE HURDLE (SHARE PRICE) – 100% ENTITLEMENT	VALUE PER RIGHT AT GRANT DATE	EXERCISE PRICE
12 December 2008	30 June 2009	$1.44	$1.56	39.5 cents	Zero
12 December 2008	30 June 2009	$1.44	$1.56	4.9 cents	Zero
12 December 2008	30 June 2010	$1.65	$1.95	39.9 cents	Zero
12 December 2008	30 June 2010	$1.65	$1.95	8.3 cents	Zero
12 December 2008	30 June 2011	$1.90	$2.44	40.0 cents	Zero
12 December 2008	30 June 2011	$1.90	$2.44	10.0 cents	Zero
WEIGHTED AVERAGE		**$1.63**	**$1.98**	**30.5 CENTS**	**ZERO**

Details of performance rights over ordinary shares in the Company provided as remuneration to each Executive Director of Stuart Petroleum Limited and each of the key management personnel of the Company are set out below. The performance rights are granted for zero consideration. When exercisable, each performance right is convertible into one ordinary share of Stuart Petroleum Limited. Further information on the performance rights is set out in the Note 25 to the Financial Statements.

The plan rules contain a restriction on removing the 'at risk' aspect of the instruments granted to executives. Plan participants may not enter into any transaction designed to remove the 'at risk' aspect of an instrument before it vests.

NAME	PERFORMANCE RIGHT STATUS DURING THE YEAR		
	GRANTED	VESTED	LAPSED
DIRECTORS OF STUART PETROLEUM LIMITED			
G Guglielmo	-	-	295,328
OTHER KEY MANAGEMENT PERSONNEL OF THE COMPANY			
RA Frears	-	-	87,962
JF McRae	-	-	83,481
ID MacDougall	-	-	83,848
ND Bird	-	-	75,725
AJ Ikin	-	-	83,638
MR Mussared	-	-	83,848
TOTAL	**-**	**-**	**793,830**

The assessed fair value at grant date of performance rights granted to the individuals is allocated equally over the period from grant date to vesting date, and the amount is included in the remuneration tables above. Fair values at grant date are determined using a Black–Scholes option pricing model that takes into account the hurdle price, the term of the right, the share price at grant date and expected volatility of the underlying share, the expected dividend yield and the risk free rate for the term of the right.

8. REMUNERATION REPORT – CONTINUED

Stuart Petroleum Limited's share price as at 30 June 2010 was below the minimum performance hurdle and the second tranche of rights (one third of the rights issued) lapsed on 30 June 2010. The proportion of performance rights which have lapsed is set out in the table below.

NAME	% OF RIGHTS LAPSED DURING THE YEAR DUE TO FAILURE TO SATISFY PERFORMANCE CONDITIONS	
	2010	2009
DIRECTORS OF STUART PETROLEUM LIMITED		
G Guglielmo	**33**	33
OTHER KEY MANAGEMENT PERSONNEL OF THE COMPANY		
RA Frears	**33**	33
JF McRae	**33**	33
ID MacDougall	**33**	33
ND Bird	**33**	33
AJ Ikin	**33**	33
MR Mussared	**33**	33

OPTIONS

Prior to 2008/09, in order to retain key management and staff, share options were granted to directors and key executives with deferred vesting under the "Directors and Executive Option Scheme". The price was set from a benchmark of the weighted average share price for the five trading days prior to the issue of an invitation to accept the option. The options were granted under the plan for no consideration. Options granted under the plan carry no dividend or voting rights.

Where the duration of the options was for three years, there is progressive vesting of the options maturing three years from grant. The vesting formula is as follows:

- After Year 1 – 1/3 of options vested
- After Year 2 – a further of 1/3 options vested
- After Year 3 – the remaining of 1/3 options vested

Where the duration of the options was for two years then after one year, one half of the options vest and the remaining half vesting after two years.

The expensing of these options is in accordance with AASB 2 Share based payments.

The terms and conditions of each grant of options affecting remuneration in the previous, this or future reporting periods are set out below:

GRANT DATE	EXPIRY DATE	EXERCISE PRICE	VALUE PER OPTION AT GRANT DATE	DATE VESTED AND EXERCISABLE
26 July 2005	26 July 2009	89 cents each	19 cents	26 July 2006
26 July 2005	26 July 2010	89 cents each	29 cents	26 July 2007
26 July 2005	26 July 2011	89 cents each	35 cents	26 July 2008
16 November 2005	16 November 2009	89 cents each	56 cents	16 November 2006
16 November 2005	16 November 2010	89 cents each	62 cents	16 November 2007
16 November 2005	16 November 2011	89 cents each	67 cents	16 November 2008
22 March 2006	22 March 2010	$1.30 each	15 cents	22 March 2007
22 March 2006	22 March 2011	$1.30 each	24 cents	22 March 2008
1 March 2006	1 March 2010	$1.36 each	16 cents	1 March 2007
1 March 2006	1 March 2011	$1.36 each	26 cents	1 March 2008
1 March 2006	1 March 2012	$1.36 each	34 cents	1 March 2009
14 March 2006	14 March 2010	$1.36 each	16 cents	14 March 2007
14 March 2006	14 March 2011	$1.36 each	26 cents	14 March 2008
14 March 2006	14 March 2012	$1.36 each	34 cents	14 March 2009

Details of options over ordinary shares in the Company provided as remuneration to each director of Stuart Petroleum Limited and each of the key management personnel of the Company are set out below. The options are granted for zero consideration. When exercisable, each option is convertible into one ordinary share of Stuart Petroleum Limited. Further information on the options is set out in the Note 25 to the Financial Statements.

NAME	OPTION STATUS DURING THE YEAR		
	GRANTED	VESTED	LAPSED
DIRECTORS OF STUART PETROLEUM LIMITED			
JG Branson	-	-	250,000
G Guglielmo	-	-	333,333
DB Clarke	-	-	166,666
OTHER KEY MANAGEMENT PERSONNEL OF THE COMPANY			
RA Frears	-	-	83,333
JF McRae	-	-	83,333
ID MacDougall	-	-	83,333
ND Bird	-	-	83,333
AJ Ikin	-	-	83,333
MR Mussared	-	-	83,333
TOTAL	**-**	**-**	**1,249,997**

The assessed fair value at grant date of options granted to the individuals is allocated equally over the period from grant date to vesting date, and the amount is included in the remuneration tables above. Fair values at grant date are determined using a Black–Scholes option pricing model that takes into account the exercise price, the term of the option, the share price at grant date and expected volatility of the underlying share, the expected dividend yield and the risk free rate for the term of the option.

The plan rules contain a restriction on removing the 'at risk' aspect of the instruments granted to executives. Plan participations may not enter into any transaction designed to remove the 'at risk' aspect of an instrument before it vests.

SHARES PROVIDED ON EXERCISE OF OPTIONS

Details of ordinary shares in the Company issued as a result of the exercise of remuneration options to each director of Stuart Petroleum Limited and other key management personnel of the Company are set out below:

NAME	DATE OF EXERCISE OF OPTIONS	NUMBER OF ORDINARY SHARES ISSUED ON EXERCISE OF OPTIONS GRANTED DURING THE YEAR		AMOUNT PAID PER SHARE
		2010	2009	
DIRECTORS OF STUART PETROLEUM LIMITED				
G Guglielmo	5 September 2008	**-**	300,000	$0.76
OTHER KEY MANAGEMENT PERSONNEL OF THE COMPANY				
JF McRae	5 September 2008	**-**	100,000	$0.69

No amounts are unpaid on any shares issued on the exercise of options.

EMPLOYEE SHARE PLAN

At the discretion of the board, employees may be granted up to $1,000 of Stuart Petroleum Limited shares each year. No employee share plan shares were granted to Directors or employees of the Company or Group during the year.

8. REMUNERATION REPORT – CONTINUED

E. Additional information

Principles used to determine the nature and amount of remuneration: relationship between remuneration and Company performance

The Performance Incentive Program for the 2009/10 year is based on the achievement of Corporate Objectives as well as Individual Objectives. The Corporate objectives include Total Shareholder Returns, Production targets and QHSE (quality, health and safety, environmental) targets. The performance measures do not take into account the performance of the Company over more than the current year. The payment of the short term incentive is at the discretion of the Board.

The short-term incentive as a percentage of the maximum available and the earnings per share for the current year and the previous four years are set out below.

MEASURE	2010	2009	2008	2007	2006
Earnings per share	**10.7**	(41.0)	19.5	12.9	11.7
Short term incentive (% of maximum)	**0%**	0%	58%	30%	57%

DETAILS OF REMUNERATION: CASH BONUSES AND OPTIONS AND PERFORMANCE RIGHTS

For the 2009/10 year no executive bonus is payable. Performance rights were issued in 2008/09. No options and performance rights were granted for the 2009/10 year and will not be granted for the 2010/11 year.

SHARE BASED COMPENSATION

Further details relating to options are set out below:

2010	**BALANCE AT START OF YEAR**	**GRANTED DURING YEAR AS COMPENSATION**	**EXERCISED DURING YEAR**	**EXPIRED DURING YEAR[1]**	**BALANCE AT END OF YEAR**	**VESTED AND EXERCISABLE AT END OF YEAR**
DIRECTORS OF STUART PETROLEUM LIMITED						
JG Branson	**750,000**	**-**	**-**	**(250,000)**	**500,000**	**500,000**
DB Clarke	**500,000**	**-**	**-**	**(166,666)**	**333,334**	**333,334**
G Guglielmo	**1,000,000**	**-**	**-**	**(333,333)**	**666,667**	**666,667**
OTHER KEY MANAGEMENT PERSONNEL OF THE GROUP						
RA Frears	**250,000**	**-**	**-**	**(83,333)**	**166,667**	**166,667**
JF McRae	**250,000**	**-**	**-**	**(83,333)**	**166,667**	**166,667**
ID MacDougall	**250,000**	**-**	**-**	**(83,333)**	**166,667**	**166,667**
ND Bird	**250,000**	**-**	**-**	**(83,333)**	**166,667**	**166,667**
AJ Ikin	**250,000**	**-**	**-**	**(83,333)**	**166,667**	**166,667**
MR Mussared	**250,000**	**-**	**-**	**(83,333)**	**166,667**	**166,667**

[1] The value of the options expired during the year is zero.

2009	**BALANCE AT START OF YEAR**	**GRANTED DURING YEAR AS COMPENSATION**	**EXERCISED DURING YEAR**	**EXPIRED DURING YEAR[1]**	**BALANCE AT END OF YEAR**	**VESTED AND EXERCISABLE AT END OF YEAR**
DIRECTORS OF STUART PETROLEUM LIMITED						
JG Branson	750,000	-	-	-	750,000	750,000
DB Clarke	500,000	-	-	-	500,000	500,000
G Guglielmo	1,300,000	-	(300,000)	-	1,000,000	1,000,000
OTHER KEY MANAGEMENT PERSONNEL OF THE GROUP						
RA Frears	250,000	-	-	-	250,000	250,000
JF McRae	350,000	-	(100,000)	-	250,000	250,000
ID MacDougall	350,000	-	-	(100,000)	250,000	250,000
ND Bird	250,000	-	-	-	250,000	250,000
AJ Ikin	250,000	-	-	-	250,000	250,000
MR Mussared	250,000	-	-	-	250,000	250,000

[1] The value of the options expired during the year is zero.

9. SHARES UNDER OPTION

Unissued ordinary shares of Stuart Petroleum Limited under option at the date of this report are as follows:

DATE OPTIONS GRANTED	EXPIRY DATE	ISSUE PRICE	NUMBER UNDER OPTION
26 July 2005	26 July 2010	89 cents each	333,332
26 July 2005	26 July 2011	89 cents each	333,336
16 November 2005	16 November 2010	89 cents each	750,000
16 November 2005	16 November 2011	89 cents each	750,001
22 March 2006	22 March 2011	$1.30 each	50,000
1 March 2006	1 March 2011	$1.36 each	83,333
1 March 2006	1 March 2012	$1.36 each	83,334
14 March 2006	14 March 2011	$1.36 each	83,333
14 March 2006	14 March 2012	$1.36 each	83,334
22 September 2006	22 September 2010	$1.32 each	150,000
22 September 2006	22 September 2011	$1.32 each	150,000
3 December 2007	3 December 2011	$1.17 each	50,000
3 December 2007	3 December 2012	$1.17 each	50,000
TOTAL			**2,950,003**

None of the above options entitles the holder to participate, by virtue of the options, in any share issue of the Company or any other entity.

10. SHARES ISSUED ON THE EXERCISE OF OPTIONS

No shares were issued upon the exercise of options during the 2009/10.

11. LOANS TO DIRECTORS AND EXECUTIVES

No loans were made to Directors and Executives of the Company or the Group during 2009/10.

12. SERVICES PROVIDED BY THE AUDITOR

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

The Board of Directors has considered the position and is satisfied that the provision of the non-audit services is compatible 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 audit independence requirement of the Corporations Act 2001 for the following reasons:

- All non-audit services have been reviewed by the Board to ensure they do not impact the impartiality and objectivity of the auditor
- None of the services undermine the general principle relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants

Details of the amounts paid or payable to the auditor for audit and non-audit services provided during the year are set below:

ASSURANCE SERVICES Audit and review of financial statements and Other assurance work under the Corporations Act 2001	$161,300
NON AUDIT SERVICES Tax compliance services including compilation of tax return and business related tax advice	$79,260
TOTAL	**$240,560**

13. AUDITORS INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 33.

14. ENVIRONMENTAL REGULATION

The Group is subject to environmental regulation as part of the South Australian Petroleum Act 2000 and National Parks and Wildlife Act 1972 (SA). Applicable legislation and requisite environmental approvals are obtained. Compliance performance is monitored on a regular basis, including quarterly compliance reviews with the regulator. The Directors are satisfied that environmental regulations have been complied with. During the year no fines were imposed, no prosecutions were instituted and no notice of non compliance was received from a regulatory body. The Group is also subject to the South Australian Aboriginal Heritage Act 1988 and the Aboriginal and Torres Strait Island Heritage Protection Act 1984.

The Group is subject to reporting requirements of the National Greenhouse and Energy Reporting Act 2007. The Act requires the Group to report its annual greenhouse gas emissions and energy use. The first measurement period for this Act ran from 1 July 2008 to 30 June 2009. The Group has implemented systems and processes for the collection and calculation of the data required and has prepared and submitted its initial report to the Greenhouse and Energy data office. The report will be prepared annually as required by the Act.

Whilst it held AC/P33 in the Timor Sea, Stuart Petroleum (Offshore) Pty Ltd was subject to the provisions of the Commonwealth Environmental Protection and Biodiversity Conservation (EPBC) Act, administered by the Commonwealth Department of Environment, Water Heritage and Arts (DEWHA). The drilling of the Oliver 2 well was not deemed a controlled action under the EPBC Act, but certain requirements were placed on the conduct of specific logging operations to protect cetaceans. The conditions were complied with and the requisite reports made to DEWHA.

15. INDEMNIFICATION AND INSURANCE OF OFFICERS

During the financial year the Group paid premiums to insure Directors and Executives. A condition of the contracts is that the nature of the liability indemnified and the premium payable not be disclosed.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the Directors and Executives in their capacity as officers of the entities in the Group, other than where such liabilities arise out of conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or anyone else or to cause detriment to any entities in the Group.

The Company is party to Deeds of Indemnity in favour of each Director referred to in this report who held office during the year, as well as senior executives and statutory officers. The indemnities operate to the full extent permitted by law and are not subject to a monetary limit. Stuart Petroleum is not aware of any liability having arisen, and no claims have been made, during or since the financial year under the Deeds of Indemnity.

16. PROCEEDINGS ON BEHALF OF THE GROUP

No proceedings have been brought or intervened in on behalf of the Group with the leave of the Court under section 237 of the *Corporations Act 2001.*

17. ROUNDING

Australian Securities and Investments Commission Class Order 98/100, dated 10 July 1998, applies to the Company and accordingly amounts have been rounded off to the nearest thousand dollars in accordance with that Class Order, unless otherwise indicated.

18. AUDITOR

PricewaterhouseCoopers continues in office in accordance with section 327 of the *Corporations Act 2001.*

No indemnity has been granted to an auditor of the Group in their capacity as auditor of the Group.

Dated at Adelaide, South Australia this 9th day of August 2010 and signed in accordance with a resolution of the Directors.

John Branson.

JG BRANSON
CHAIRMAN

PRICEWATERHOUSECOOPERS

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Auditor's Independence Declaration

As lead auditor for the audit of Stuart Petroleum Limited for the year ended 30 June 2010, 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 Stuart Petroleum Limited and the controlled entities during the period.

AG Forman
Partner
PricewaterhouseCoopers

Adelaide
9 August 2010

CORPORATE GOVERNANCE REPORT

Stuart Petroleum Limited is committed to a high level of corporate governance in accordance with the Corporations Act and the ASX Listing Rules. Stuart's principles and practices are detailed in the Corporate Governance Statement posted on the Company's web-site **(www.stuartpetroleum.com.au / investor relations / corporate governance statement).**

The Managing Director and Chief Financial Officer have assured the Board that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

Management has also reported to the Board that the Company's management of material business risks is effective.

The following information is provided as supplementary to the Corporate Governance Statement.

DIRECTORS

Details of the members of the board, their experience, expertise and qualifications are set out below. Each member served for the full year and remains a member as at the date of the Directors' Report.

JOHN G BRANSON

AM., R.afD., LLB., C.Univ., FAICD
(Chairman)
Age 63

EXPERIENCE AND EXPERTISE
Independent, non-executive director since 9 April 1999, Chairman for 10 years. He has over 30 years experience in law and management. As of June 2010 he was made a Member of the Order of Australia for service to the business community of South Australia and to education, particularly as a contributor to Flinders University of South Australia.

OTHER CURRENT DIRECTORSHIPS
Non–Executive Director of one public company: AED Oil Limited (Director since 2005). Former Chairman of Flinders Partners Pty Ltd (Director and Chairman from 1997 to 2010); a member of the Bank of South Australia Advisory Board; and a director of Hytorc (South Pacific) Pty Ltd.

FORMER DIRECTORSHIPS IN LAST 3 YEARS
Australian Zircon NL.

SPECIAL RESPONSIBILITIES
Chairman of the Board.

INTERESTS IN SHARES AND OPTIONS
1,000,000 fully paid shares and 500,000 options at a strike price of $0.89 per share.

GIUSTINO (TINO) GUGLIELMO

B.Eng.(Mech)., MAICD., MSPE., FIEAust
(Managing Director)
Age 50

EXPERIENCE AND EXPERTISE
Managing Director since 20 January 2005: previously the Company's Chief Executive Officer. Over twenty-five year's industry experience.

OTHER CURRENT DIRECTORSHIPS
Nil.

FORMER DIRECTORSHIPS IN LAST 3 YEARS
Nil.

SPECIAL RESPONSIBILITIES
Managing Director.

INTERESTS IN SHARES AND OPTIONS
1,050,000 fully paid shares.
666,667 options at a strike price of $0.89 per share and 590,656 performance rights subject to a Stuart Petroleum Limited hurdle share price. The hurdle share price as at 30 June 2010 was not met and as a consequence 295,328 performance rights have since lapsed.

DAVID B CLARKE

BSc
(Non-Executive Director)
Age 62

EXPERIENCE AND EXPERTISE
Independent, non-executive director since 12 December 2001. A Public Company Director with more than 25 years experience. A graduate of the University of Adelaide in geology and physics, he is experienced in capital markets and has acted as principal sponsor and financier of several groups, which have developed Australian resource and industrial businesses.

OTHER CURRENT DIRECTORSHIPS
Nil.

FORMER DIRECTORSHIPS IN LAST 3 YEARS
Non-Executive Director of Australian Zircon NL.

SPECIAL RESPONSIBILITIES
Oversight of the Strategic Review Process.

INTERESTS IN SHARES AND OPTIONS
14,585,110 fully paid shares and 333,334 options at a strike price of $0.89 per share.

CORPORATE GOVERNANCE REPORT

INDEPENDENCE

The following relationships exist:

Mr JG Branson is independent
Mr DB Clarke is independent and is a substantial shareholder
Mr G Guglielmo is the Managing Director

The Board considers Mr Clarke to be independent, notwithstanding he is also a substantial shareholder, because he is not engaged in the full-time management of the Company and because of his demonstrated practice of considering the welfare of all shareholders in his capacity as a director.

RETIREMENT AND RE-ELECTION

One third of the Directors (the Managing Director excluded) are subject to re-election at each annual general meeting. The respective tenure of each Director is set out below:

NAME	INITIAL APPOINTMENT	LAST RE-ELECTED	TERM
J G Branson	9 April 1999	17 November 2008	To November 2010
G Guglielmo	20 January 2005	N/A	N/A
D B Clarke	12 December 2001	16 November 2009	To November 2011

MEETINGS OF DIRECTORS

The Board schedules meetings to occur in each calendar month, and holds as many additional meetings as the operations of the Company may require. The number of meetings of the Company's Board of Directors during the year is shown in the table below.

NAME	NUMBER OF MEETINGS OF FULL BOARD HELD	NUMBER OF MEETINGS OF FULL BOARD ATTENDED
J G Branson	12	12
T Guglielmo	12	12
D B Clarke	12	11

Note: During the year there were ten matters which were approved by the unanimous written consent of the Directors.

CONFLICTS OF INTEREST

In accordance with the Corporations Act 2001 and the Company's Constitution, Directors have kept the Board advised, on an ongoing basis, of any interest that could potentially conflict with those of the Company.

ACCESS TO INDEPENDENT ADVICE

Directors 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 Chairman is required, but this will not be unreasonably withheld. Independent professional advice, when obtained, is shared with other directors, where appropriate. No such independent advice was sought during the year.

COMPANY SECRETARY

The appointment and removal of the Company Secretary is a matter for decision by the Board. The Company Secretary is responsible for ensuring that Board procedures are complied with and that Corporate Governance matters are addressed. Details of the Company Secretary as at the date of the Directors' Report are set out below:

JOHN F MCRAE
CPA

EXPERIENCE AND EXPERTISE

Mr. McRae was appointed to the position of Company secretary in 2003. Prior to joining Stuart Petroleum Limited, he held a variety of senior financial and company secretarial positions in the oil and mining industries.

CORPORATE GOVERNANCE SCORECARD

Stuart operates under the revised Corporate Governance Principles and Recommendations as issued by the ASX Corporate Governance Council in August 2007. The Company's compliance with those Principles and Recommendations for the year ending 30 June 2010 is detailed in the Corporate Governance Scorecard which follows.

As indicated in the Scorecard, the Company has not adopted all of the recommendations of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations. These recommendations and the reasons for non-adoption are detailed below:

- *PRINCIPLE 2.4*

  The Company does not have a nomination committee. The Company has three directors. In the event a new or a replacement director was considered necessary, the full board of directors would be canvassed for their views and recommendations. The Company considers that its current size does not warrant the establishment of a nomination committee.

- *PRINCIPLE 4.1*

  The Company does not have an audit committee. All of the directors participate in the review of matters which an audit committee would consider. The Chairman and Managing Director meet with the auditors on a quarterly basis to review developments and any matters which may impact the integrity of the financial statements. As part of the reporting process, management prepare a questionnaire, which is provided to the Board, addressing matters that would normally be asked of an audit committee. Where necessary, Directors' may seek external advice on matters that would otherwise be brought before an audit committee. The Company considers that its current size does not warrant the establishment of an audit committee and it is not within the top 300 entities making an audit committee mandatory under Listing Rule 12.7.

- *PRINCIPLE 4.2*

  Given the Company does not have an audit committee, the structure of the committee is not applicable.

- *PRINCIPLE 4.3*

  Given the Company does not have an audit committee, an audit committee charter is not applicable. The review process relating to matters subject to audit is detailed in the Corporate Governance Statement of the Company posted on the Company's web site (www.stuartpetroleum.com.au / Corporate Governance Statement).

- *PRINCIPLE 8.1*

  The Company does not have a remuneration committee. Matters that might be considered by a remuneration committee are reviewed by the full board. The Company considers that its current size does not warrant the establishment of a remuneration committee.

  Subject to the above comments, the Company believes it has complied with the ASX Corporate Governance Principles and Recommendations for the year ended 30 June 2010.

CORPORATE GOVERNANCE SCORECARD

Principle 1	**Lay solid foundations for management and oversight**	
1.1	Companies should establish the functions reserved to the Board and those delegated to senior executives and disclose those functions.	✓
1.2	Companies should disclose the process for evaluating the performance of senior executives.	✓
1.3	Companies should provide the information indicated in the Guide to reporting on Principle 1.	✓
Principle 2	**Structure the board to add value**	
2.1	A majority of the Board should be independent directors.	✓
2.2	The chair should be an independent director.	✓
2.3	The roles of chair and chief executive officer should not be exercised by the same individual.	✓
2.4	The Board should establish a nomination committee.	✗
2.5	Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.	✓
2.6	Companies should provide the information indicated in the Guide to reporting on Principle 2.	✓
Principle 3	**Promote ethical and responsible decision-making**	
3.1	Companies should establish a code of conduct and disclose the code or a summary of the code as to:	
	• the practices necessary to maintain confidence in the Company's integrity	✓
	• the practices necessary to take into account their legal obligations and the reasonable expectations of their shareholders	✓
	• the responsibility and accountability of individuals for reporting and investigating reports of unethical practices	✓
3.2	Companies should establish a policy concerning trading in Company securities by directors, senior executives and employees and disclose the policy or a summary of that policy.	✓
3.3	Companies should provide the information indicated in the Guide to reporting on Principle 3.	✓
Principle 4	**Safeguard integrity in financial reporting**	
4.1	The board should establish an audit committee.	✗
4.2	The audit committee should be structured so that it:	
	• consists only of non-executive directors	✗
	• consists of a majority of independent directors	✗
	• is chaired by an independent chair, who is not chair of the board	✗
	• has at least three members	✗
4.3	The audit committee should have a formal charter.	✗
4.4	Companies should provide the information indicated in the Guide to reporting on Principle 4.	✓
Principle 5	**Make timely and balanced disclosure**	
5.1	Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior level for that compliance and disclose those policies or a summary of those policies.	✓
5.2	Companies should provide the information indicated in the Guide to reporting on Principle 5.	✓
Principle 6	**Respect the rights of shareholders**	
6.1	Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.	✓
6.2	Companies should provide the information indicated in the Guide to reporting on Principle 6.	✓
Principle 7	**Recognise and manage risk**	
7.1	Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.	✓
7.2	The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the Company's management of its material business risks.	✓
7.3	The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	✓
7.4	Companies should provide the information indicated in the Guide to reporting on Principle 7.	✓
Principle 8	**Remunerate fairly and responsibly**	
8.1	The board should establish a remuneration committee.	✗
8.2	Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	✓
8.3	Companies should provide the information indicated in the Guide to reporting on Principle 8.	✓

STATEMENT OF INCOME AND COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2010

STATEMENT OF INCOME	Note	**2010 $'000**	2009 $'000
Product sales from continuing operations	3	**25,193**	35,056
Cost of sales	4	**(10,389)**	(17,671)
GROSS PROFIT		**14,804**	17,385
Other revenue from ordinary activities	3	**327**	448
Other income	3	**5,147**	52
Other expenses from ordinary activities	4	**(5,054)**	(2,296)
Exploration expense	4	**(2,136)**	(40,801)
Impairment of oil & gas assets net of reversals	4	**(2,859)**	(8,834)
Finance costs	4	**(249)**	(2,852)
PROFIT / (LOSS) BEFORE INCOME TAX EXPENSE		**9,980**	(36,898)
Income tax (expense) / benefit	6	**(3,214)**	11,035
PROFIT / (LOSS) FOR THE YEAR		**6,766**	(25,863)

EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY OWNERS OF THE COMPANY			
Basic earnings / (loss) per share (cents)	33	**10.7**	(41.0)
Diluted earnings / (loss) per share (cents)	33	**9.9**	(41.0)

STATEMENT OF COMPREHENSIVE INCOME		**2010 $'000**	2009 $'000
PROFIT / (LOSS) FOR THE YEAR		**6,766**	(25,863)
OTHER COMPREHENSIVE INCOME / (LOSS)			
Change in fair value of cash flow hedges	22	**107**	20,719
Realised value of hedges to be recognised in future periods	22	**(8,544)**	10,653
Income tax relating to components of other comprehensive income	6	**2,531**	(9,412)
OTHER COMPREHENSIVE INCOME / (LOSS) FOR THE YEAR, NET OF TAX		**(5,906)**	21,960
TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE YEAR		**860**	(3,903)

The above income statements should be read in conjunction with the accompanying notes to the financial statements.

STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED 30 JUNE 2010

	Note	2010 $'000	2009 $'000
CURRENT ASSETS			
Cash and cash equivalent assets	7	**123**	321
Receivables	8	**3,141**	4,876
Inventory	9	**33**	2,339
Current tax receivable		**-**	90
Derivative financial instrument assets	18	**-**	2,897
Other assets	10	**1,203**	311
TOTAL CURRENT ASSETS		**4,500**	10,834
NON-CURRENT ASSETS			
Exploration and evaluation	11	**3,217**	5,152
Oil and gas assets	12	**22,713**	27,728
Fuel storage development project	13	**7,931**	5,065
Other plant and equipment	14	**337**	411
Goodwill	15	**119**	2,972
TOTAL NON-CURRENT ASSETS		**34,317**	41,328
TOTAL ASSETS		**38,817**	52,162
CURRENT LIABILITIES			
Trade and other payables	16	**3,408**	4,137
Borrowings	17	**-**	11,250
Provisions	19	**397**	275
Current tax payable		**1,685**	-
Deferred purchase consideration	15	**-**	1,033
TOTAL CURRENT LIABILITIES		**5,490**	16,695
NON CURRENT LIABILITIES			
Deferred tax liability	20	**549**	1,773
Provisions	19	**1,972**	2,176
Deferred purchase consideration	15	**-**	1,873
TOTAL NON-CURRENT LIABILITIES		**2,521**	5,822
TOTAL LIABILITIES		**8,011**	22,517
NET ASSETS		**30,806**	29,645
EQUITY			
Contributed equity	21	**10,392**	10,392
Reserves	22	**7,213**	12,093
Retained profits	22	**13,201**	6,435
CAPITAL AND RESERVES ATTRIBUTABLE TO OWNERS OF STUART PETROLEUM LIMITED		**30,806**	28,920
MINORITY INTEREST	23	**-**	725
TOTAL EQUITY		**30,806**	29,645

The above statement of financial position should be read in conjunction with the accompanying notes to the financial statements.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2010

	Note	CONTRIBUTED EQUITY	RESERVES	RETAINED EARNINGS	MINORITY INTEREST	TOTAL EQUITY
		$'000	$'000	$'000	$'000	$'000
BALANCE AT 1 JULY 2008		**10,079**	**(10,402)**	**33,559**	**-**	**33,236**
Total comprehensive income for the period		-	21,960	(25,862)	-	(3,903)
Transactions with owners in their capacity as owners:						
Contributions of equity, net of transaction costs	21	313	-	-	-	313
Dividends paid	24	-	-	(1,261)	-	(1,261)
Employee share options / rights		-	535	-	-	535
		313	22,495	(27,123)	-	(4,316)
Purchase of non controlling interest in subsidiary		-	-	-	725	725
BALANCE AT 30 JUNE 2009		**10,392**	**12,093**	**6,435**	**725**	**29,645**
Total comprehensive income for the period		-	(5,906)	6,766	-	860
Transactions with owners in their capacity as owners:						
Employee share options / rights		-	330	-	-	330
		-	(5,576)	6,766	-	1,190
Elimination of non-controlling interest on acquisition of subsidiary	23	-	-	-	(725)	(725)
Acquisition of shares in subsidiary	22	-	696	-	-	696
BALANCE AT 30 JUNE 2010		**10,392**	**7,213**	**13,201**	**-**	**30,806**

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

STATEMENT OF CASHFLOWS

FOR THE YEAR ENDED 30 JUNE 2010

	Note	2010 $'000	2009 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers (inclusive of goods and services tax)		**19,837**	44,822
Proceeds on closeout of hedges maturing in future years		**3,004**	13,336
Proceeds on sale of inventory		**563**	-
Proceeds on sales of exploration and evaluation expenditure		**10,205**	-
Interest received		**29**	70
Other income received		**247**	378
Payments to contractors, suppliers and employees (inclusive of goods and service tax)		**(13,297)**	(17,199)
Exploration and evaluation expenditure – seismic and studies		**(2,812)**	(10,100)
Royalties paid		**(1,367)**	(3,460)
Income tax (paid) / received		**(129)**	2,290
Borrowing costs paid		**(415)**	(1,161)
NET CASH INFLOW FROM OPERATING ACTIVITIES	32	**15,865**	28,976
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash acquired on acquisition of subsidiary	15(a)	**-**	236
Investment in drilling equipment		**-**	(2,339)
Exploration and evaluation		**(792)**	(24,744)
Oil and gas assets		**(714)**	(3,081)
Fuel storage development project		**(3,239)**	(2,090)
Other plant and equipment		**(68)**	(58)
Proceeds from disposal of non-current assets		**-**	128
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		**(4,813)**	(31,948)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from share issues		**-**	297
Dividends Paid	24	**-**	(1,261)
(Repayment) / Proceeds from borrowings		**(11,250)**	2,890
NET CASH INFLOWS FROM FINANCING ACTIVITIES		**(11,250)**	1,926
NET (DECREASE) IN CASH HELD		**(198)**	(1,046)
Cash at the beginning of the year		**321**	1,367
NET CASH AT THE END OF THE YEAR	7	**123**	321

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

CONTENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements reflect the consolidated entity consisting of Stuart Petroleum Limited and its subsidiaries.

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the Corporations Act 2001.

Compliance with IFRS

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

Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and liabilities (including derivative instruments) at fair value through the statement of comprehensive income.

Critical accounting estimates

The preparation of financial statements in conformity with the Australian equivalent to IFRS (AIFRS) requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group'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 disclosed in Note 2.

Financial statement presentation

The Group has applied the revised AASB 101 *Presentation of Financial Statements* which became effective on 1 January 2009. The revised standard requires the separate presentation of a statement of comprehensive income and a statement of changes in equity. All non-owner changes in equity must now be presented in the statement of comprehensive income. As a consequence, the Group has changed the presentation of its financial statements. Where applicable, comparative information has been re-stated so that it is also in conformity with the revised standard.

Working capital deficit

There is a net current asset deficiency in the consolidated entity as at 30 June 2010 as Stuart's current liabilities, $5,490k, exceed the current assets, $4,500k. This deficiency is primarily due to the current tax liability of $1,685k payable in December 2010. The Group's forward cash projections and funding arrangements will enable the Group to meet the shortfall in the working capital deficit. The financial statements have been prepared on a going concern basis, as the Directors believe the Group has the capacity to pay its debts as and when they fall due.

(b) Principles of Consolidation

(i) Subsidiaries

The financial statements incorporate the assets and liabilities of all subsidiaries of Stuart Petroleum Limited as at 30 June 2010 and the results for all subsidiaries for the year then ended. Stuart Petroleum 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 Group 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 Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date control ceases.

Intercompany transactions, balances and unrealised gains or transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred.

Investment in subsidiaries is accounted for at cost in the individual financial statements of Stuart Petroleum Limited.

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests that result in gains and losses for the Group are recorded in the statement of comprehensive income. Purchases from minority interests that result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of identifiable net assets of the company.

Minority interests in the results and equity of subsidiaries are shown separately in the statement of comprehensive income and statement of financial position respectively.

(ii) Joint Ventures

The proportionate interests in the assets, liabilities and expenses of joint venture operations have been incorporated in the financial statements under the appropriate headings. Interests in joint ventures are detailed in Note 31.

(iii) Employee Share Trust

The Group has formed a Trust to administer the Groups Employee Share Plan. The Trust is consolidated, as the Trust is substantially controlled by the Group. Shares held by the Stuart Petroleum Limited Employee Share Trust are disclosed as treasury shares and deducted from contributed equity.

(b) Principles of Consolidation – continued

(iv) Associates

Associates are all entities over which the Group has significant influence but not control. Investments in associates are accounted for in the parent entity financial statements using the cost method and in the consolidated financial statements using the equity method of accounting, after initially being recognised at cost.

The Group's share of its associates post-acquisition profit or losses is recognised in the statement of comprehensive income, and its share of post-acquisition movement in reserves is recognised in reserves. The cumulative post acquisition movements are adjusted against the carrying amount of the investment.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured long term receivable, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the assets transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

(c) Exploration and evaluation assets

To ensure comparability with major companies in the industry, Stuart Petroleum Limited adopted "successful efforts" accounting as part of the transition to AIFRS in accordance with AASB 6. The result is that all expenditure on exploration and evaluation for each area of interest is immediately expensed other than:

- exploration and evaluation drilling costs that will result in potentially commercial hydrocarbons, and
- the costs of acquiring interests in new exploration assets, which are capitalised as intangible exploration and evaluation.

Expenditure on exploration and evaluation wells which are work in progress at period end and an outcome is not determined at balance date or are suspended pending re-entry, are capitalised pending the outcome of the well.

An area of interest refers to an individual geological area where the conditions for the presence of an oil or natural gas field are considered favourable or has been proved to exist. Where two or more separate and distinct development, construction and production operations arise (or are envisaged) in one area of interest, exploration and evaluation costs allocated to the area of interest are apportioned equitably between such operations, and each operation is accounted for separately from that time. As a consequence, each area of interest ultimately comprises a separate oil or gas field. A field is defined as an area consisting of a single reservoir or multiple reservoirs all grouped on or related to the same individual geological structural feature and or stratigraphic condition and produced through common facilities.

Exploration and evaluation expenditure in relation to separate areas of interest for which rights of tenure are current, is carried forward as an asset in the statement of financial position where:

(i) it is expected that the expenditure will be recovered through the successful development and exploitation of an area of interest, or by its sale; or

(ii) exploration activities are continuing in an area and activities have not reached a stage which permits a reasonable estimate of the existence or otherwise of economically recoverable reserves and active and significant operations in, or in relation to, the area of interest are continuing.

The carrying amounts of the Group's exploration and evaluation assets are reviewed at the end of each reporting period, in conjunction with the impairment review process referred to in Note 1(g), to determine whether any of the following indicators of impairment exist:

(i) tenure over the licence area has expired during the period or will expire in the near future, and is not expected to be renewed;

(ii) substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is not budgeted or planned;

(iii) exploration for and evaluation of resources in the specific area has not led to the discovery of commercially viable quantities of resources, and the Group has decided to discontinue activities in the specific area; or

(iv) sufficient data exists to indicate that, although a development is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or from sale.

Where an indicator of impairment exists, a formal estimate of the recoverable amount is made, and any resultant impairment loss is recognised in the statement of comprehensive income.

When a discovered oil or gas field enters the development phase, the accumulated exploration and evaluation expenditure is transferred to oil and gas assets - assets in development.

(d) Oil and gas assets

When an oil or gas field enters the development phase the accumulated exploration expenditure is transferred to oil and gas assets.

The costs of oil and gas assets include past exploration and evaluation costs, development drilling and other subsurface expenditure, surface plant and equipment and other directly attributable costs.

These costs are subject to depreciation and depletion in accordance with Note 1 (f) below.

(e) Intangible assets

Goodwill represents the excess of the cost of an acquisition over the fair value of the net identifiable assets acquired at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisition of associates is included in investment in associates. Goodwill is not subject to amortisation but is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired. Goodwill is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash generating units or groups of cash generating units that are expected to benefit from the business combination in which the goodwill arose, identified according to operating segments (Note 1 (h)).

(f) Depreciation and depletion

Depreciation charges are calculated to write-off the depreciable value of assets over their estimated economic lives to the entity. The residual value, useful life and depreciation method applied to an asset is reviewed at the end of each annual reporting period.

The depreciation rates used for each class of asset for the current and previous years are as follows:

(i) Office, exploration and transportable exploration equipment: 17% - 40%, diminishing value method;

(ii) Motor vehicles: 22.5%, diminishing value method;

(iii) Production plant and equipment, which forms part of the production facilities, are depreciated in the ratio that production bears to the total reserves measured from period to period.

Once production commences, accumulated expenditure together with estimated subsurface costs necessary to develop the hydrocarbon reserves is amortised over the life of the associated estimated proven plus probable (2P) reserves.

Depletion is not charged on costs carried forward in respect of assets in the development stage until production commences.

(g) Impairment of non-current assets

With the exception of exploration expenditure carried forward pertaining to areas of interest in the exploration stage (refer to Note 1 (c)), the carrying amounts of non-current assets are reviewed half yearly to determine whether they are in excess of their estimated recoverable amount at the end of each reporting period.

Exploration and evaluation expenditure and oil and gas assets are assessed for impairment on a cash generating unit basis ("CGU'). The Group's CGU's correspond to each Area of Interest. If the carrying values exceed this recoverable amount, assets are written down in the current period and the decrement in the carrying value recognised as an expense. The recoverable amount of an asset is the greater of its fair value (less costs to sell) and its value in use. In determining the value in use, the expected net cash flows are discounted to their present value using the estimate of the pre-tax rate implicit in current market transactions for similar assets of approximately 12% (2009 12%).

For oil and gas properties the estimated future cash flows are based on estimates of hydrocarbon reserves, future production profiles, commodity prices and operating costs necessary to produce the reserves. Estimates of future commodity prices are based on contracted prices or forward market prices as applicable.

Where a project or an area of interest has been abandoned, or if the expenditure is not expected to be recouped, the expenditure incurred thereon is written off in the year in which the decision is made.

Non–financial assets other than goodwill that suffer an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

(h) 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 the operating segments, has been identified as the Managing Director. Stuart Petroleum has one operating segment.

(i) 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, 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 (refer Note 1(e)(i)). 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 difference is recognised directly in profit or loss.

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 a 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 re-measured to fair value with changes in fair value recognised in profit or loss.

(i) Business combinations – continued

Change in accounting policy

AASB 3 (revised) continues to apply the acquisition method to business combinations, but with some significant changes. All payments to purchase a business are now recorded at fair value at the acquisition date, with contingent payments classified as debt and subsequently remeasured through the income statement.

Under the Group's previous policy, contingent payments were only recognised when the payments were probable and could be measured reliably and were accounted for as an adjustment to the cost of acquisition.

Acquisition-related costs are expensed as incurred. Previously, they were recognised as part of the cost of acquisition and therefore included in goodwill.

Non-controlling interests in an acquiree are now recognised either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. This decision is made on an acquisition-by-acquisition basis. Under the previous policy, the non-controlling interest was always recognised at its share of the acquiree's net assets.

If the Group recognises acquired deferred tax assets after the initial acquisition accounting there will no longer be any adjustment to goodwill. As a consequence, the recognition of the deferred tax asset will increase the Group's net profit after tax.

The changes were implemented prospectively from 1 July 2009 and affected the accounting for the acquisition of Port Bonython Fuels Pty Ltd as disclosed in Note 15(a).

(j) 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 adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rate expected to apply when the assets are recovered or liabilities are settled, based on the tax rate which is enacted or substantively enacted at the end of each reporting period. The relevant tax rate is applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or tax liability is recognised in relation to the temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

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.

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.

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 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.

Tax consolidation legislation

Stuart Petroleum Limited and its wholly-owned Australian controlled entities implemented the tax consolidation legislation upon lodging its 2007/08 tax return. The head entity, Stuart Petroleum Limited, and the controlled entities in the tax consolidation group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidation group continues to be a stand-alone tax payer in its own right.

In addition to its own current and deferred tax amounts, Stuart Petroleum Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidation group.

Assets or liabilities arising under tax funding agreements with the tax consolidation entities are recognised as amounts receivable from or payable to other entities in the Group. Details about the tax funding agreement are disclosed in Note 6 (d). Any differences between the amounts assumed and the amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly-owned tax consolidation entities.

Royalty related taxation - Petroleum Resource Rent Tax (PRRT) is recognised as an income tax under AASB 112 Income Taxes.

(k) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in Australian dollars, which is Stuart Petroleum Limited's functional and presentation currency.

(ii) Transactions 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 the statement of comprehensive income, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Translation differences on non-monetary items, such as equities held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary items, such as equities classified as available-for-sale financial assets, are included in the fair value reserve in equity..

(l) Employee benefits

(i) Wages and 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 end of the reporting period are recognised in provisions in respect of employees' services up to the end of the reporting period and 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.

(ii) Long service leave

The liability for long service leave is recognised in provisions and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period. The obligation is calculated using expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(iii) Retirement benefit obligations

The Group contributes to each employee's individual superannuation plan in accordance with the Superannuation Guarantee Act.

The Group contributes to the superannuation funds nominated by each employee. Contributions are expensed as they are paid. The Group's obligation is limited to these contributions. The Group does not operate a defined benefit superannuation fund.

The liability for Non-executive Directors retirement is recognised in employee benefit provisions. The provision is calculated as the present value of expected future payments based on a multiple of three times the current level of Directors fees, and assumes that each Director will continue to act in the role until the age of seventy. Expected future payments are discounted using market yields at the end of the reporting period on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(iv) Share-based payments.

Share-based compensation benefits are provided to certain employees and Directors. Information relating to these schemes is set out in Note 34.

Share options and rights granted after 7 November 2002 and vested after 1 January 2005.

The fair value of options and rights granted under the Directors and Employee Share Option Plan and Performance Rights Plan is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the options and rights.

The fair value at grant date is determined using a Black-Scholes option pricing model that takes into account the exercise price or hurdle price, the term of the option / right, the vesting and performance criteria, the impact of dilution, the non-tradable nature of the option / right, 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 / right.

The fair value of the options / rights granted excludes the impact of any non-market vesting conditions (for example, profitability and production growth targets). Non-market vesting conditions are included in assumptions about the number of options / rights that are expected to become exercisable / allotted. At the end of each period, the entity revises its estimate of the number of options / rights that are expected to become exercisable / allotted. The employee benefit expense recognised in each period takes into account the most recent estimate.

Upon the exercise of options / allotment of rights, the balance of the share-based payments reserve relating to those options / rights is transferred to share capital.

(v) Profit–sharing and bonus payments

The Group recognises a liability and an expense for bonuses and profit-sharing based on specific performance criteria. The Group recognises a provision where contractually obliged.

(m) Revenue recognition

Revenue includes sale of petroleum products, interest income on short term investments, and other sundry revenue items. Revenue is recognised on an accruals basis. [Refer Note 1(o) Receivables].

(n) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with financial institutions. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

(o) Receivables

Sales are accrued as and when title to the product of crude oil passes to the customer at the contracted price or management's estimate of the future price. The actual price is struck in the month the product is uplifted by the ultimate purchaser. Crude oil delivered but not lifted from the Cooper Basin Producers' facilities at Pt Bonython generally reflects production volumes over the prior period up to 120 days. Collection of receivables is reviewed on an ongoing basis. Debts, which are known to be not collectable, are written off.

(p) Inventories

(i) Casing inventory

Casing inventory held for use in exploration wells is valued at the lower of cost and net realisable value. Cost comprises direct materials and is assigned to individual items of inventory. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs to make the sale.

(q) Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the entity prior to the end of the financial period and which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Royalties are accrued based on the value of sales net of allowable deductions. Other payables include any liability for completed hedging transactions and other minor liabilities.

(r) Restoration liabilities

The Group provides for restoration obligations in respect of its exploration and production leases. Restoration liabilities are discounted to present value at 12% and capitalised as a component of exploration and development expenditure and property plant and equipment as applicable. The capitalised costs are amortised over the life of the assets and the provision is accreted periodically to the profit and loss as the discounting of the liability unwinds. The increase in the provision as a result of accretion is treated as a borrowing cost.

(s) Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases (Note 27). Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

(t) Contributed equity

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

(u) Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the financial year but not distributed at balance date.

(v) Derivatives and hedging activities

The Group utilises foreign currency options, crude oil swaps, crude oil options and crude oil zero cost collars, to mitigate price and currency risk. All of these are classified as hedges of highly probable forecast transactions (cash flow hedges). Further details are documented in Note 18. These derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at the balance date to their fair value.

The Group documents, at the inception of the transaction, the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be effective in offsetting changes in fair values or cash flows of hedged items.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in equity in the hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in the statement of comprehensive income.

Amounts accumulated in equity are recycled in the statement of comprehensive income in the periods when the hedged item will affect profit or loss (for instance when the forecast sale that is hedged takes place). However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory) or a non-financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the measurement of the initial cost or carrying amount of the asset or liability.

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the statement of comprehensive income. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the statement of comprehensive income.

(w) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities, which are not incremental costs relating to the actual draw-down of the facility, are recognised as prepayments and are amortised on a straight-line basis over the term of the facility. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

(x) Borrowing costs

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed.

(y) Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of the Group, 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.

(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 with dilutive potential ordinary shares and the weighted average number of additional ordinary shares that would been outstanding assuming the conversion of all dilutive potential ordinary shares.

(z) 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 Australian Tax Office (ATO). In these circumstances the GST is recognised as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position.

GST is presented in the statement of cashflows on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the ATO are presented as operating cash flows.

(aa) Rounding of amounts

The Company is of a kind referred to in Class order 98/100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the financial statements. Amounts in the financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars, unless otherwise stated.

(ab) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2010 reporting periods. The Group's assessment of the impact of these new standards and interpretations is set out below.

AASB 2009-10 *Amendments to Australian Accounting Standards – Classification of Rights Issues (AASB132)*

In October 2009 the AASB issued an amendment to AASB 132 *Financial Instruments: Presentation* which addresses the accounting for rights issues that are denominated in a currency other than the functional currency of the issuer. Provided certain conditions are met, such rights issues are now classified as equity regardless of the currency in which the exercise price is denominated. Previously, these issues had to be accounted for as derivative liabilities. The amendment must be applied retrospectively in accordance with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*. As the Group has not made any such rights issues, the amendment will not have any effect on the Group's or the parent entity's financial statements.

AASB 9 *Financial Instruments and AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9*

AASB 9 *Financial Instruments* addresses the classification and measurement of financial assets and is likely to affect the Group's accounting for its financial assets. The standard is not applicable until 1 January 2013 but is available for early adoption. The Group is yet to assess its full impact and the likely timing of adoption.

Revised AASB 124 *Related Party Disclosures* and AASB 2009-12 *Amendments to Australian Accounting Standards*

In December 2009 the AASB issued a revised AASB 124 *Related Party Disclosures*. It is effective for accounting periods beginning on or after 1 January 2011 and must be applied retrospectively. The amendment simplifies the definition of a related party. The Group will apply the amended standard from 1 July 2011. When the amendments are applied, the Group and the parent will need to disclose any transactions between its subsidiaries and its associates. The Group has no associates at the end of the reporting period and there is no financial impact of the amendment on its related party disclosures.

AASB Interpretation 19 *Extinguishing financial liabilities with equity instruments and AASB 2009-13 Amendments to Australian Accounting Standards arising from Interpretation 19*

AASB Interpretation 19 clarifies the accounting when an entity renegotiates the terms of its debt with the result that the liability is extinguished by the debtor issuing its own equity instruments to the creditor (debt for equity swap). It requires a gain or loss to be recognised in profit or loss which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued. The Group will apply the interpretation from 1 July 2010. It is not expected to have any impact on the Group or the parent entity's financial statements since it is only retrospectively applied from the beginning of the earliest period presented (1 July 2009) and the Group has not entered into any debt for equity swaps since that date.

(ac) Parent entity financial information

The financial information for the parent entity, Stuart Petroleum Limited, disclosed in Note 36 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 Stuart Petroleum Limited. Dividends received from associates are recognised in the parent entity's profit or loss, rather than being deducted from the carrying amount of these investments.

(ii) Tax consolidation legislation

Stuart Petroleum Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation.

The head entity, Stuart Petroleum Limited, and the controlled entities in the tax consolidated group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand-alone taxpayer in its own right.

In addition to its own current and deferred tax amounts, Stuart Petroleum Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

The entities have also entered into a tax funding agreement under which the wholly-owned entities fully compensate Stuart Petroleum Limited for any current tax payable assumed and are compensated by Stuart Petroleum Limited for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to Stuart Petroleum Limited under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly-owned entities' financial statements.

The amounts receivable/payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as current amounts receivable from or payable to other entities in the group.

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly-owned tax consolidated entities.

(iii) Financial guarantees

Where the parent entity has provided financial guarantees in relation to loans and payables of subsidiaries for no compensation, the fair values of these guarantees are accounted for as contributions and recognised as part of the cost of the investment.

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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 Group and that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates, by definition, may not equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) *Financial Risk Management*

Detailed financial risk management is included in Note 37 to the financial statements. The Group did not have any open hedges and had no borrowings at the end of the financial period.

(ii) *Impairment of Non Current Assets*

The Group's accounting policy for impairment of non-current assets is set out in Note 1(g). The application of this policy requires management to make certain estimates and assumptions as to future events and circumstances in determining the fair value of assets.

The key determinants of the expected net cash flows are estimated recoverable reserves, commodity prices and operating/capital expenditure. Estimated recoverable reserves are discussed in (iii) below. Commodity prices are based on the benchmark price and forward curve.

(iii) *Estimated recoverable reserves*

The estimated quantities of proven and probable hydrocarbon reserves reported by the Group are integral to the calculation of depletion and depreciation expense and to the assessments of possible impairment of assets. Estimated reserve quantities are based upon interpretations of geological and geophysical models and assessments of the technical feasibility and commercial viability of producing the reserves.

Reserve estimates require assumptions to be made regarding hydrocarbons in place, production rates, future development and production costs, commodity prices, exchange rates and fiscal regimes. Reserves estimates are prepared in accordance with the Group's policies and procedures for reserve estimation which conform to guidelines prepared by the Society of Petroleum Engineers. The Group also engages the services of an independent Reservoir Engineer to review the Group's reserves. The latest review was undertaken as of January 2010 based on production data to 31 October 2009 and the resultant reserves were used in the depreciation, depletion and impairment calculations. Where later information is available it has been brought to account.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only the current year or in the current years and future years if the revision affects both current and future years.

In January 2010, independent consultants RISC Pty Ltd, performed a review of the Group's proved and probable reserves. The changes affecting the impairment calculation were a net reduction of 64,000 barrels in the Acrasia Poolowanna Formation and a reclassification to contingent resource of 33,000 barrels in the Harpoono Block. The impact of the revision was an impairment as detailed in Note 5.

(iv) *Restoration obligation*

The Group's accounting policy for restoration liabilities is set out at Note 1(r). The application of this policy requires management to make certain estimates and assumptions as to the net present cost to restore their sites. The company has not conducted any restoration activities in the current year or prior years and with continued operations does not expect to do so in the near term.

3. REVENUE AND OTHER INCOME

	2010 $'000	2009 $'000
REVENUE		
Product sales		
Crude oil	**25,193**	35,056
Other:		
Interest	**29**	70
Sundry	**298**	378
	327	448
OTHER INCOME		
Gain on sale of motor vehicles	**-**	52
Gain on sale of inventory	**42**	-
Gain on sale of exploration and evaluation properties	**5,105**	-
	5,147	52

4. EXPENSES

	2010 $'000	2009 $'000
COST OF SALES		
Production costs	**3,453**	4,451
Employee benefit expense	**404**	564
Tolls and export tariffs	**2,320**	4,989
South Australian Government and Native Title royalties	**1,121**	2,426
Depreciation – plant and equipment	**1,470**	2,241
Amortisation – capitalised exploration and development	**1,621**	3,000
	10,389	17,671
OTHER EXPENSES FROM ORDINARY ACTIVITIES		
Employee benefit expense	**1,365**	1,222
Other selling and administrative expenses	**3,381**	748
Depreciation – plant and equipment	**129**	168
Rental expense on operating leases	**179**	158
	5,054	2,296
EXPLORATION EXPENSE	**2,136**	40,801
IMPAIRMENT OF OIL & GAS ASSETS		
Impairment of Oil & Gas properties	**2,859**	10,173
Impairment reversal of Oil & Gas properties	**-**	(2,058)
Impairment of property	**-**	719
	2,859	8,834
FINANCE COSTS		
Restoration liability	**(190)**	133
Foreign exchange loss	**23**	1,558
Interest and finance charges	**416**	1,161
	249	2,852

5. IMPAIRMENT / REVERSAL OF OIL AND GAS ASSETS

Based on value in use computations the following impairments have been recorded in the financial year.

Impairment expense was $2.9 million due to the book value of assets exceeding the Net Present Value of future cashflows at Harpoono ($1.9 million) and Acrasia ($1.0 million).

The impairment at Harpoono and Acrasia resulted from a revision of reserves following a review in January 2010, and an assessment of future capital and operating costs.

6. INCOME TAX EXPENSE

(a) Income tax expense

	2010 $'000	2009 $'000
Current taxation – exclusive of tax instalments paid	**1,901**	284
Deferred income tax (Note 20)	**1,307**	(11,262)
Under / (over) provided in prior years	**6**	(57)
Income tax expense / (benefit)	**3,214**	(11,035)

(b) Numerical reconciliation of income tax expense to prima facie tax payable

	2010 $'000	2009 $'000
Profit / (loss) from continuing operations before income tax expense	**9,980**	(36,898)
Prima facie income tax expense / (benefit) at 30% (2009: 30%) on operating profit / (loss)	**2,994**	(11,069)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Reset of tax balances on acquisition of subsidiary	**133**	-
Share-based payments	**94**	94
R&D claims	**(16)**	(11)
Under / (over) provision in prior year	**5**	(3)
Sundry items	**4**	(46)
Income tax expense	**3,214**	(11,035)

(c) Amounts recognised directly in equity

	2010 $'000	2009 $'000
Aggregate current and deferred tax arising in the reporting period and not recognised in profit or loss but directly debited or credited to equity		
Net deferred tax – debited / (credited) directly to equity		
Revaluation of existing hedges recognised in equity (Note 22)	**32**	8,943
Valuation of foreign exchange hedges at period end	**-**	869
Hedges closed out and brought to account in the current period (Note 20)	**(488)**	(400)
Hedges closed out in prior periods and brought to account in current period (Note 20)	**(2,075)**	-
Total net deferred tax – debited /(credited) directly to equity	**(2,531)**	9,412

(d) Tax consolidation legislation

Stuart Petroleum Limited and its wholly-owned Australian controlled entities implemented tax consolidation from 15 August 2007. The accounting policy in relation to this legislation is set out in Note 1(j).

On adoption of the tax consolidation legislation, the entities in the tax consolidation group entered into a tax sharing agreement which, in the opinion of the directors, limits the joint and several liabilities of the wholly owned entities in the case of a default by the head entity - Stuart Petroleum Limited.

The entities have also entered into a tax funding agreement under which the wholly owned entities fully compensate Stuart Petroleum Limited for any current tax payable assumed and are compensated by Stuart Petroleum Limited for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to Stuart Petroleum Limited under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly owned entities' financial statements.

The amounts receivable / payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments. The funding amounts are recognised as current intercompany receivables or payables.

7. CURRENT ASSETS – CASH AND CASH EQUIVALENTS

	2010 $'000	2009 $'000
Cash at bank and in hand	**107**	85
Monies held in escrow	**16**	236
	123	321

Monies held in escrow represent cash contributed towards a drilling consortium that are to be refunded.

Risk exposure

The Group's exposure to interest rate risk is discussed in Note 37. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of cash and cash equivalent.

8. CURRENT ASSETS – RECEIVABLES

Crude Oil sold – not settled	**3,141**	4,876

There were no receivables that were past due as at 30 June 2010 (2009 – Nil). No receivables have been impaired in either of the above years.

(a) Fair value, credit and commodity price risk.

Due to the short term nature of these receivables, their carrying amount is assumed to approximate their fair value. Refer to Note 37 (b)(ii), (iii) and (c) for further explanation on exposure to credit risk and commodity risk.

9. CURRENT ASSETS – INVENTORIES

Casing – at net realisable value	**-**	2,306
Drilling materials – at cost	**33**	33
	33	2,339

The write-down of casing inventory to net realisable value recognised as an expense during the year ended 30 June 2010 amounted to $557,000 (2009 - $515,000). The expense has been included in 'Exploration expense' in the Statement of Income.

10. CURRENT ASSETS – OTHER

	2010 $'000	2009 $'000
Prepayments and deposits	**120**	78
Sundry receivable including joint venture contribution accounts and third party services recharges	**483**	233
Receivable for sale of oil and gas properties	**600**	-
	1,203	311

11. NON-CURRENT ASSETS – EXPLORATION AND EVALUATION

Costs carried forward in respect of areas of interest in the exploration and evaluation phase:

	2010 $'000	2009 $'000
Balance at beginning of the year	**5,152**	11,795
Add expenditure for the period	**5,301**	34,171
Less net transfer to development phase	**-**	(13)
Less sale of interest in AC/P33	**(5,100)**	-
Less expensed in the period	**(2,136)**	(40,801)
Balance at the end of the year	**3,217**	5,152

The period end balance represents expenditure where a determination of potentially commercial hydrocarbons was outstanding. The recoverability of the carrying amount of the exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

12. NON-CURRENT ASSETS – OIL AND GAS ASSETS

	SUB SURFACE ASSETS $'000	PLANT AND EQUIPMENT $'000	TOTAL $'000
AS AT 1 JULY 2008			
Cost or fair value	44,544	21,812	66,356
Less accumulated depreciation, depletion and impairment	(19,771)	(7,212)	(26,983)
Net book amount	24,773	14,600	39,373
YEAR ENDED 30 JUNE 2009			
Balance at beginning of the year	24,773	14,600	39,373
Add net transfer from exploration and evaluation phase	13	-	13
Add expenditure for the year	152	1,730	1,882
Add restoration obligations	(114)	6	(108)
Less WDV of disposals	-	(76)	(76)
Less impairment in the period	(7,960)	(155)	(8,115)
Less amortised during the year	(3,000)	(2,241)	(5,241)
Balance at the end of the year	13,864	13,864	27,728
AS AT 30 JUNE 2009			
Cost or fair value	44,595	23,472	68,067
Less accumulated depreciation, depletion and impairment	(30,731)	(9,608)	(40,339)
Net book amount	13,864	13,864	27,728
YEAR ENDED 30 JUNE 2010			
Balance at beginning of the year	**13,864**	**13,864**	**27,728**
Add net transfer from exploration and evaluation phase	**-**	**-**	**-**
Add expenditure for the year	**1,072**	**509**	**1,581**
Add restoration obligations	**19**	**15**	**34**
Less writeback of accumulated depletion on restoration	**(4)**	**(2)**	**(6)**
Less WDV of disposals	**-**	**(680)**	**(680)**
Less impairment in the period	**(863)**	**(1,996)**	**(2,859)**
Less amortised during the year	**(1,617)**	**(1,468)**	**(3,085)**
Balance at the end of the year	**12,471**	**10,242**	**22,713**
AS AT 30 JUNE 2010			
Cost or fair value	**33,195**	**19,557**	**52,752**
Less accumulated depreciation, depletion and impairment	**(20,724)**	**(9,315)**	**(30,039)**
Net book amount	**12,471**	**10,242**	**22,713**

13. NON-CURRENT ASSETS – FUEL STORAGE DEVELOPMENT PROJECT

	2010 $'000	2009 $'000
Opening balance	**5,065**	2,587
Add expenditure for the year	**2,866**	2,478
Balance at end of year	**7,931**	5,065

14. NON-CURRENT ASSETS – OTHER PLANT AND EQUIPMENT

Plant and equipment – at cost	**1,280**	1,225
Less Accumulated depreciation	**(943)**	(814)
Total plant and equipment	**337**	411

Reconciliation of the carrying amounts of each class of property plant and equipment at the beginning and end of the current financial year are set out below.

OFFICE & COMPUTING EQUIPMENT

Opening balance	**411**	520
Additions	**55**	59
Depreciation expense	**(129)**	(168)
Balance at end of year	**337**	411

15. GOODWILL

	$'000
AT 1 JULY 2009	
Opening Balance	**2,972**
Less release of deferred purchase consideration	**(2,853)**
Balance at the end of the year	**119**

(a) Acquisition of remaining shares in Port Bonython Fuels Pty Ltd

As of 30 June 2009 the Group had an 85% controlling interest in Port Bonython Fuels Pty Ltd. As of 30 July 2009 the Group executed an agreement whereby it acquired an additional 15% equity interest in Port Bonython Fuels Pty Ltd. As a consequence, Port Bonython Fuels Pty Ltd became a wholly-owned subsidiary of the Group.

As the transaction occurred post 1 July 2009, it has been accounted for in accordance with revised AASB 3 *Business Combinations* issued in March 2008 which requires any gain or loss on acquisition of minorities to be deferred in equity. The gain upon elimination of minority interest has been deferred in equity amounting to $0.696 million.

Consequent upon the 30 July 2009 agreement, the Group is no longer required to make payments which were previously recognised as deferred share purchase consideration for the 16 September 2008 acquisition. The balance of the deferred purchase consideration as at 30 June 2009 was $2.906 million, $1.033 million current liability and $1.873 million non-current liability.

Under the transition provisions of the revised AASB 3 previous transactions, including the 16 September 2008 acquisition to gain control of Port Bonython Fuels Pty Ltd, continue to be accounted for under the previous AASB 3 *Business Combinations*. As a result, an adjustment to deferred purchase consideration has been made against goodwill. This reduced the Group's goodwill balance from $2.972 million at 30 June 2009 to $0.119 million at 30 June 2010.

(b) Impairment tests for Goodwill

Goodwill was generated on acquisition of controlling interest in Port Bonython Fuels Pty Ltd.

The recoverable amount of Goodwill is determined based on after tax value-in-use calculations using a discount rate of 10%. These calculations use cash flow projections based on financial projections covering the life of the project. Key assumptions used include sales volumes, sales margin, construction costs, the company's cost of capital and inflation. Based on the 30 June 2010 value in use model, the goodwill carried is recoverable. Consequently no impairment of goodwill was required during the year.

(c) Deferred purchase consideration

Balance at the beginning of the year	**2,906**
Less expenditure attributable to deferred consideration incurred	**(53)**
Less removal of deferred purchase obligation following purchase of shares	**(2,853)**
Balance at the end of the year	**-**

16. CURRENT LIABILITIES – TRADE AND OTHER PAYABLES

	2010 $'000	2009 $'000
Trade creditors	**302**	842
Royalty accruals	**218**	451
Downstream tolling of crude oil	**726**	582
Exploration, development and fuel storage development project accruals	**1,589**	1,074
Production and administration accruals	**570**	1,113
Goods and Services Tax	**3**	75
	3,408	4,137

Information on the Group's financial risk exposure is provided in Note 37.

17. BORROWINGS

BANK LOAN FACILITY - UNSECURED

CURRENT LIABILITY		
Multi option facility	**-**	11,250
TOTAL CURRENT BORROWINGS	**-**	11,250
MULTI OPTION FACILITY		
Unrestricted access was available at balance date to:	**2,375**	14,500
Comprising, at balance date:		
Facility drawn down	**-**	11,250
Bank guarantee – production licences	**300**	300
Credit card facility	**75**	75
Unused	**2,000**	2,875
	2,375	14,500

As of 13 May 2010 the Commonwealth Bank of Australia submitted a term sheet for an extension of the existing facility. The term sheet was accepted as of 4 June 2010. As of 30 June 2010 the Company was in the process of finalising the Agreements for the extension of its banking facility to 31 July 2011. At balance date the Group met all compliance requirements under the existing facility.

Set out below are the terms of the facility executed on 28 July 2010:

Term	Expires 31 July 2011
Facilities Limit	$9,000,000, stepping down to $8,000,000 as at 31 March 2011
Facility fee	2%
Usage fee	BBSY* Bid rate plus 2.0%
Security/ Documentation	Direct charge over Worrior and Padulla production licences Charge over trade receivables

*BBSY - Bank Bill Swap Bid Rate

Information about the Group's exposures to interest rate changes is provided in Note 37.

18. DERIVATIVE FINANCIAL INSTRUMENTS

	2010 $'000	2009 $'000
CURRENT ASSETS		
Foreign currency contracts - cash flow hedges	**-**	2,897
	-	2,897

(a) Instruments used by the Group

Foreign currency contracts – cash flow hedges

The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in equity. When the hedged cash flow occurs, amounts previously deferred in equity are released to the statement of comprehensive income.

During the year the Company sold all of its foreign exchange hedges and realised $3.0 million. Of this amount $1.4 million has been deferred to equity and will be released to sales revenue as the underlying hedge timing occurs.

At the end of the reporting period the net fair value of contracts was Nil (2009 - $2,897,000). Included in sales was a realised gain of $1,628,000 (2009 - $286,000).

Commodity contracts – cash flow hedges

The Group is exposed to commodity price fluctuations through the sale of crude oil denominated in US dollars. During the year the Group did not enter into any commodity contracts and had no open oil options as at 30 June 2010.

Included in sales was a realised gain of $6,916,000 in the year ended 30 June 2010. This amount was deferred to equity in the prior year and is being released to sales revenue as the underlying hedged sales occur.

(b) Credit risk exposure

The credit risk represents the potential financial loss if counter parties fail to perform as contracted. The credit risk on financial assets is indicated by the carrying amount on the statement of financial position. The credit risk on off-balance sheet derivatives is the cost of replacing the contract if the counter party were to default and is measured by their market value at balance date.

(c) Net fair value

The carrying value of all financial assets and liabilities, including hedges, approximates their fair values. At 30 June 2010, the Group had no open derivative financial instrument contracts (30 June 2009 $2,897,000).

19. PROVISIONS

	2010 $'000	2009 $'000
CURRENT		
Provision for long service leave	**166**	84
Provision for annual leave	**231**	191
Total current provisions	**397**	275
NON-CURRENT		
Provision for long service leave	**172**	156
Restoration and rehabilitation (a)	**1,389**	1,626
Directors' retirement benefit	**411**	388
Other (b)	**-**	6
Total non-current provisions	**1,972**	2,176

All current provisions are expected to be paid within 12 months of the end of the financial year.

(a) Restoration and rehabilitation

There were no payments during the year for restoration or rehabilitation. The Group estimates the future cost of abandoning wells and removal of facilities and restoration of the landscape. In most cases, abandonment of facilities and value of equipment which can be re-used will occur many years into the future. This requires judgemental assessments regarding timing of restoration, the extent of activities required, the need to mobilise contractors into the Cooper Basin to conduct the work and the costs of these activities. These judgements are not regarded as critical to the financial statements.

(b) Movements in provisions

Movements in each class of provision during the current financial year, other than employee benefits are set out below:

	RESTORATION AND REHABILITATION $'000	OTHER $'000
NON-CURRENT PROVISIONS		
Carrying amount at start of year	**1,626**	**6**
Revaluation of restoration liability	**(237)**	**-**
Charged / (credited) to the statement of comprehensive income – escalated lease charge	**-**	**(6)**
Carrying amount at end of year	**1,389**	**-**

20. NON-CURRENT LIABILITIES – DEFERRED TAX LIABILITIES

	2010 $'000	2009 $'000
DEFERRED TAX LIABILITY		
THE BALANCE COMPRISES TEMPORARY TIMING DIFFERENCES ATTRIBUTABLE TO:		
Amounts recognised in equity:		
Cash flow hedges	**1,534**	4,065
Amounts recognised in profit and loss:		
Exploration, evaluation, oil and gas assets	**687**	407
Receivables	**628**	881
Inventories	**-**	368
Total deferred tax liability	**2,849**	5,721
Set-off of deferred tax asset to deferred tax liability	**(2,300)**	(3,948)
Net deferred tax liability	**549**	1,773
MOVEMENTS		
Opening balance at 1 July	**5,721**	9,665
Charged / (credited) to the statement of comprehensive income	**(341)**	(8,009)
Charged / (credited) to equity	**(2,531)**	4,065
Closing balance at 30 June	**2,849**	5,721

	2010 $'000	2009 $'000
DEFERRED TAX ASSET		
THE BALANCE COMPRISES TEMPORARY TIMING DIFFERENCES ATTRIBUTABLE TO:		
Amounts recognised directly in profit and loss:		
Cash flow hedges closed out	**1,534**	3,196
Provisions	**712**	735
Business related costs	**30**	-
Accruals	**20**	17
Borrowing costs	**4**	-
Set-off deferred tax asset to deferred tax liability	**(2,300)**	(3,948)
Net deferred tax assets	**-**	-
MOVEMENTS		
Opening balance at 1 July	**3,948**	6,042
Credited / (charged) to equity	**-**	(5,347)
Credited / (charged) to profit and loss	**(1,648)**	3,253
Set-off deferred tax asset to deferred tax liability	**(2,300)**	(3,948)
Closing balance at 30 June	**-**	-

21. CONTRIBUTED EQUITY

(a) Share capital	2010 $	2009 $
Opening fully paid shares	**10,391,520**	10,078,520
Exercise of employee options	**-**	297,000
Employee share plan issue	**-**	16,000
Closing fully paid shares	**10,391,520**	10,391,520

	NUMBER	NUMBER
(b) Movements in ordinary fully paid share capital		
Fully paid ordinary shares		
Balance at 1 July	**63,082,422**	62,668,870
Employee share plan – Nil (2008: 16 employees at 847 shares per employee)	**-**	13,552
Exercise of employee options	**-**	400,000
Balance at 30 June	**63,082,422**	63,082,422
(c) Movement in options		
Balance at 1 July	**4,250,000**	4,950,000
Exercise of employee options	**-**	(400,000)
Expiry of employee options	**(1,299,997)**	(300,000)
Balance at 30 June	**2,950,003**	4,250,000
(d) Movement in rights		
Balance at beginning of period	**2,026,987**	-
Performance rights issued to Managing Director (G Guglielmo)	**-**	885,984
Performance rights issued to key management personnel	**-**	1,495,511
Performance rights issued to other employees	**-**	658,982
Performance rights expired (performance share price hurdle not met)	**(1,013,490)**	(1,013,490)
Total performance rights outstanding	**1,013,497**	2,026,987
Performance rights vested	**0**	0
Performance rights not vested	**1,013,497**	2,026,987
Total performance rights	**1,013,497**	2,026,987

There were no costs associated with the issue of shares listed above separately identified. All options and rights issued by the Company are to Directors and held by existing and former staff. Details of options granted are set out in Note 34.

(e) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the company in proportion to the number and amounts paid on the shares held. All shares issued at 30 June 2010 are fully paid.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

Ordinary shares have no par value and the company does not have a limited amount of authorised capital.

22. RESERVES AND RETAINED PROFITS

(a) Reserves	2010 $'000	2009 $'000
Hedging reserve - cash flow hedges	**3,578**	9,484
Share-based payments reserve	**2,939**	2,609
Subsidiary acquisition reserve	**696**	-
	7,213	12,093
MOVEMENTS:		
Hedging reserve - cash flow hedges open		
BALANCE 1 JULY	**2,027**	(12,476)
Transfer to net (profit) / loss – gross	**-**	(1,705)
Tax effect	**-**	512
Revaluation – gross	**107**	35,760
Tax effect	**(32)**	(10,729)
Hedges closed out during year	**(3,003)**	(13,336)
Tax effect	**901**	4,001
BALANCE 30 JUNE	**-**	2,027
Hedging reserve - cash flow hedges closed out early		
Balance 1 July	**7,457**	-
Hedges closed out during year	**3,003**	13,336
Tax effect	**(901)**	(4,001)
Hedges closed out and brought to account in profit and loss	**(8,544)**	(2,683)
Tax effect	**2,563**	805
BALANCE 30 JUNE	**3,578**	7,457
TOTAL RESERVE – CASH FLOW HEDGES	**3,578**	9,484
Share-based payments reserve		
Balance 1 July	**2,609**	2,074
Option / rights costs expensed	**178**	279
Option / rights costs included in labour costs capitalised in capital projects	**152**	256
Balance 30 June	**2,939**	2,609
Subsidiary acquisition reserve		
Balance 1 July	**-**	-
Acquisition of remaining 15% shares in Port Bonython Fuels Pty Ltd	**696**	-
Balance 30 June	**696**	-
(b) Retained profits		
Retained profits at the beginning of the year	**6,435**	33,559
Dividends paid	**-**	(1,261)
Profit / (Loss) for the year	**6,766**	(25,863)
Accumulated profits at the end of the year	**13,201**	6,435

(c) Nature and purpose of reserves

(i) Hedging reserve – cash flow hedges

The hedging reserve is used to record gains or losses on a hedge instrument in a cash flow hedge that are recognised direct in equity, as described in Note 1(v). Amounts are recognised in profit and loss when the associated hedged transaction affects profit and loss.

(ii) Share–based payment reserve

The share-based payments reserve is used to recognise the fair value of options and rights issued but not exercised.

(iii) Subsidiary acquisition reserve

The subsidiary acquisition reserve is used to recognise the discount on purchase of the remaining 15% of shares in Port Bonython Fuels Pty Ltd.

23. MINORITY INTEREST

	2010 $'000	2009 $'000
Interest in share capital	-	725
	-	725

Interest eliminated in the current period following acquisition of 15% investment in Port Bonython Fuels Pty Ltd.

24. DIVIDENDS

	PARENT ENTITY	
(a) Dividends on ordinary shares		
No dividend for the year ended 30 June 2009 (2008 - 2 cents per share paid on 19 September 2008)	**-**	1,261
(b) Dividends not recognised at year end		
Since year end, the Directors have recommended the payment of a dividend of 2 cents per fully paid ordinary share (2009 - Nil) fully franked based on tax paid at 30%. The aggregate amount of the proposed dividend expected to be paid on 16 September 2010 out of retained profits at 30 June 2010, but not recognised as a liability at year end is $1,261,648. The dividend has not been provided for and there are no income tax consequences.	**1,262**	-
(c) Franked dividends		
There are no franked dividends payable.		
Franking credits available for subsequent financial years based on a tax rate of 30%	**6,133**	4,817

The above amounts represent the balance of the franking account as at the end of the financial year, adjusted for the franking credits that will arise from the payment of the amount of the provision for income tax and payment of the dividend in September 2010.

The impact on the franking account of the dividend recommended by the directors since year end but not recognised as a liability at year end is $540,706 (2009:Nil).

25. KEY MANAGEMENT PERSONNEL DISCLOSURES

(a) Directors

The following persons were directors of Stuart Petroleum Limited during the year:

i. Chairman - Non-Executive
JG Branson

ii. Executive Director
G Guglielmo

iii. Non-Executive Director
DB Clarke

(b) Other key management personnel

The following persons also had authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, during the financial year:

Name	Position
RA Frears	Exploration Manager
JF McRae	Company Secretary and Commercial Manager
ID MacDougall	Engineering and Production Manager
ND Bird	Development and Supply Manager
AJ Ikin	Chief Financial Officer
MR Mussared	Exploitation Manager

All of the above persons were also key management persons during the whole of the year ended 30 June 2010 except for RA Frears who was on unpaid medical leave for the first three months of the year.

KEY MANAGEMENT PERSONNEL COMPENSATION	2010 $	2009 $
Short-term employment benefits	**1,798,247**	1,838,230
Long-term employment benefits	**73,538**	61,029
Post employment benefits	**182,398**	287,927
Share-based payments	**234,467**	385,430
	2,288,650	2,572,616

25. KEY MANAGEMENT PERSONNEL DISCLOSURES –CONTINUED

(c) Equity instrument disclosures relating to key management personnel

(i) Options and performance rights provided as remuneration and shares issued on exercise of such options and performance rights

Details of options and rights provided as remuneration and shares issued on the exercise of such options and rights, together with terms and conditions of the options, can be found in the Directors' Report section D of the Remuneration Report.

(ii) Option holdings

The number of options over ordinary shares in the Company held during the financial year by each director of Stuart Petroleum Limited and other key management personnel of the Group, including their personally related parties, are set out below. No options are vested and unexercised at the end of the year.

2010	**BALANCE AT START OF YEAR**	**GRANTED DURING YEAR AS COMPENSATION**	**EXERCISED DURING YEAR**	**LAPSED DURING YEAR**	**BALANCE AT END OF YEAR**	**VESTED AND EXERCISABLE AT END OF YEAR**
DIRECTORS OF STUART PETROLEUM LIMITED						
JG Branson	**750,000**	**-**	**-**	**(250,000)**	**500,000**	**500,000**
DB Clarke	**500,000**	**-**	**-**	**(166,666)**	**333,334**	**333,334**
G Guglielmo	**1,000,000**	**-**	**-**	**(333,333)**	**666,667**	**666,667**
OTHER KEY MANAGEMENT PERSONNEL OF THE GROUP						
RA Frears	**250,000**	**-**	**-**	**(83,333)**	**166,667**	**166,667**
JF McRae	**250,000**	**-**	**-**	**(83,333)**	**166,667**	**166,667**
ID MacDougall	**250,000**	**-**	**-**	**(83,333)**	**166,667**	**166,667**
ND Bird	**250,000**	**-**	**-**	**(83,333)**	**166,667**	**166,667**
AJ Ikin	**250,000**	**-**	**-**	**(83,333)**	**166,667**	**166,667**
MR Mussared	**250,000**	**-**	**-**	**(83,333)**	**166,667**	**166,667**

2009	BALANCE AT START OF YEAR	GRANTED DURING YEAR AS COMPENSATION	EXERCISED DURING YEAR	LAPSED DURING YEAR	BALANCE AT END OF YEAR	VESTED AND EXERCISABLE AT END OF YEAR
DIRECTORS OF STUART PETROLEUM LIMITED						
JG Branson	750,000	-	-	-	750,000	750,000
DB Clarke	500,000	-	-	-	500,000	500,000
G Guglielmo	1,300,000	-	(300,000)	-	1,000,000	1,000,000
OTHER KEY MANAGEMENT PERSONNEL OF THE GROUP						
RA Frears	250,000	-	-	-	250,000	250,000
JF McRae	350,000	-	(100,000)	-	250,000	250,000
ID MacDougall	350,000	-	-	(100,000)	250,000	250,000
ND Bird	250,000	-	-	-	250,000	250,000
AJ Ikin	250,000	-	-	-	250,000	250,000
MR Mussared	250,000	-	-	-	250,000	250,000

(iii) *Performance right holdings*

The number of performance rights issued to each director of Stuart Petroleum Limited and other key management personnel of the Group, including their personally related parties, are set out below. No rights are vested and unexercised at the end of the year.

2010	**BALANCE AT START OF YEAR**	**GRANTED DURING YEAR AS COMPENSATION**	**EXERCISED DURING YEAR**	**LAPSED DURING YEAR**	**BALANCE AT END OF YEAR**	**VESTED AND EXERCISABLE AT END OF YEAR**
DIRECTORS OF STUART PETROLEUM LIMITED						
G Guglielmo	**590,656**	**-**	**-**	**(295,328)**	**295,328**	**-**
OTHER KEY MANAGEMENT PERSONNEL OF THE GROUP						
RA Frears	**175,924**	**-**	**-**	**(87,962)**	**87,962**	**-**
JF McRae	**166,963**	**-**	**-**	**(83,481)**	**83,482**	**-**
ID MacDougall	**167,697**	**-**	**-**	**(83,848)**	**83,849**	**-**
ND Bird	**151,451**	**-**	**-**	**(75,725)**	**75,726**	**-**
AJ Ikin	**167,277**	**-**	**-**	**(83,638)**	**83,639**	**-**
MR Mussared	**167,697**	**-**	**-**	**(83,848)**	**83,849**	**-**
TOTAL	**1,587,665**	**-**	**-**	**(793,830)**	**793,835**	**-**

2009	BALANCE AT START OF YEAR	GRANTED DURING YEAR AS COMPENSATION	EXERCISED DURING YEAR	LAPSED DURING YEAR	BALANCE AT END OF YEAR	VESTED AND EXERCISABLE AT END OF YEAR
DIRECTORS OF STUART PETROLEUM LIMITED						
G Guglielmo	-	885,984	-	(295,328)	590,656	-
OTHER KEY MANAGEMENT PERSONNEL OF THE GROUP						
RA Frears	-	263,886	-	(87,962)	175,924	-
JF McRae	-	250,444	-	(83,481)	166,963	-
ID MacDougall	-	251,545	-	(83,848)	167,697	-
ND Bird	-	227,176	-	(75,725)	151,451	-
AJ Ikin	-	250,915	-	(83,638)	167,277	-
MR Mussared	-	251,545	-	(83,848)	167,697	-
TOTAL	-	2,381,495	-	(793,830)	1,587,665	-

25. KEY MANAGEMENT PERSONNEL DISCLOSURES –CONTINUED

(iv) Share holdings

The number of shares in the Company held during the financial year by each director of Stuart Petroleum Limited and other key management personnel of the Group, including their personally related parties, are set out below. Key management (with the exception of the Managing Director - G Guglielmo) were granted shares in prior years (2009: 847 shares each), as participants in the Stuart Petroleum Employee Share Plan. No shares were granted during the year ended 30 June 2010. There have been no other transactions with key management personnel.

2010	**BALANCE AT START OF YEAR**	**RECEIVED DURING YEAR ON EXERCISE OF OPTIONS**	**OTHER CHANGES DURING YEAR**	**BALANCE AT END OF YEAR**
DIRECTORS OF STUART PETROLEUM LIMITED				
JG Branson	**1,000,000**	**-**	**-**	**1,000,000**
DB Clarke	**14,585,110**	**-**	**-**	**14,585,110**
G Guglielmo	**1,050,000**	**-**	**-**	**1,050,000**
OTHER KEY MANAGEMENT PERSONNEL OF THE GROUP				
RA Frears	**510,847**	**-**	**-**	**510,847**
JF McRae	**126,847**	**-**	**-**	**126,847**
ID MacDougall	**27,847**	**-**	**-**	**27,847**
AJ Ikin	**42,847**	**-**	**-**	**42,847**
MR Mussared	**7,847**	**-**	**-**	**7,847**
ND Bird	**2,847**	**-**	**-**	**2,847**

2009	BALANCE AT START OF YEAR	RECEIVED DURING YEAR ON EXERCISE OF OPTIONS	OTHER CHANGES DURING YEAR	BALANCE AT END OF YEAR
DIRECTORS OF STUART PETROLEUM LIMITED				
JG Branson	1,000,000	-	-	1,000,000
DB Clarke	14,751,809	-	(166,699)	14,585,110
G Guglielmo	750,000	300,000	-	1,050,000
OTHER KEY MANAGEMENT PERSONNEL OF THE GROUP				
RA Frears	510,000	-	847	510,847
JF McRae	26,000	100,000	847	126,847
ID MacDougall	27,000	-	847	27,847
AJ Ikin	42,000	-	847	42,847
MR Mussared	7,000	-	847	7,847
ND Bird	2,000	-	847	2,847

26. REMUNERATION OF AUDITORS

During the year the following fees were paid or payable for services provided by the auditor of the Group. No payments were made to related practices and non related audit firms.

	2010 $	2009 $
(a) Assurance Services		
Audit services PricewaterhouseCoopers Australian firm: Audit and review of financial statements and other audit work under the *Corporations Act 2001*	**161,300**	148,850
Total remuneration for assurance services	**161,300**	148,850
PricewaterhouseCoopers Australian firm: Tax compliance services including compilation of tax return and other business tax advice	**79,260**	36,799
TOTAL REMUNERATION	**240,560**	185,649

It is the Group's policy to employ PricewaterhouseCoopers on assignments additional to their statutory audit duties where PricewaterhouseCoopers' expertise and experience with the Group are important. These assignments are principally tax advice. Where appropriate the Group seeks competitive tenders for major consulting projects.

27. COMMITMENTS

	2010 $'000	2009 $'000
(a) Contractual commitments		
(i) Operating leases		
Due within one year	**-**	134
Due later than one year but not later than five years	**-**	-
Total commitments under operating leases	**-**	134
(b) Remuneration commitments Minimum commitments for the payment of salaries and other remuneration under long term employment contracts not recognised as liabilities, payable:		
Within one year	**481**	649
	481	649
(c) Minimum exploration commitments Minimum guaranteed exploration commitments for which no amounts have been provided in the financial statements or capital commitments:		
Within one year	**12,960**	34,767
Later than one year but not later than five years	**18,035**	11,395
Later than five years	**-**	-
	30,995	46,162

The operating lease obligation relates to the Group's Head Office. The existing lease expired in March 2010 and the Group was negotiating a new lease arrangement at the end of the reporting period.

The Group has guaranteed obligations to perform minimum exploration work and expend minimum amounts of money pursuant to the terms of the granting of petroleum exploration permits in order to maintain rights of tenure. The commitments may be varied as a result of renegotiation of the terms of the exploration permits or alternatively upon their relinquishment. The minimum exploration commitment for the prior year included $34.457 million for the dry hole cost of the Oliver 2 well which was eliminated by the sale of the interest.

It is the Group's intention to seek farm-in parties in respect of certain drilling prospects within its exploration licences under arrangements whereby the Group will retain control of those prospect areas, but where the farm-in parties contribute a proportion of the costs of drilling. The commitments set out above do not recognise recoverable amounts from joint venture partners where agreements have not been completed.

28. CONTINGENT LIABILITIES

The Group has lodged bank guarantees with the South Australian Department of Primary Industries and Resources SA (PIRSA) for $300,000 as required by PIRSA in granting of Petroleum Production Licences.

29. RELATED PARTY TRANSACTIONS

Transactions with related parties

The following transactions occurred with related parties:

SALES OF GOODS AND SERVICES	2010 $	2009 $
Provision of professional services by a director paid to a related entity*	76,473	-

*Amounts paid for professional services by a Director of the Company for duties performed outside of normally expected levels and reimbursement of expenses incurred.

30. SUBSIDIARIES AND ASSOCIATES

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in Note 1(b):

Name of subsidiary	COUNTRY OF INCORPORATION	CLASS OF SHARES	EQUITY HOLDING 2010 %	EQUITY HOLDING 2009 %	INVESTMENT BY STUART PETROLEUM LIMITED 2010 $	INVESTMENT BY STUART PETROLEUM LIMITED 2009 $
Stuart Petroleum Fuels Pty Ltd	Australia	Ordinary	100	100	2	2
Stuart Petroleum (Offshore) Pty Ltd	Australia	Ordinary	100	100	2	2
Stuart Renewable Energy Pty Ltd	Australia	Ordinary	100	100	2	2
Stuart Petroleum Cooper Basin Oil Pty Ltd	Australia	Ordinary	100	100	2	2
Stuart Petroleum Cooper Basin Gas Pty Ltd	Australia	Ordinary	100	100	2	2
Stuart Petroleum Custodian Pty Ltd	Australia	Ordinary	100	100	2	2
Port Bonython Fuels Pty Ltd[1]	Australia	Ordinary	100	85	2,186,808	4,958,321

[1] Investment in Port Bonython Fuels Pty Ltd held by Stuart Petroleum Fuels Pty Ltd

MOVEMENTS IN CARRYING AMOUNTS OF CONTROLLED ENTITIES	2010 $'000	2009 $'000
Carrying amount at the beginning of the financial year	-	118
Investment in shares in associate		
Inclusion in consolidated group	-	(118)
Carrying amount at the end of the financial year	-	-

The investment in shares in associate is nil as at 30 June 2010 as Port Bonython Fuels became a controlled entity during the year ended 30 June 2009 and a wholly owned subsidiary in the current financial period.

31. INTERESTS IN JOINT VENTURES

(a) The Group has interests in unincorporated joint ventures in the following exploration licences in the Cooper/ Eromanga basins in South Australia:

	% INTEREST	
	2010	2009
PEL 90 Candra Block / PPL 203 Acrasia	75.0	75.0
PEL 90 Kiwi Block	75.0	75.0
PEL 90 Reg Sprigg West Unit	18.8	18.8
PEL 93	70.0	70.0
PEL 100	50.0	50.0
PEL 113 Dunoon High / Saintly Block – PPL 209 permit disposed	66.7	66.7
PEL 113 Derrilyn Unit	35.0	35.0
PEL 113 Murteree High	65.0	65.0
PEL 113 Saintly Block	66.7	66.7
Vic P53 (Earning) – permit relinquished	0.0	50.0
AC P33 (Earning) – permit disposed	0.0	50.0

(b) The sales revenue received from the Group's share of petroleum products produced by the joint ventures was $13.588 million (2009 $26.974 million) and the contribution of joint venture business undertakings to profit from ordinary activities before impairment, interest and tax was $7.834 million (2009 $13.537 million).

(c) The Group's share of assets and liabilities employed in the joint ventures are included in the statement of financial position under the following classifications:

	2010 $'000	2009 $'000
CURRENT ASSETS		
Receivables from JV parties	**387**	33
Bonds in respect of exploration areas	**-**	-
TOTAL CURRENT ASSETS	**387**	33
NON-CURRENT ASSETS		
Exploration and evaluation	**1,085**	3,726
Oil and gas assets	**17,628**	21,500
TOTAL NON-CURRENT ASSETS	**18,713**	25,226
TOTAL ASSETS	**19,100**	25,259
CURRENT LIABILITIES		
Payables	**1,335**	2,338
Payable to JV parties	**-**	-
TOTAL CURRENT LIABILITIES	**1,335**	2,338
NON-CURRENT LIABILITIES		
Provisions	**1,134**	1,182
TOTAL NON-CURRENT LIABILITIES	**1,134**	1,182
TOTAL LIABILITIES	**2,469**	3,520
NET INVESTMENTS IN JOINT VENTURES	**16,631**	21,739

(d) The amount of capital expenditure, exploration commitments and contingent liabilities in respect of unincorporated joint ventures are:

Minimum exploration commitments	**9,145**	37,662

32. RECONCILIATION OF PROFIT / (LOSS) AFTER INCOME TAX TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2010 $'000	2009 $'000
PROFIT / (LOSS) FROM ORDINARY ACTIVITIES AFTER INCOME TAX	**6,766**	(25,862)
Add / (deduct) non-cash items		
Depreciation	**1,599**	2,409
Provision for restoration and rehabilitation	**(201)**	133
Provision for employee entitlements	**121**	207
Amortisation of exploration and development	**1,621**	3,000
Payments for exploration seismic and studies expensed	**(2,812)**	(10,100)
Non cash employee benefit expense – share-based payments	**178**	397
Loss / (Profit) on sale of non current assets	**(5,147)**	(52)
Proceeds on sale of exploration and current assets	**10,768**	-
Write-down in capitalised exploration	**2,136**	40,801
Impairment of oil and gas assets	**2,859**	8,834
Increase / (decrease) in current tax payable	**1,775**	2,514
Increase / (decrease) in deferred tax liability	**1,307**	(11,261)
Hedge gain in equity / (unwind)	**(5,540)**	10,652
Changes in Assets and Liabilities:		
Decrease / (Increase) in receivables	**1,443**	9,659
(Decrease) / Increase in creditors and accruals	**(1,008)**	(2,355)
NET CASH GENERATED BY OPERATING ACTIVITIES	**15,865**	28,976

33. EARNINGS PER SHARE

	2010	2009
(a) Basic earnings per share (cents)	**10.7**	(41.0)
(b) Diluted earnings per share (cents)	**9.9**	(41.0)
Weighted average number of ordinary shares on issue used as the denominator in calculating basic earnings per share	**63,082,422**	63,004,207
Weighted average number of ordinary shares and potential ordinary shares as the denominator in calculating diluted earnings per share	**68,519,457**	69,214,195

Earnings per share are calculated in accordance with accounting policy described in Note 1(y).

Performance rights and options granted under the Stuart Petroleum Limited Directors and Employees Share option plan are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share to the extent which they are dilutive. The options have not been included in the determination of basic earnings per share. Details relating to the options and performance rights are set out in Note 21.

34. SHARE-BASED PAYMENTS

Performance Rights

Commencing in the 2008/09 year the "Directors and Executive Option Scheme" was replaced with the "Performance Rights Plan" (PRP). Under the PRP, performance rights may be issued to employees and executive directors based on their salary level. The hurdle price of the right is set at 30 June with the hurdle Stuart Petroleum Limited share price measured at 30 June the following year. The rights are granted under the plan for no consideration. No rights were issued during the year ended 30 June 2010.

Assumptions used in computing the value of performance rights granted during the year ended 30 June 2009 were as follows:

TRANCHE	GRANT DATE	SHARE PRICE AT VALUATION DATE	AVERAGE PRICE VOLATILITY	AVERAGE RISK FREE INTEREST RATE
PERFORMANCE RIGHTS GRANTED TO MANAGING DIRECTOR				
Tranche 1	12 December 2008	$0.55	75%	3.98%
Tranche 2	12 December 2008	$0.55	61%	3.54%
Tranche 3	12 December 2008	$0.55	56%	3.76%
PERFORMANCE RIGHTS GRANTED TO OTHER EMPLOYEES INCLUDING KEY MANAGEMENT PERSONNEL				
Tranche 1	12 December 2008	$1.06	55%	6.56%
Tranche 2	12 December 2008	$1.06	48%	5.43%
Tranche 3	12 December 2008	$1.06	46%	5.43%

Rights granted under the plan carry no dividend or voting rights. The expensing of these rights is in accordance with AASB 2 Share Based Payments.

The terms and conditions of each grant of rights affecting remuneration in the previous, this or future reporting periods are as follows:

GRANT DATE	ENTITLEMENT MEASUREMENT DATE	MINIMUM PERFORMANCE HURDLE (SHARE PRICE) – 50% ENTITLEMENT	MAXIMUM PERFORMANCE HURDLE (SHARE PRICE) – 100% ENTITLEMENT	VALUE PER RIGHT AT GRANT DATE
12 December 2008	30 June 2009	$1.44	$1.56	39.5 cents
12 December 2008	30 June 2009	$1.44	$1.56	4.9 cents
12 December 2008	30 June 2010	$1.65	$1.95	39.9 cents
12 December 2008	30 June 2010	$1.65	$1.95	8.3 cents
12 December 2008	30 June 2011	$1.90	$2.44	40.0 cents
12 December 2008	30 June 2011	$1.90	$2.44	10.0 cents
WEIGHTED AVERAGE		**$1.63**	**$1.98**	**30.5 CENTS**

Details of performance rights over ordinary shares in the Company provided as remuneration to each executive director of Stuart Petroleum Limited and each of the key management personnel of the Company are set out below. The performance rights are granted for zero consideration. When eligible for exercise, each performance right is convertible into one ordinary share of Stuart Petroleum Limited.

NAME	NUMBER OF RIGHTS GRANTED DURING THE YEAR		NUMBER OF RIGHTS VESTED DURING THE YEAR	
	2010	2009	**2010**	2009
DIRECTORS OF STUART PETROLEUM LIMITED				
G Guglielmo	**-**	885,984	**-**	-
OTHER KEY MANAGEMENT PERSONNEL OF THE COMPANY				
RA Frears	**-**	263,886	**-**	-
JF McRae	**-**	250,444	**-**	-
ID MacDougall	**-**	251,545	**-**	-
ND Bird	**-**	227,176	**-**	-
AJ Ikin	**-**	250,915	**-**	-
MR Mussared	**-**	251,545	**-**	-

34. SHARE-BASED PAYMENTS – CONTINUED

Performance Rights - continued

The assessed fair value at grant date of performance rights granted to the individuals is allocated equally over the period from grant date to vesting date, and the amount is included in the remuneration tables above. Fair values at grant date are determined using a Black–Scholes option pricing model that takes into account the hurdle price, the term of the right, the share price at grant date and expected volatility of the underlying share, the expected dividend yield and the risk free rate for the term of the right.

Stuart Petroleum Limited's share prices as at 30 June 2009 and 30 June 2010 were below the minimum performance hurdle and the first and second tranches of rights (two thirds of the rights issued) lapsed on 30 June 2009 and 30 June 2010 respectively. The number of performance rights which have lapsed is set out in the table below.

NAME	NUMBER OF RIGHTS LAPSED DURING THE YEAR	
	2010	2009
DIRECTORS OF STUART PETROLEUM LIMITED		
G Guglielmo	**295,328**	295,328
OTHER KEY MANAGEMENT PERSONNEL OF THE COMPANY		
RA Frears	**87,962**	87,962
JF McRae	**83,481**	83,481
ID MacDougall	**83,848**	83,848
ND Bird	**75,725**	75,725
AJ Ikin	**83,638**	83,638
MR Mussared	**83,848**	83,848

Share options

In order to retain key management and staff, stock options were granted to directors, executives, and key staff with deferred vesting. The issue price was set from a benchmark of the weighted average share price for the five trading days prior to the invitation to participate in the scheme. The options are granted under the plan for no consideration. Options granted under the plan carry no dividend or voting rights.

The duration of the options is for three years and provides for the progressive vesting of the options maturing over three years from grant. The fair value of the options is established as at the date of grant in accordance with AASB 2. The vesting formula for determining expense recognition is as follows

- Year 1 – 100% of options vesting after year one plus 50% of options vesting after year two plus 33.3% of options vesting after year three.
- Year 2 – 50% of options vesting after year two plus 33.3% of options vesting after year three.
- Year 3 – 33.3% of options vesting after year three.

Where the duration of the options is for two years, then after one year, one half of the options vest and the remaining half, vest after two years.

The terms and conditions of each grant of options affecting remuneration in the previous, this or future reporting periods are as follows:

GRANT DATE	EXPIRY DATE	EXERCISE PRICE	VALUE PER OPTION AT GRANT DATE	DATE EXERCISABLE
7 June 2004	2 February 2009	80 cents each	31 cents	Up until 2 February 2009
7 June 2004	1 March 2009	87 cents each	34 cents	Up until 1 March 2009
28 June 2004	9 June 2009	83 cents each	33 cents	Up until 9 June 2009
26 July 2005	26 July 2009	89 cents each	19 cents	26 July 2006
26 July 2005	26 July 2010	89 cents each	29 cents	26 July 2007
26 July 2005	26 July 2011	89 cents each	35 cents	26 July 2008
16 November 2005	16 November 2009	89 cents each	56 cents	16 November 2006
16 November 2005	16 November 2010	89 cents each	62 cents	16 November 2007
16 November 2005	16 November 2011	89 cents each	67 cents	16 November 2008
22 March 2006	22 March 2010	$1.30 each	15 cents	22 March 2007
22 March 2006	22 March 2011	$1.30 each	24 cents	22 March 2008
1 March 2006	1 March 2010	$1.36 each	16 cents	1 March 2007
1 March 2006	1 March 2011	$1.36 each	26 cents	1 March 2008
1 March 2006	1 March 2012	$1.36 each	34 cents	1 March 2009
14 March 2006	14 March 2010	$1.36 each	16 cents	14 March 2007
14 March 2006	14 March 2011	$1.36 each	26 cents	14 March 2008
14 March 2006	14 March 2012	$1.36 each	34 cents	14 March 2009
22 September 2006	22 September 2010	$1.32 each	29 cents	22 September 2007
22 September 2006	22 September 2011	$1.32 each	42 cents	22 September 2008
3 December 2007	3 December 2011	$1.17 each	28 cents	3 December 2008
3 December 2007	3 December 2012	$1.17 each	41 cents	3 December 2009

2010	BALANCE AT START OF YEAR	GRANTED DURING YEAR AS COMPENSATION	EXERCISED DURING YEAR	LAPSED DURING YEAR	BALANCE AT END OF YEAR	VESTED AND EXERCISABLE AT END OF YEAR
Total options	4,250,000	-	-	1,299,997	2,950,003	2,950,003

Fair value of equity instruments granted

The assessed fair value at grant date of instruments granted to the individuals is allocated equally over the period from grant date to vesting date, and the amount is included in the remuneration tables above. 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 share price at grant date and expected volatility of the underlying share, the expected dividend yield and the risk free rate for the term of the option.

There were no options granted during the year ended 30 June 2009 or 30 June 2010.

Total expenses arising from share-based payment transactions recognised as part of production costs and selling and administrative expenses of options issued under the Performance Rights Plan, the Directors and Employees Option Plan and the Employee Share Plan was $178,000 (2009 $279,000).

35. SEGMENT INFORMATION

Stuart Petroleum operates in one business (exploration and production) in one geographic segment (Cooper / Eromanga Basin in South Australia). The Group has a number of growth projects, including the Port Bonython Fuels business which may, if successful, in future years result in the establishment of new segments.

36. PARENT ENTITY FINANCIAL INFORMATION

(a) Summary financial information

The individual financial statements for the parent entity (Stuart Petroleum Limited) show the following aggregate amounts:

	2010 $'000	2009 $'000
STATEMENT OF FINANCIAL POSITION		
Current assets	**16,359**	15,677
Total assets	**42,323**	46,046
Current liabilities	**13,102**	14,598
Total liabilities	**15,623**	17,303
SHAREHOLDER'S EQUITY		
Issued capital	**10,392**	10,392
Reserves		
Hedging reserve	**3,578**	9,484
Share-based payments reserve	**2,939**	2,609
Retained profits	**9,791**	6,258
	26,700	28,743
PROFIT / (LOSS) FOR THE YEAR	**3,532**	(25,868)
TOTAL COMPREHENSIVE INCOME / (LOSS)	**(2,374)**	(3,908)

(b) Guarantees entered into by the parent entity

There are cross guarantees given by Stuart Petroleum Limited to subsidiary companies. No deficiencies of assets exist in any of these entities.

No liability was recognised by the parent entity or the consolidated entity in relation to these guarantees, as the fair value of the guarantees is immaterial.

(c) Contingent liabilities of the parent entity

The parent entity has lodged bank guarantees with the South Australian Department of Primary Industries and Resources SA (PIRSA) for $300,000 as required by PIRSA in granting of Petroleum Production Licences. In 2009, the parent entity lodged bank guarantees of $250,000 and a cash guarantee of $50,000.

37. FINANCIAL RISK MANAGEMENT

(a) Financial risk management and policies

The management of risk is integral with the Group's business systems. The Group periodically reviews its risk profile and the actions management can take to mitigate perceived risks. The Group takes insurance cover to assist its management of risk.

The insurance policies in place at 30 June 2010 include:

» Well control
» Material damage
» Loss of profits
» Motor vehicle
» Office equipment
» Travel
» Third Party liability
» Directors' and Officers' liability

The Group's activities expose it to a variety of financial risks, but principally commodity price, foreign currency, interest rate and credit risks. The Groups overall management of financial risk is aimed at ensuring net cash flows are sufficient to:

- meet its financial commitments as and when they fall due; and
- maintain its capacity to fund its growth strategies.

The Property and Business Interruption insurers have confirmed that the policy will respond to the claim for property damage and resultant business interruption losses arising out of various flooding events experienced in the Cooper Basin in the period between February 2010 and April 2010. The granting of indemnity is subject to the terms and conditions of the policy. The quantum of the claim is yet to be agreed by the underwriters.

The Group uses derivative financial instruments such as zero cost oil price options to hedge its commodity risk exposures, as well as to support its borrowings under its Australian dollar denominated multi option facility. It also uses foreign currency hedges to manage foreign exchange risk. Derivatives are exclusively used for hedging purposes, i.e. not as trading or other speculative instruments.

The Group continually monitors and runs sensitivities of its forecast financial position. Hedging activity is undertaken when considered necessary to meet the above objectives. All hedging activities are approved by the Board. The performance of the hedging program is reported to the Board on a monthly basis.

The Group holds the following instruments:

	2010 $'000	2009 $'000
Financial Assets		
Cash at bank	**123**	321
Receivables	**3,141**	4,876
Other financial assets	**1,203**	311
Derivative financial instruments	**-**	2,897
	4,467	8,405
Financial Liabilities		
Trade and other creditors	**3,408**	4,137
Borrowings	**-**	11,250
	3,408	15,387

(b) Market risk

(i) Foreign exchange risk

The Group is exposed to foreign currency risk principally through the sale of crude oil denominated in US dollars. In order to hedge this foreign currency risk, the Group has from time to time entered into foreign exchange swaps and foreign currency option contracts.

Unless there are specific payments to be made in US dollars, sales proceeds are converted to Australian dollars at the earliest opportunity.

As at 30 June 2010 the group had no open foreign exchange contracts (2009: US$16.3 million which were closed out during the year ended 30 June 2010 as set out below).

2009			
FORWARD SALES	**US$ MILLION**	**AU$ MILLION**	**RATE**
2009/10	1.55	2.3	US$0.6703
2010/11	2.50	3.7	
ZERO COST COLLARS			
2009/10	8.25	11.5	Option of US$0.72
2010/11	4.00	5.6	

The AU$ value of financial instruments denominated in US$ are as follows:

FINANCIAL ASSETS	**2010 $'000**	2009 $'000
Financial Assets		
Cash at bank	**0**	4
Receivables	**3,141**	4,876
Derivative financial instruments	**-**	2,897
	3,141	7,777

37. FINANCIAL RISK MANAGEMENT – CONTINUED

(b) Market risk – continued

(i) Foreign exchange risk - continued

The following table summarises the Group's sensitivity of the financial instruments held at balance date to a 10% movement in the exchange rate of the Australian dollar (AUD) to the US dollar (USD) with all other variables held constant.

IMPACT ON POST-TAX PROFIT	2010 $'000	2009 $'000
AUD/USD +10%	-	(311)
AUD/USD -10%	-	379
Impact on equity		
AUD/USD +10%	-	1,391
AUD/USD -10%	-	(1,371)

As of 22 July 2009 the Group closed out all remaining zero cost collars and the remaining 2009/10 foreign exchange forward sales realising $2.20 million. The value of the hedges closed out as at 30 June 2009 was $2.366 million. The value of the hedges as at 30 June 2009 that were not closed out was $0.531 million.

(ii) Commodity price risk

The Group's commodity hedging program utilises financial instruments based on Asian Petroleum Price Index (APPI) Tapis oil prices, which is the benchmark for crude oil sold by the Group.

The Group has also delivered oil to the Cooper Basin Joint Venture as at balance date (and for which custody and title has transferred) which will be lifted from Port Bonython in future months. The price of the commodity which is based on the average crude oil price for a period either side of the date on which the product is ultimately delivered onto a ship at Port Bonython has yet to be determined.

The AU$ value of financial instruments exposed to oil price changes are summarised in the table below:

FINANCIAL ASSETS		
Receivables	**3,141**	4,876

The following table summarises the sensitivity of the fair value of financial instruments held at balance date to movements in the relevant forward commodity price, with all other variables held constant. The oil price has demonstrated a high level of volatility in recent years. Observed ranges of historic prices are not necessarily indicative of the future.

IMPACT ON POST-TAX PROFIT OF VALUTION OF DEBTORS		
Oil forward price +5%	**125**	212
Oil forward price -5%	**(125)**	(212)

(iii) Interest rate risk

The Group's financial position is adversely affected by movements in interest rates that increase the cost of floating rate debt. The Group does not have any borrowings at fixed rates. The level of borrowing at any point of time is a function of working capital requirements.

As at the end of the reporting period the Group had the following variable rate borrowings outstanding:

	30 JUNE 2010		30 JUNE 2009	
	WEIGHTED AVERAGE INTEREST RATE %	BALANCE $'000	WEIGHTED AVERAGE INTEREST RATE %	BALANCE $'000
Borrowings	**2.75%**	-	3.95%	11,250
Net exposure to cash flow interest rate risk		-		11,250

The following table summarises the sensitivity of the Group's borrowings to interest rate risk:

		INTEREST RATE RISK			
		-100 BPS		+100 BPS	
30 JUNE 2010	CARRYING AMOUNT $'000	PROFIT $'000	OTHER EQUITY $'000	PROFIT $'000	OTHER EQUITY $'000
FINANCIAL ASSETS					
Cash and cash equivalents	123	(1)	-	1	-
Receivables	3,141	-	-	-	-
FINANCIAL LIABILITIES					
Trade payables	3,408	-	-	-	-
TOTAL INCREASE / (DECREASE)		(1)	-	1	-

(c) Credit risk

Credit risk is the risk that a contracting entity will not complete its obligations under a financial instrument that will result in a financial loss to the Group. The carrying amount of financial assets represents the maximum credit exposure.

The credit quality of customers is monitored on an ongoing basis. Receivable balances and the level of bank borrowings are monitored on a daily basis.

(d) Liquidity risk

The liquidity position of the Group is managed to ensure sufficient liquid funds are available to meet financial commitments in a timely basis. Details of the Group's credit facilities are detailed in Note 17.

The unsecured facility may be drawn at any time and is subject to Half Yearly Review and Annual Review. Refer to note 17 for details on post balance date refinancing.

Maturities of financial liabilities

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining time at the end of the reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cashflows including interest.

30 JUNE 2010	6 - 12 MONTHS $'000	BETWEEN 1 AND 2 YEARS $'000	TOTAL CONTRACTUAL CASH FLOWS $'000	CARRYING AMOUNT (ASSETS) / LIABILITIES $'000
Non-derivatives				
Variable rate	-	-	-	-
Total non-derivatives	-	-	-	-
30 JUNE 2009				
Non-derivatives				
Variable rate	11,250	-	11,250	11,250
Total non-derivatives	11,250	-	11,250	11,250

The Group's exposure to the effective interest rates on each class of financial instrument is set out below:

30 JUNE 2010	NOTE	WEIGHTED AVERAGE INTEREST RATE	FLOATING INTEREST RATE $'000	FIXED INTEREST RATE $'000	NON-INTEREST BEARING $'000	TOTAL $'000
FINANCIAL ASSETS						
Cash at bank	7	2.39%	123	-	-	123
Receivables	8	-	-	-	3,141	3,141
Other assets	10	-	-	-	1,203	1,203
			123	-	4,344	4,467
FINANCIAL LIABILITIES						
Trade and other creditors	16	-	-	-	3,408	3,408
Bank loan	17	-	-	-	-	-
			-	-	3,408	3,408

30 JUNE 2009	NOTE	WEIGHTED AVERAGE INTEREST RATE	FLOATING INTEREST RATE $'000	FIXED INTEREST RATE $'000	NON-INTEREST BEARING $'000	TOTAL $'000
FINANCIAL ASSETS						
Cash at bank	7	0.89%	321	-	-	321
Receivables	8	-	-	-	4,876	4,876
Other assets	10	-	-	-	311	311
			321	-	5,187	5,508
FINANCIAL LIABILITIES						
Trade and other creditors	16	-	-	-	4,137	4,137
Bank loan	17	3.95%	11,250	-	-	11,250
			11,250	-	4,137	15,387

(e) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement and for disclosure purposes.

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Group uses estimated discounted cashflows to determine the fair value for financial instruments.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to their short-term nature. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

The Group has no financial instruments at the end of the reporting period.

(f) Capital risk management

The Group's objective when managing capital is to safeguard its ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistently with others in the industry, the Group and the parent entity monitor capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the statement of financial position (including minority interest) plus net debt.

	NOTE	2010 $'000	2009 $'000
Borrowings	17	**-**	11,250
Cash and cash equivalent assets	7	**(123)**	(321)
NET DEBT		**(123)**	10,929
Total equity		**30,806**	29,645
Net Debt		**(123)**	10,929
TOTAL CAPITAL		**30,683**	40,574
GEARING RATIO		**0%**	27%

38. EVENTS OCCURRING AFTER THE REPORTING PERIOD

Except as mentioned below, in the opinion of the Directors there has not arisen, in the interval between the end of the financial year and the date of this report, any matter or circumstance that has significantly affected 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 future financial years.

On 8 July 2010, the Company announced that it had commenced drilling the Worrior 7 oil development well. The Company subsequently announced that the well intersected six metres of oil pay in the McKinlay Formation of the Namur Sandstone and an additional four metres of net oil pay in the Birkhead Formation. The well is expected to have a positive impact on the 2010/11 year production.

DIRECTORS' DECLARATION

In the Directors' opinion:

(a) the financial statements and notes set out on pages 17 to 80 are in accordance, with the *Corporations Act 2001*, including:

(i) complying with International Financial Reporting Standards as issued by the International Accounting Standards Board, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and

(ii) giving a true and fair view of the Company's financial position as at 30 June 2010 and of its performance, as represented by the results of its operations, changes in equity and its cash flows, for the financial year ended on that date; and

there are reasonable grounds to believe that the Company will be able pay its debts as and when they become due and payable.

The Directors have been given the declarations by the Managing Director and Chief Financial Officer required by section 295A of the *Corporations Act 2001*.

This declaration is made in accordance with a resolution of the Directors.

John Branson.

JG BRANSON
CHAIRMAN

Adelaide
9 August 2010

PRICEWATERHOUSECOOPERS

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Independent auditor's report to the members of Stuart Petroleum Limited

Report on the financial report

We have audited the accompanying financial report of Stuart Petroleum Limited (the company), which comprises the statement of financial position as at 30 June 2010, and the statement of income, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for the Stuart Petroleum Limited 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 and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, 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.

PRICEWATERHOUSECOOPERS

Independent auditor's report to the members of Stuart Petroleum Limited (continued)

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

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*.

Auditor's opinion

In our opinion:

(a) the financial report of Stuart Petroleum 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 2010 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 and notes also comply with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the remuneration report included in the directors' report for the year ended 30 June 2010. 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 Stuart Petroleum Limited for the year ended 30 June 2010, complies with section 300A of the *Corporations Act 2001*.

PricewaterhouseCoopers

PricewaterhouseCoopers

AG Forman — Adelaide

Partner — 9 August 2010

FIVE YEAR SUMMARY

YEAR ENDING 30 JUNE 2006 TO 30 JUNE 2010

AS AT 30 JUNE	2006	2007	2008	2009	**2010**
AVE PRICE RECEIVED NET OF HEDGING (A$/BBL)	72.35	74.05	105.72	103.50	**130.51**
FINANCIAL PERFORMANCE (A$MILLION)					
Sales Revenue	53.9	38.7	60.2	35.1	**25.2**
Total Revenue	54.5	39.4	60.8	35.5	**30.8**
EBITDAX	22.0	22.6	39.8	20.9	**18.4**
Income Tax	(3.6)	(3.7)	(6.0)	11.0	**(3.2)**
NPAT	7.9	8.7	13.2	(25.9)	**6.8**
FINANCIAL POSITION (A$MILLION)					
Total Assets	49.5	48.6	74.3	52.2	**38.8**
Net Debt	(3.9)	(3.3)	(7.0)	(10.9)	**NIL**
Shareholders Equity	18.4	32.2	33.2	29.6	**30.8**
RESERVES AND PRODUCTION (MMBBLS)					
Proven plus Probable Reserves	2.1	2.6	2.6	2.3	**2.0**
Production	0.745	0.523	0.569	0.339	**0.193**
EXPLORATION					
Wells drilled (number)	8	5	7	2	**0**
Expenditure (A$million)	17.0	8.8	23.1	34.0	**4.3**
OTHER CAPITAL EXPENDITURE (A$MILLION)					
Development	13.1	3.4	5.3	0.2	**1.1**
Buildings, Plant and Equipment	9.1	6.3	3.8	4.5	**3.4**
SHARE INFORMATION					
Issued Shares (number-'000)	62,640	62,653	62,669	63,082	**63,082**
Options (number-'000)	4,550	4,850	4,950	4,250	**2,950**
Performance Rights (number -'000)	-	-	-	2,027	**1,013**
Weighted Average Shares (number-'000)	62,625	62,648	62,667	63,004	**63,082**
Dividends per share (cents/share)	2	2	2	0	**2**
Dividends paid ($million)	1.252	1.252	1.253	1,261	**0**
Number of Shareholders	3,164	2,939	2,940	2,897	**2,813**
RATIOS					
Earnings per share (cents/share)	11.7	12.9	19.5	-41.0	**9.9**
Return on Shareholders' Equity (%)	34.4	31.5	38.3	-83.6	**26.2**
Return on Average Capital Employed (%)	30.5	24.2	27.1	-56.5	**21.7**
Gearing (%)	17.4	5.1	17.4	26.9	**NIL**
EBITDAX per Bbl ($/barrel)	29.58	43.15	69.94	61.72	**95.39**

Notes:
Number of Shareholders stated as at, 22/9/2006, 22/09/2007, 19/09/2008, 22/09/2009 and 20/09/2010 respectively.

SHAREHOLDER INFORMATION

1. DISTRIBUTION AT 20 SEPTEMBER 2010

	NUMBER OF HOLDERS		
SPREAD OF SHARES	FULLY PAID SHARES	OPTIONS	RIGHTS
0 - 1,000	401		
1,001 - 5,000	1,091		1
5,001 - 10,000	564		2
10,001 - 100,000	699	5	13
100,001 AND OVER	58	9	1
TOTAL	2,813	14	17

Shareholders holding less than a marketable parcel of 757 shares ($0.66) – 162.

2. VOTING RIGHTS

All ordinary fully paid shares in the Company are entitled to one vote each. Options do not have any voting rights.

3. SUBSTANTIAL SHAREHOLDER

D. B. Clarke 14,585,110 shares (21.74%)
J. B. Parncutt 4,560,000 shares (6.80%).
4 million of these shares are subject to a voluntary escrow agreement between the Company and M F Custodians Limited which prevents their disposal prior to 27 August 2011.

4. TAXATION

The Company is taxed as a public company.

5. STATEMENT OF QUOTED SECURITIES

All of the Company's issued ordinary fully paid shares are listed on the Australian Stock Exchange Limited.
None of the options issued by the Company are quoted.

6. TWENTY LARGEST SHAREHOLDERS (20 SEPTEMBER 2010)

SHAREHOLDER	FULLY PAID SHARES	%
Perpetual Custodians Limited	10,200,110	15.21
MF Custodians Ltd	4,560,000	6.80
David Brian Clarke	4,170,000	6.22
Ascot Media Investments Pty Ltd	2,848,852	4.25
JP Morgan Nominees Australia Ltd	1,354,722	2.02
Miller Anderson Pty Ltd <Longhorn Ridge Super A/c>	1,050,000	1.57
KAJ Nominees Pty Ltd	1,000,000	1.57
L J Thomson Pty Ltd	800,000	1.19
Vanez Holdings Pty Ltd	778,877	1.16
G D Hartnett	700,000	1.04
Ssoma Pty Ltd	700,000	1.04
Reynolds (Nominees) Pty Ltd	620,000	0.92
McNeil Nominees Pty Ltd	500,000	0.75
Uley Nominees Pty Ltd	500,000	0.75
Spacebull Pty Ltd	400,000	0.60
R E & R J Keevers <Keevers Superannuation Fund>	307,990	0.46
Indigo Oil Pty Ltd	300,000	0.45
Portfolio Custodian Limited	278,278	0.41
Valley Forge Limited	262,371	0.39
DK & S Banfield	250,000	0.37
TOTAL	**31,581,200**	**47.09**

Note: The Managing Director, Mr. G. Guglielmo, controls 1,050,000 shares and 666,667 un-listed options in the Company as at 20 September 2010. Mr Guglielmo resigned on 6 October 2010.

MAJOR ASX ANNOUNCEMENTS

22 Jul 2009	Foreign currency hedge close-out nets $2.2 million cash
27 Jul 2009	Stuart increases holdings in the Timor Sea
30 Jul 2009	Quarterly Report for the period ending 30 June 2009
30 Jul 2009	Stuart growth projects gain momentum
31 Jul 2009	Progress Report on major projects
17 Aug 2009	Major upgrade to Oliver recoverable resource estimates
24 Aug 2009	Shareholder update August 2009
27 Aug 2009	Preliminary Final Report for the year ending 30 June 2009
27 Aug 2009	Stuart's strong position supports growth
22 Sep 2009	Trading Halt
24 Sep 2009	Suspension from Official Quotation
28 Sep 2009	Annual Review 2009
19 Oct 2009	Notice of Annual General Meeting/Proxy Form
23 Oct 2009	Annual Report 2009
26 Oct 2009	Oliver sale
26 Oct 2009	Reinstatement to Official Quotation
30 Oct 2009	Quarterly Report for the period ending 30 September 2009
30 Oct 2009	Stuart posts strong September Quarter result
03 Nov 2009	Stuart elects to withdraw from Gippsland Basin Permit VIC P53
16 Nov 2009	Chairman's address to Annual General Meeting
16 Nov 2009	Stuart to lift oil production
09 Dec 2009	Stuart expands Cooper Basin acreage
16 Dec 2009	Significant progress through 2009
12 Jan 2010	SA Government approves Port Bonython Fuels Development Application
29 Jan 2010	Quarterly Report for the period ending 31 December 2009/Exploration Review
03 Feb 2010	Stuart profitable first half 2009/10
11 Feb 2010	Stuart AC/P33 acreage sale unconditional
18 Feb 2010	Settlement of AC/P33 sale – Stuart debt free
24 Feb 2010	Half year financial report for the period ending 31 December 2009
24 Feb 2010	Stuart profitable, debt free and highly prospective
23 Mar 2010	Cooper Basin activity update
29 Apr 2010	Quarterly Report for the period ending 31 March 2010
05 May 2010	Oil production back on stream
21 May 2010	Exploration license for Cooper Basin acreage issued
04 Jun 2010	Stuart drilling this month
10 Jun 2010	Shale and Coal seam gas potential

CORPORATE CALENDAR

EVENTS CALENDAR 2010/11

Key calendar dates for Stuart shareholders. Please note, dates are subject to review.

2010		
OCTOBER	**31**	First Quarter 2010/11 Report
NOVEMBER	**16**	Proxy returns close at 10.00am (ACST)
	18	Annual General Meeting – Commencing 10.00 am (ACST)
DECEMBER	**31**	2010/11 Half-Year End
2011		
JANUARY	**29**	Second Quarter 2010/11 Report
FEBRUARY	**26**	2010/11 Half Year Result
APRIL	**30**	Third Quarter 2010/11 Report
JUNE	**30**	2010/11 Year End
JULY	**31**	Fourth Quarter 2010/11 Report
AUGUST	**31**	2010/11 Year End Result and Dividend Announcement

DIVIDEND HISTORY

Dividend details are available at the time of the Full Year Results announcements (August).

Dividends paid in respect of income earned in the year ended 30 June:

	PAYMENT DATE	RECORD DATE	RATE (CENTS)	FRANKING (%)
2010				
Final	16 September 2010	3 September 2010	2	100
2009				
Not declared	N/A	N/A	N/A	N/A
2008				
Final	19 September 2008	10 September 2008	2	100
2007				
Final	14 September 2007	3 September 2007	2	100
2006				
Final	15 September 2006	31 August 2006	2	100
2005				
Final	15 September 2005	31 August 2005	2	100

GLOSSARY

AIFRS	Australian equivalents to International Financial Reporting Standards
AC/P	Timor Sea – Territory of Ashmore & Cartier Islands Exploration Permit
AM	Member of the Order of Australia
BARREL OF OIL	42 US gallons or approximately 159 litres
BOPD	Barrels of Oil per Day
BBL	Barrel
BBSY	Bank Bill Swap Bid Rate
BC	Inside Back Cover
BPS	Basis Points
CO2	Carbon Dioxide
DCC	Australian Government Department of Climate Change
EBITDAX	Earnings before Interest, Tax, Depreciation and Amortisation and Exploration Expense
EPS	Earnings per Share
FC	Inside Front Cover
KBLS	1,000 barrels
MMBLS	1 million barrels
NPAT	Net Profit after Tax
NGER	National Greenhouse and Emissions Reporting
PEL	South Australian Petroleum Exploration Licence
PELA	South Australian Petroleum Exploration Licence Application
PPL	South Australian Petroleum Production Licence
PIRSA	South Australian Department of Primary Industries and Resources
RAFD	Knight of Denmark
QHSE	Quality, Health, Safety and Environment
RHS	Right Hand Scale
SA	South Australia
TERRA JOULES	Measure of energy – 1 trillion (one million, million) joules
TCF	Trillion Cubic Feet
VIC P	Victorian Exploration Permit
1P	Proved – as in Reserves
2P	Proved and Probable – as in Reserves
2D	Two Dimensional – as in Seismic
3D	Three Dimensional – as in Seismic
1C	Contingent Resources
2C	Contingent Resources

DISCLAIMER

- This document may contain forward looking statements that are subject to risk factors associated with oil and gas businesses.
- It is believed that the expectations reflected in these statements are reasonable but they may be affected by a variety of variables and changes in underlying assumptions which could cause actual results or trends to differ materially, including but not limited to:
  - Price fluctuations, actual demand, currency fluctuations, drilling and production results.
  - Reserve estimates, loss of market, industry competition, environmental risks, physical risks, legislative, fiscal and regulatory developments.
  - Economic and financial markets, project delay or advancement, approvals and cost estimates.
- All references to dollars, cents or $ in this presentation are to Australian currency, unless otherwise stated.
- Shareholders and potential investors should consult their financial advisors before acting on any information contained in the presentation.

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STUART
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LIMITED

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