STUART PETROLEUM LIMITED

ABN 58 059 146 226

FINANCIAL REPORT

for the half-year ended 31 December 2010

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23 February 2011

APPENDIX 4D

for the half-year ended 31 December 2010

(Rule 4.2A.3)

Results for announcement to the market

				$A'000
Revenues from ordinary activities *(item 2.1*	Decreased	32%	To	10,393
Profit (loss) from ordinary activities after tax attributable to members (*item 2.2*)	Decreased	72%	To	497
Net profit (loss) for the period attributable to members *(item 2.3)*	Decreased	72%	To	497

Dividends *(item 2.4)*	Amount per security	Franked amount per security
Interim dividend	Nil	Nil
Previous corresponding period: Interim dividend	Nil	Nil
Record date for determining entitlements to the dividend (*item 2.5)*		N/A

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2010 including the Directors' Report and the financial report for the period and any public announcements made by Stuart Petroleum Limited during the interim period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

This report is based on financial statements which have been subject to review by the Company's auditor.

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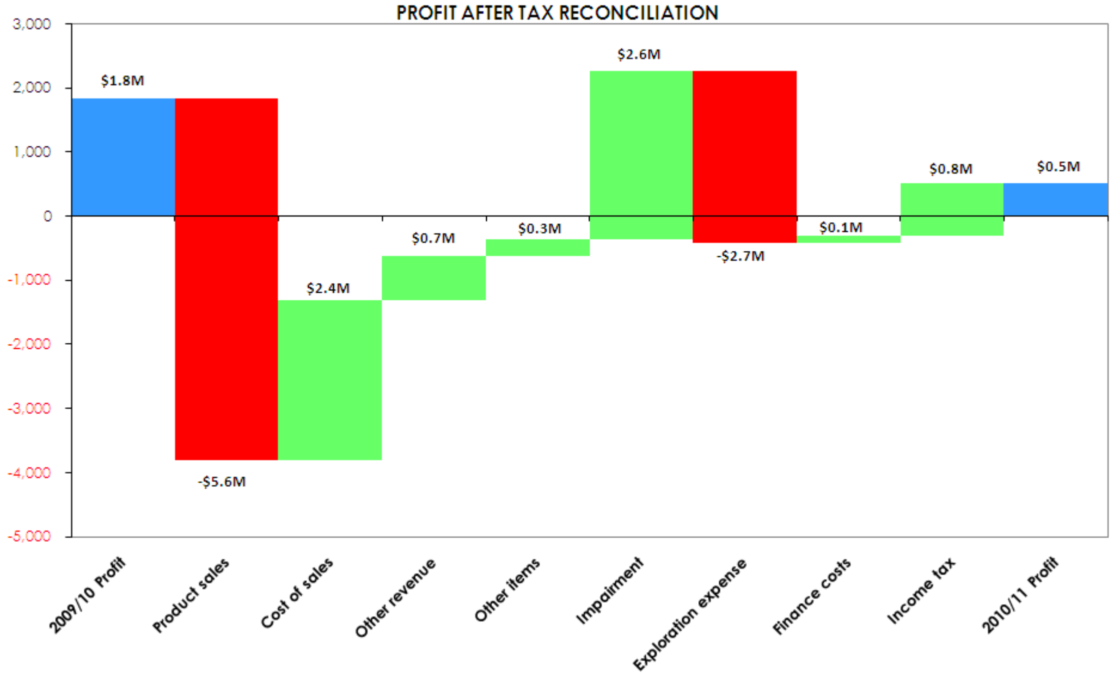
COMMENTARY ON FINANCIAL STATEMENTS

STATEMENT OF INCOME

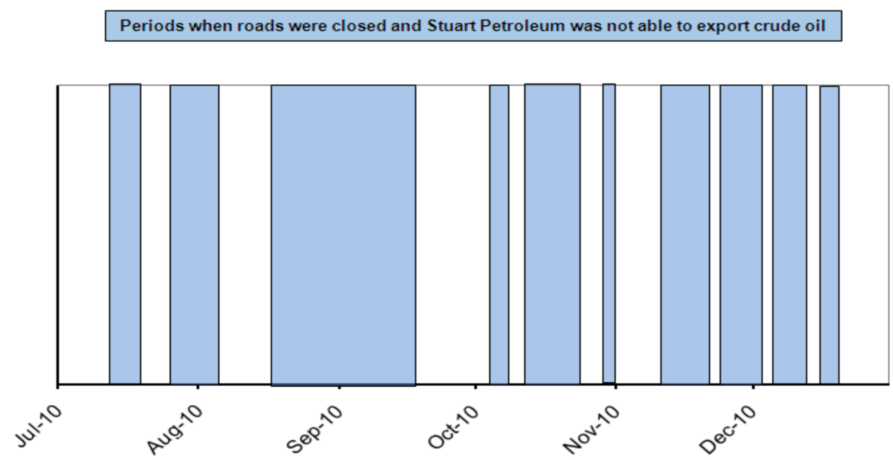
Profit after tax was $0.5 million, a decrease of $1.3 million profit from the prior year. Set out below is a waterfall graph showing the key variances :



Product Sales ($9.5 million - down by $9.9 million or 37%)
Production (73,600 barrels - down by 48,400 barrels or 40%)

- The calendar year 2010 has been the wettest year since 1974 in central Australia.

  Because the majority of the Company's production is exported via trucking over clay roads, any rain necessitates the closure of the roads until the surface of the road can dry out. As can be seen in the following graph there were ten periods during the six months when the Company was unable to export its production.



The impact of the rain has not only restricted production and export from existing facilities but delayed production from new development wells.

- The average sales price increased by $5.01 to $128.86 per barrel inclusive of hedge gains as compared to the prior corresponding period. The oil price realised excluding hedges in the current period was $83.20 per barrel.

Other revenue from ordinary activities ($0.9 million - up by $0.7 million or 316%)

- During the half year the Company finalised the insurance 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 loss of profits insurance recovery component was $0.8 million.

Cost of sales ($3.9 million - down by $2.5 million or 39%)

- Production costs decreased by $0.7 million due to minimal down hole activity and minimal maintenance expenditure.
- Tolls and export tariffs decreased by $0.6 million as a result of lower transported / shipped volumes.
- Government royalties decreased by $0.4 million as a result of lower sales.
- Amortisation and depreciation charge for the period was $0.9 million: a decrease of $0.8 million compared to the prior corresponding period due to the net increase in reserves resulting from the success of the Acrasia 5 development well.

Impairment of oil and gas assets (Nil - down by $2.9 million or 100%)

- There was no impairment expense required in the half year.

Exploration expense ($4.0 million - up by $1.7 million or 130%)

- The exploration expense comprised seismic processing and exploration studies of $1.0 million and $3.0 million respectively as a result of expensing costs associated with drilling Kerinna 2, which was an unsuccessful exploration well.

Income tax expense ($0.3 million - down by $0.7 million or 70%)

- The effective tax rate for the period is 33.6% (31 Dec 2009: 36.9%).

STATEMENT OF FINANCIAL POSITION

Net tangible assets per ordinary share at 31 December 2010 are 46 cents (30 June 2010: 49 cents).

Total assets ($43.9 million - up by $5.1 million or 13%)

- Current assets increased by $0.5 million and non-current assets increased by $4.6 million.

- The increase in current assets is due to:
  - A $1.3 million increase in cash which was held to make payments to suppliers in early January 2011.
  - A decrease in receivables of $0.2 million as a result of low level of exports in November and December 2010.
  - Decreased joint venture contribution accounts of $0.6 million.

- The increase in non-current assets is due to:
  - An increase in oil and gas assets of $4.3 million as a result of expenditure on the drilling, completion and tie in to facilities at Worrior 7 and Acrasia 5.
  - A decrease in exploration and evaluation asset by $0.4 million due to the expensing of pre-drill expenditure on the Kerinna 2 exploration well which had been capitalised as at 30 June 2010.
  - Additional expenditure on the development of the Port Bonython Fuels Project of $0.4 million during the period.
  - An increase in the net deferred tax asset of $0.3 million as a result of timing of exploration expenditure for income tax purposes.

Total liabilities ($14.4 million - up by $6.4 million or 80%)

- Current liabilities increased by $6.9 million and non-current liabilities decreased by $0.5 million.

- The increase in current liabilities is the result of:
  - An increase in the Company's borrowings of $5.9 million during the year.
  - An increase in trade and other payables of $1.0 million. The increase is primarily due to capital expenditure incurred in November and December on Acrasia 5 incurred but not paid at period end.
  - An increase in derivative financial instruments of $0.3 million resulting from the mark to market valuation of oil hedges.
  - Offsetting these increases was a decrease in current tax payable of $0.1 million as a result of tax instalments paid, and provisions of $0.2 million. The provision for long service decreased as a result of staff turnover.

- Non-current liabilities decreased due to:
  - The deferred tax liability as of 30 June 2010 became a net tax asset as of 31 December as a result of the company incurring a tax loss for the period due primarily to expenditure on exploration drilling.

Total equity ($29.5 million - down by $1.3million or 4%)

- Contributed equity increased by $2.0 million as a result of a share placement of 4.0 million shares at 50 cents per share.

- Retained earnings decreased by $0.8 million, being the net of profit in the period of $0.5 million offset by the payment of a dividend of $1.3 million.

- Included in prior year reserves were hedge gains as a result of close out of contracts to be included in profit in the period corresponding to the original hedge designation. The decrease of $2.6 million in hedge reserve represents amounts included in profit for the current period. In addition, the share-based payment reserve increased by $0.1 million as a result of option/rights costs in the current period.

STATEMENT OF CASHFLOWS

The factors impacting cash flow are summarised below:

Cash Flows from Operating Activities ($3.4 million down by $3.1 million or 48%)

- Receipts from customers were lower by $3.4 million as a result of lower sales, net of $0.2 million reduction in debtors.
- The prior corresponding period included proceeds from the closeout of hedge contracts totalling $3.0 million.
- Other income received included a receipt of $0.8 insurance loss of profits claim.
- Payments to contractors, suppliers and employees were $2.7 million less than the corresponding period.
- Other items included royalty payments which were $0.4 million lower than the corresponding period primarily due to lower sales revenue and expenditure on exploration studies and seismic which increased by $0.4 million.

Cash Flows from Investing Activities (-$8.6 million down by $4.3 million or 100%)

- Expenditure on exploration and evaluation drilling was $2.9 million, an increase of $0.8 million compared to the prior corresponding period.
- Expenditure on development drilling and facilities was $5.1 million, an increase of $4.9 million compared to the prior corresponding period.
- Expenditure on the Port Bonython fuel storage development project decreased by $1.4 million.

Cash Flow from Financing Activities ($6.6 million up by $8.7 million or 405%)

- During the half-year borrowings increased by $5.9 million (31 December 2009: Nil). Repayments in the corresponding period were $2.2 million.
- Included in cash inflows in the period was $2.0 million as a result of a share placement which was offset by a dividend payment of $1.3 million in the current period. There were no share placement receipts or dividend payments in the prior corresponding period.

Cash at end of the year

- As at 31 December 2010 cash at bank was $1.4 million compared to $0.3 million at 31 December 2009.

DIRECTORS' REPORT

for the half-year ended 31 December 2010

Your Directors present their report on the consolidated entity consisting of Stuart Petroleum Limited (the Company) and the entities it controlled at the end of, or during, the half-year ended 31 December 2010. The Company's Financial Statements for the half-year ended 31 December 2010, presented on pages 9-18, form part of this report.

DIRECTORS

The following persons were directors of the Company during the half-year and up to the date of this report:

John Gilbert Branson AM., R.afD., LLB., C.Univ., FAICD (Chairman)
J Bruce Parncutt B Sc, MBA, MFSIA (Director – appointed 31/8/2010)
David Brian Clarke B Sc
Giustino (Tino) Guglielmo B Eng (Mech), MAICD, MSPE (Managing Director - resigned 6/10/2010)

OPERATING RESULTS, REVIEW OF OPERATIONS, STATE OF AFFAIRS AND LIKELY DEVELOPMENTS

Set out below is a summary of the half-year results, prepared in accordance with the requirements of Australian equivalents to International Financial Reporting Standards.

Statement of Comprehensive Income ($'000)	**Consolidated Six months ended 31 December 2010**	**Consolidated Six months ended 31 December 2009**
Product Sales Revenue	**9,484**	15,116
Cost of Sales	**(3,900)**	(6,379)
Net Profit / (Loss) After Tax	**497**	1,826
Earnings per Share (diluted) - cents	**0.8**	2.6

Statement of Financial Position ($'000)	**Consolidated 31 December 2010**	**Consolidated 30 June 2010**
Total Assets	**43,874**	38,817
Interest Bearing Liabilities	**5,900**	-
Shareholders' Equity	**29,471**	30,806

Cash Flow Statement ($'000)	**Consolidated 31 December 2010**	**Consolidated 31 December 2009**
Operating Inflows	**3,355**	6,420
Investing Outflows	**(8,606)**	(4,310)
Financing Inflows	**6,558**	(2,150)

	Consolidated 31 December 2010	Consolidated 30 June 2010
Ratios		
Net Tangible Asset per Share – cents	**46.0**	49.0
Net borrowings / Net borrowings & Equity	**13.2%**	(0.4%)
		Consolidated 31 December 2009
Return on Contributed Equity	**1.7%**	5.8%
Return on Capital Employed	**1.8%**	4.5%
Average oil price received net of hedging	**A$128.86**	A$123.85
Volumes (thousands of barrels)		
Proved and probable reserves	**2,183**	2,054
Production – barrels of oil	**74**	122

The barrels of production from each field (expressed in thousands of barrels) is summarised below:

	Six months ended 31 December 2010	Six months ended 31 December 2009
Worrior	**45**	76
Acrasia	**9**	12
Derrilyn unit	**8**	13
Harpoono Area	**-**	2
Padulla	**12**	19
TOTAL	**74**	122

Results of the exploration / drilling program

Stuart drilled the Kerinna 2 exploration well in PEL 516. The reservoir was intersected below the oil-water contact identified in Kerinna 1 and the well was plugged and abandoned.

DIVIDENDS

	Consolidated Six months ended 31 December 2010	Consolidated Six months ended 31 December 2009
Dividends paid during the half-year ($'000)	**1,342**	**-**

SUBSEQUENT EVENTS

Except as mentioned below, in the opinion of the Directors there has not arisen in the interval between the end of the half-year and the date of this report any matter or circumstance that has significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

Between the end of the half year and the date of this report, Stuart received an offer from Senex Energy, on 21 February, to purchase all of its shares in an agreed off market merger transaction. The offer of 2.5 Senex Energy shares for every 1 Stuart share values Stuart at $1.1375 per share on a fully diluted basis or approximately $77.8 million for the whole of Stuart's issued capital (these values are based on the closing price of Senex Energy shares on 18 February 2011).

The Board of Stuart Petroleum has elected to unanimously recommend that shareholders accept this offer, in the absence of a superior proposal. Senex has entered into a pre-bid acceptance agreement with Stuart's largest shareholder and director, Mr David Clarke in respect of 19.9 per cent of Stuart's issued capital.

The offer is subject to certain conditions which are summarised in an announcement made to the ASX on 21 February and in Senex Energy's Bidders Statement, also released to the ASX on 21 February.

OUTLOOK

Subject to any changes in strategy which may arise from corporate merger activity, the operational focus during the next 6 months will be to complete workover operations on Acrasia 5 and Worrior 7 in order to maximise crude oil production volumes from the Cooper Basin. In addition, preparatory work will be carried out to enable Vintage Crop-1 to be drilled as early as possible in the next financial year in order to progress the Shale Gas project. Discussions with potential partners on the Port Bonython Fuels project will be progressed with the aim of securing finance to allow the project to proceed.

AUDITOR INDEPENDENCE DECLARATION

A copy of the auditors' independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 8 and forms part of the Directors' Report.

ROUNDING

The company is of a kind referred to in Class order 98/0100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

Signed & made in accordance with a resolution of the Directors.

J BRANSON
Chairman

Adelaide, South Australia
23 February 2011

Auditor's Independence Declaration

As lead auditor for the review of Stuart Petroleum Limited for the half year ended 31 December 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 review; and
b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Stuart Petroleum Limited and the entities it controlled during the period.

A G Forman
Partner
PricewaterhouseCoopers

Adelaide
23 February 2011

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FINANCIAL STATEMENTS

For The Half-Year Ended
31 December 2010

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2010 and any public announcements made by Stuart Petroleum Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001* and the ASX Listing Rules.

STATEMENT OF COMPREHENSIVE INCOME
For the half-year ended 31 December 2010

		Consolidated	
	Note	**2010 $'000**	2009 $'000
Product sales	2	**9,484**	15,116
Cost of sales	3	**(3,900)**	(6,379)
Gross profit		**5,584**	8,737
Other revenue from ordinary activities	2	**909**	218
Other expenses from ordinary activities	3	**(1,353)**	(1,623)
Exploration expense	3	**(3,983)**	(1,296)
Impairment of oil & gas assets	3	**-**	(2,628)
Finance costs	3	**(409)**	(516)
Profit / (loss) before income tax expense		**748**	2,892
Income tax (expense) / benefit		**(251)**	(1,066)
Profit / (Loss) for the half-year		**497**	1,826
Other comprehensive income / (loss)			
Change in fair value of Cash flow hedges net of tax		**(2,577)**	(3,112)
Other comprehensive income for the half-year, net of tax		**(2,577)**	(3,112)
Total comprehensive income / (loss) for the half-year		**(2,080)**	(1,286)
Profit / (loss) is attributable to:			
Owners of Stuart Petroleum Limited		**497**	1,826
		497	1,826
Total comprehensive income / (loss) is attributable to:			
Owners of Stuart Petroleum Limited		**(2,080)**	(1,286)
		(2,080)	(1,286)
Earnings per share for profit / (loss) attributable to the ordinary equity holders of the company:			
Basic earnings / (loss) per share (cents)		**0.8**	2.9
Diluted earnings / (loss) per share (cents)		**0.8**	2.6

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

STATEMENT OF FINANCIAL POSITION
As at 31 December 2010

	Note	Consolidated	
		31 December 2010 $'000	**30 June 2010 $'000**
CURRENT ASSETS			
Cash and cash equivalent assets		**1,430**	123
Receivables		**2,953**	3,141
Inventory		**33**	33
Other assets		**552**	1,203
Total current assets		**4,968**	4,500
NON-CURRENT ASSETS			
Exploration and evaluation	4	**2,808**	3,217
Oil and gas assets	5	**27,001**	22,713
Fuel storage development project	6	**8,356**	7,931
Other plant and equipment		**318**	337
Deferred tax asset		**304**	-
Goodwill		**119**	119
Total non-current assets		**38,906**	34,317
Total assets		**43,874**	38,817
CURRENT LIABILITIES			
Trade and other payables		**4,367**	3,408
Borrowings		**5,900**	-
Current tax liabilities		**1,597**	1,685
Provisions		**194**	397
Derivative financial instruments		**288**	-
Total current liabilities		**12,346**	5,490
NON CURRENT LIABILITIES			
Deferred tax liability		**-**	549
Provisions		**2,057**	1,972
Total non-current liabilities		**2,057**	2,521
Total liabilities		**14,403**	8,011
Net assets		**29,471**	30,806
EQUITY			
Contributed equity	8	**12,392**	10,392
Reserves		**4,723**	7,213
Retained profits		**12,356**	13,201
Total equity		**29,471**	30,806

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

STATEMENT OF CHANGES IN EQUITY
For the half-year ended 31 December 2010

Consolidated	Note	Contributed equity $'000	Reserves $'000	Retained earnings $'000	Minority interest $'000	Total equity $'000
Total equity at 1 July 2010		**10,392**	**7,213**	**13,201**	**-**	**30,806**
Total comprehensive income for the half-year		**-**	**(2,577)**	**497**	**-**	**(2,080)**
Transactions with owners in their capacity as owners:						
Shares issued		**2,000**	**-**	**-**	**-**	**2,000**
Dividends paid	7	**-**	**-**	**(1,342)**	**-**	**(1,342)**
Employee share options / rights		**-**	**87**	**-**	**-**	**87**
Total equity at 31 December 2010		**12,392**	**4,723**	**12,356**	**-**	**29,471**

Consolidated	Note	Contributed equity $'000	Reserves $'000	Retained earnings $'000	Minority interest $'000	Total equity $'000
Total equity at 1 July 2009		10,392	12,093	6,435	725	29,645
Total comprehensive income for the half-year		-	(3,112)	1,826	-	(1,286)
Transactions with owners in their capacity as owners:						
Employee share options / rights		-	199	-	-	199
		-	199	-	-	199
Non-controlling interest on acquisition of subsidiary		-	696	-	(725)	(29)
Total equity at 31 December 2009		10,392	9,876	8,261	-	28,529

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

STATEMENT OF CASHFLOWS
For the half-year ended 31 December 2010

		Consolidated	
	Note	**2010 $'000**	2009 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		**8,071**	11,514
Proceeds on close out of hedges		**-**	3,004
Interest received		**42**	8
Other income received		**863**	183
Payments to contractors, suppliers and employees (inclusive of goods and service tax)		**(4,050)**	(6,794)
Royalties paid		**(340)**	(750)
Exploration and evaluation expenditure – seismic and studies		**(829)**	(430)
Income tax (paid) / received		**(88)**	34
Borrowing costs paid		**(314)**	(349)
Net cash inflow from operating activities		**3,355**	6,420
Cash flows from investing activities			
Payment for:			
Exploration and evaluation		**(2,940)**	(2,168)
Oil and gas assets		**(5,113)**	(164)
Fuel storage development project		**(520)**	(1,959)
Other plant and equipment		**(33)**	(19)
Net cash outflow from investing activities		**(8,606)**	(4,310)
Cash flows from financing activities			
Proceeds from share issues		**2,000**	-
Dividends paid		**(1,342)**	-
Proceeds from / (repayment of) borrowings		**5,900**	(2,150)
Net cash inflows from financing activities		**6,558**	(2,150)
Net increase / (decrease) in cash held		**1,307**	(40)
Cash at the beginning of the year		**123**	321
Net Cash at the end of the year		**1,430**	281

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2010

1. Basis of preparation of half-year report

The general purpose financial report for the interim half-year reporting period ended 31 December 2010 has been prepared in accordance with Accounting Standard AASB134 *Interim Financial Reporting* and the *Corporations Act 2001*.

The interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2010 and any public announcements made by Stuart Petroleum Limited during the interim period in accordance with the continuous disclosure requirements of the *Corporations Act 2001* and the ASX Listing Rules.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except as set out below. Where adjustments have been made to prior period balances, they are for comparative purposes only.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

(a) Impact of standards issued but not yet applied by the entity

In December 2009, the AASB issued AASB 9 *Financial Instruments* which 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 has not yet decided when to adopt AASB 9.

(b) Working capital deficit

There is a net current asset deficiency in the consolidated entity as at 31 December 2010 as current liabilities, $12.3 million, exceed the current assets, $5.0 million. This deficiency is primarily due to the Commonwealth Bank facility of $5.9 million which expires 31 July 2011 being classed as a current liability, and also the current tax liability of $1.6 million payable in January 2011.

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.

2. Revenue and other income from ordinary activities

	Consolidated	
	2010 $'000	2009 $'000
Product sales:		
Crude oil	**9,484**	15,116
Other:		
Interest	**42**	9
Insurance recoveries	**758**	-
Sundry	**109**	209
	909	218

3. Expenses from continuing operations

	Consolidated	
	2010 $'000	2009 $'000
Cost of sales:		
Production costs	**1,465**	2,041
Employee benefit expense	**121**	218
Tolls and export tariffs	**1,048**	1,611
South Australian Government and Native Title royalties	**337**	748
Depreciation – plant and equipment	**439**	827
Amortisation – capitalised exploration and development	**490**	934
	3,900	6,379
Other expenses from ordinary activities:		
Employee benefit expense	**865**	594
Other selling and administrative expenses	**436**	968
Depreciation – plant and equipment	**52**	61
	1,353	1,623
Exploration expense	**3,983**	1,296
Impairment of oil & gas assets	**-**	2,628
Finance costs:		
Accretion of restoration liability	**83**	81
Foreign exchange loss	**12**	86
Interest and finance charges	**314**	349
	409	516

4. Non-current assets – Exploration and evaluation

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

	Consolidated	
	Six months ended 31 December 2010 $'000	Twelve months ended 30 June 2010 $'000
Balance at beginning of the period	**3,217**	5,152
Add expenditure for the period	**19**	5,301
Less non-current assets classified as held for sale	**-**	(5,100)
Less expensed in the period	**(428)**	(2,136)
Balance at the end of the period	**2,808**	3,217

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.

5. Non-current assets – Oil and gas assets

Consolidated	**Six months ended 31 December 2010**		
	Sub surface assets $'000	**Plant and equipment $'000**	**Total $'000**
Balance at beginning of the period	**12,471**	**10,242**	**22,713**
Add expenditure for the period	**4,836**	**381**	**5,217**
Add restoration obligations	**-**	**-**	**-**
Less amortised / depreciated during the period	**(490)**	**(439)**	**(929)**
Balance at the end of the period	**16,817**	**10,184**	**27,001**

6. Non-current assets – Fuel storage development project

	Consolidated	
	Six months ended 31 December 2010 $'000	Twelve months ended 30 June 2010 $'000
Balance at beginning of the period	**7,931**	5,065
Add expenditure for the period	**425**	2,866
Balance at the end of the period	**8,356**	7,931

7. Dividends

	2010 $'000	2009 $'000
Dividends paid during the half-year	**1,342**	-

8. Equity securities issued

		Six month 31 December 2010		Twelve months 30 June 2010	
		Number	**$'000**	Number	$'000
(a)	**Share Capital**		**12,392**		10,392
(b)	**Movement in ordinary fully paid shares**				
	Balance at beginning of period	**63,082,422**	**10,392**	63,082,422	10,392
	Share placement	**4,000,000**	**2,000**	-	-
	Balance at 31 December	**67,082,422**	**12,392**	63,082,422	10,392
(c)	**Movement in options**				
	Balance at beginning of period	**2,950,003**		4,950,000	
	Options lapsed	**(1,233,332)**		(1,299,997)	
	Balance at 31 December	**1,716,671**		2,950,003	
(d)	**Movement in rights**				
	Balance at beginning of period	**1,013,497**		2,026,987	
	Performance right lapsed	**(487,297)**		(1,013,490)	
	Total performance rights	**526,200**		1,013,497	

9. Borrowings

Stuart extended its existing facility with the Commonwealth Bank of Australia on 28 July 2010 for an additional 12 months. The limit under this facility is $9 million as at 31 December 2010, less a liquidity buffer of $1.5 million (stepping down to $8 million as at 31 March 2011).

10. Contingencies

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 Petroleum Production Licences.

11. Commitments

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.

12. Events occurring after half year end

Except as mentioned below, in the opinion of the Directors there has not arisen in the interval between the end of the half-year and the date of this report any matter or circumstance that has significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

Between the end of the half year and the date of this report, Stuart received an offer from Senex Energy, on 21 February, to purchase all of its shares in an agreed off market merger transaction. The offer of 2.5 Senex Energy shares for every 1 Stuart share values Stuart at $1.1375 per share on a fully diluted basis or approximately $77.8 million for the whole of Stuart's issued capital (these values are based on the closing price of Senex Energy shares on 18 February 2011).

The Board of Stuart Petroleum has elected to unanimously recommend that shareholders accept this offer, in the absence of a superior proposal. Senex has entered into a pre-bid acceptance agreement with Stuart's largest shareholder and director, Mr David Clarke in respect of 19.9 per cent of Stuart's issued capital.

The offer is subject to certain conditions which are summarised in an announcement made to the ASX on 21 February and in Senex Energy's Bidders Statement, also released to the ASX on 21 February.

DIRECTORS' DECLARATION

In the Directors' opinion:

(a) the financial statements and notes set out on pages 9 to 18 are in accordance with the *Corporations Act 2001*, including:
   (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
   (ii) giving a true and fair view of the entity's financial position as at 31 December 2010 and of its performance for the half-year ended on that date; and

(b) there are reasonable grounds to believe that Stuart Petroleum Limited will be able pay its debts as and when they become due and payable.

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

JG BRANSON
Chairman

Adelaide
23 February 2011

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

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial statements of Stuart Petroleum Limited, which comprise the statement of financial position as at 31 December 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, other selected explanatory notes and the directors' declaration for the Stuart Petroleum Limited Group (the consolidated entity). The consolidated entity comprises both Stuart Petroleum Limited (the company) and the entities it controlled during that half-year.

Directors' responsibility for the half-year financial report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001* and for such control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Stuart Petroleum Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. It also includes reading the other information included with the financial report to determine whether it contains any material inconsistencies with the financial report. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our review was not designed to provide assurance on internal controls.

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

Independence

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

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Stuart Petroleum Limited is not in accordance with the *Corporations Act 2001* including:

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001.*

PricewaterhouseCoopers

PricewaterhouseCoopers

A G Forman
Partner

Adelaide
23 February 2011