



Stuart Petroleum Limited
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Introduction**SLIDE 1**

Good Morning Ladies and Gentlemen.

My name is Iain MacDougall, I am Stuart Petroleum's Acting Chief Executive Officer.

Stuart Petroleum is the parent entity of Port Bonython Fuels Pty Limited, the developer of the Port Bonython Fuels project.

This morning I would like to tell you a little about Stuart Petroleum and then I will describe in more detail the background to and the current status of the Port Bonython Fuels project.

Can I first bring your attention to the disclaimer, as this presentation contains forward looking statements.

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Stuart's business is divided into four major areas:

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- Firstly, our underlying Cooper Basin Oil Production business
- Secondly, conventional Oil and Gas Exploration, both in the Cooper Basin and beyond
- Thirdly - Shale Gas exploration, particularly in Petroleum Exploration Licence 516 to the South East of Moomba.
- And fourthly, the diesel fuel project at Port Bonython

Stuart Snapshot and Recent Results**SLIDE 4**

Before describing our various business areas, let me give you a quick snapshot of Stuart's history and recent results.

Stuart Petroleum is a small independent oil and gas company headquartered in Adelaide with a staff of just 15 employees.

We began our business in its current form in 1999, when we raised \$ 5.8 million to conduct petroleum exploration within two licence areas awarded during the year in the Cooper/Eromanga Basin in South Australia – CO98E (now PEL 90) and CO98H (now PEL 93).

After being the first oil and gas explorer to conclude a native title agreement in the State, Stuart drilled its first exploration well at Acrasia in March 2002. The well was a discovery and production commenced in July of the same year.

Since then, we have had exploration success at the Worrior, Harpoono, Derrilyn and Padulla oil fields amongst others, discovering over 10 million barrels of oil reserves and we have produced over 6.8 million barrels of those reserves.

The Company has paid a 2 cents per share dividend in 5 of the last 6 years.

Despite suffering nearly 4 months of interruption to operations in early 2010, with the worst floods in the Basin since 1974, net profit after tax for 2009-10 was \$ 6.8 million on sales revenues of \$ 25.2 million.

In summary, Stuart has grown from an initial capital base of just under \$6 million to a market capitalization of around \$40 million after reinvesting over \$100 million in exploration and returning \$6 million in dividends to shareholders.

Cooper Basin Oil – Exploration and Development **SLIDE 5**

We have just finished a 3 well drilling programme in the Cooper Basin.

The Worrior 7 development well was somewhat disappointing, with a rapid production decline, though it still has some upside potential which we will be pursuing at the beginning of 2011.

The Kerinna 2 exploration well was plugged and abandoned after not encountering commercial hydrocarbons.

The Acrasia 5 development well was drilled in October this year and has delivered substantially beyond our expectations, with some 32 metres of nett oil pay intersected, distributed across four target reservoirs. Two Drill Stem Tests were conducted on the secondary targets in the Birkhead and Poolowanna Formations, flowing at rates equivalent to 450 and 900 barrels per day of dry oil respectively.

Wireline logs indicate that the primary Hutton Sandstone target reservoir has even better oil flow potential than the zones that were tested.

Completion operations commenced in November and work is in progress on the connection to the existing Acrasia oil production facility. We expect to bring the well on line before the end of December 2010.

Following this very positive result, we will be investigating whether further development drilling at Acrasia is warranted.

Shale Gas**SLIDE 6**

I make particular mention of shale gas, because if shale gas in the Cooper Basin (and elsewhere in Australia) is successful – and it is a big if, with many technical challenges to be overcome - it has the potential to totally reshape Australia's energy supply industry, as is happening already in the USA and Canada.

An illustration of the changes that are occurring overseas. The Kitimat LNG facility in Western Canada, intended just 5 years ago as a regasification import terminal has been redesigned to comprise an LNG liquefaction export facility.¹ Given the capital investments involved, this is not the sort of major about-face that any company is going to make lightly.

I would suggest that any potential user of large amounts of power, or anyone with an interest in industrial or infrastructure developments should be extremely interested to stay up to date with shale gas developments.

Stuart has a potential prospective shale gas resource in PEL 516 in the Cooper Basin, the scale of which we are only just beginning to appreciate.

Our initial evaluation has been carried out in conjunction with MHA Petroleum Consultants, based in Denver, Colorado, who are independent specialists in the assessment of unconventional gas resources. They advise that in the Allunga Trough and Mettika Embayment areas of PEL 516, the prospective shale gas resource in place associated with the Roseneath and Murteree shales is in the range of 38 to 60 trillion cubic feet (or TCF) of gas, with further resources in other parts of the licence.

A quick comparison to put 38 to 60 trillion cubic feet of gas in context.

Primary Industries and Resources South Australia (PIRSA) advise² that the total cumulative gas production recovered from the South Australian Cooper Basin over the last 40 years is 5 trillion cubic feet.

If we are able to recover 10 percent of the estimated in place gas resource, we will have a project equal in magnitude to the entire South Australian Cooper Basin gas production over the last 40 years.

These shale accumulations are comparable in area, thickness, depth, organic content and thermal maturity with currently productive shale gas provinces in the USA. One significant difference, the impact of which we are evaluating, is that these Cooper Basin shales were deposited in a lacustrine (or lake) environment rather than the marine depositional environment found in basins in the USA.

In order to improve our understanding of the shale potential, we intend to acquire and analyse core from both the Roseneath and Murteree shales, at depths of 2400 to 2600 metres, in the upcoming Vintage Crop 1 oil exploration well. Assuming reasonable weather conditions, this well is likely to be drilled in the first half of 2011.

We intend to re-enter the existing suspended Allunga Trough 1 well to carry out fracture injectivity testing to determine in situ stresses which will assist in the design of production wells.

Various geological studies are also ongoing with a view to better understanding the potential resource and to develop a programme to test its commercial viability.

Port Bonython Fuels**SLIDE 7**

And so to Port Bonython Fuels, which is probably of most interest to this audience in Whyalla.

The Port Bonython Fuels project, now 100% owned by Stuart, comprises the staged development of a fuel storage terminal and mini-refinery in the upper reaches of the Spencer Gulf.

The Market**SLIDE 8**

Last year, Australia imported 45% of the diesel it consumed. Diesel demand is set to grow significantly with imports forecast to reach 66% of consumption before the end of this decade.

The South Australian diesel market is approximately 1.4 billion litres, approximately 50% of which is consumed in our target market to the north of Port Pirie.

South Australian storage and transportation infrastructure is not efficient in supplying the current market and will become less so as demand grows. Northern South Australia in particular, with a significant number of large mining projects is a growth market with existing supply already stretched by current demand.

Why Port Bonython?

Port Bonython has a number of logistical advantages, in particular its existing but under-utilised infrastructure.

It is the only operational deepwater port in the State, with the capability of handling 100,000 tonne petroleum cargoes. This gives economy of scale benefits when compared to the nearest alternative at Port Adelaide, which can only handle 28,000 tonne cargoes and which has very limited expansion potential. Port Bonython is also some 250 kilometres nearer than Port Adelaide to the region of the greatest forecast demand growth.

Port Bonython is ideally sited to distribute diesel into rural, industrial and mining markets in the north and west of South Australia.

Engineering Design and Plant Integrity

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Front end engineering design work has been carried out on Stage 1 of the project. Stage 1 comprises ship unloading and pipeline infrastructure, a fuel storage terminal plus truck loading and distribution facilities. The capital investment required is around \$80 million.

Particular attention has been paid to ensuring plant integrity.

Primary containment issues are addressed in the following ways:

1. With a “cone down” rather than a flat bottomed tank design to minimise potential corrosion sites
2. The lower parts of the tanks will be internally coated, and cathodic protection will be used, both practices minimising corrosion issues
3. With an electronic under tank floor hydrocarbon detection system, and

4. All pipework will be above ground rather than buried to ensure ease of access for inspection.

Secondary containment will consist of a fully integrated composite impermeable membrane system within a bunded area.

These measures represent the state of the art in plant integrity and the design has been approved by the EPA.

Land and Approvals

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We have secured 74 hectares of land from the South Australian State Government adjacent to the existing jetty infrastructure on which to build the approved facility, with an option to acquire further land to accommodate potential expansion.

All necessary surveys and clearances have been obtained over the land proposed for the site. Under the Crown Sponsored process, we have Development Approval which allows for the storage of up to 170 million litres of diesel at any one time. We are now in the last stages of finalizing the licence documentation with the State Government which will allow us to use the existing Port Bonython jetty and adjacent land access corridor.

When this final regulatory process is completed, our focus will be on concluding commercial negotiations with potential investors, product suppliers and customers to allow the project to be brought to fruition.

Once commercial agreements are in place, construction is expected to take approximately 18 months.

Summary and Conclusions**SLIDE 11**

Ladies and Gentlemen, in conclusion.

Stuart has a solid and profitable base oil production business.

We have had some very pleasing recent success with the Acrasia 5 oil development well which we expect to bring online before the end of December.

We are finally making solid progress in moving Port Bonython Fuels forward.

And finally, sometimes unexpected riches beyond your wildest dreams are to be found right underneath your feet, disguised as difficulty, uncertainty and hard work.

Shale gas in the Cooper Basin, though technically challenging and definitely by no means a certain proposition at this time, represents exactly such an opportunity for us and for the State.

With shale gas, Stuart, underpinned by a solid base business, may be right on the cusp of a game changing future.

Thank you very much for your attention.

References:

1. Exporting Canadian LNG. Kitimat LNG presentation, CWC Conference –New Orleans, April 2009
2. PIRSA. CO-2010 South Australian Acreage Release Brochure, April 2010. Total cumulative product sales over the period 1970 to June 2009 = 4.878 TCF of gas