



Quarterly Activity Report

For the period ended 31 December 2010

28 January 2011

HIGHLIGHTS

Operations

- The Acrasia 5 development well (Stuart 75%) was drilled and completed as a four zone oil producer and has been connected to the existing Acrasia Oil Production Facility. Despite weather related interruptions, the well was brought online on pump on 18 December.

Initial production tests on individual reservoirs yielded the following results:

- 1559 barrels of oil per day and no water from the Poolowanna Formation
- 431 barrels of oil per day and no water from the Hutton Sandstone
- 268 barrels of oil per day and no water from the Birkhead Formation
- 88 barrels of oil per day and no water from the Tinchoo Formation

The production rates from the Birkhead and Tinchoo Formations have been achieved despite a downhole pump working at only 25% of capacity. This situation will be addressed with a workover in February 2011, intended to restore the well to its full productive capacity.

- Oil production volumes during the Quarter were 39,712 barrels, a 17% increase on the previous Quarter. Continuing unprecedented rain in the Cooper Basin through the second half of the year has hampered efforts to increase production volumes further.

Financial

- Oil revenues were \$5.0 million for the Quarter, including hedging gains of \$1.6 million. This is 11% higher than in the previous Quarter, reflecting higher production volumes and a higher realised oil price.

Growth Projects

- Port Bonython Fuels. Negotiations on a licence to use the existing jetty and adjacent land for an initial 35 year term have been successfully concluded with the South Australian Department of Trade, Energy and Infrastructure and documents are now being circulated for execution.

Iain MacDougall
Acting Chief Executive Officer

1. WORK COMPLETED

1.1. Drilling

Acrasia 5 (Stuart 75% and Operator)

Acrasia 5 was drilled to a total depth of 2,276 metres and has been completed as a 4 zone oil producer, tied back to the Acrasia Oil Production Facility. Net pay of 32 metres was intersected in four oil reservoirs. Despite various weather interruptions, the well was brought online on jet pump on 18 December.

Production tests using the downhole jet pump were carried out on the Hutton and Poolowanna reservoirs. Of particular note is that the well has not yet seen water breakthrough which is encouraging in mitigating the natural decline of future oil production rates. Physical limitations mean that the reservoirs will be drained sequentially rather than concurrently.

Formation	Oil Rate (barrels / day)	Water Rate (barrels / day)	Comment
Hutton	431	0	Pump operating correctly
Poolowanna	1559	0	Pump operating correctly

Following the Poolowanna production test, a downhole seal failure caused pump performance to deteriorate. The situation was diagnosed with a slickline intervention programme, however a workover will be necessary to restore the well to its full productive capacity. This is scheduled to be carried out in February.

With the damaged pump, the Birkhead and Tinchoo formation are only able to produce at approximately 25% of their productive capacity. Flow rates achieved have been as follows:

Formation	Oil Rate (barrels / day)	Water Rate (barrels / day)	Comment
Birkhead	268	0	Pump operating at ~ 25% capacity
Tinchoo	88	0	Pump operating at ~ 25% capacity

1.2. Port Bonython Fuels Project

Negotiations have been successfully completed between Port Bonython Fuels (Stuart 100%) and the South Australian Department of Transport, Energy and Infrastructure regarding a licence to permit non-exclusive use of the existing jetty and adjacent access land for an initial 35 year term. Documents have been completed and are in the process of execution by the parties.

1.3. Production

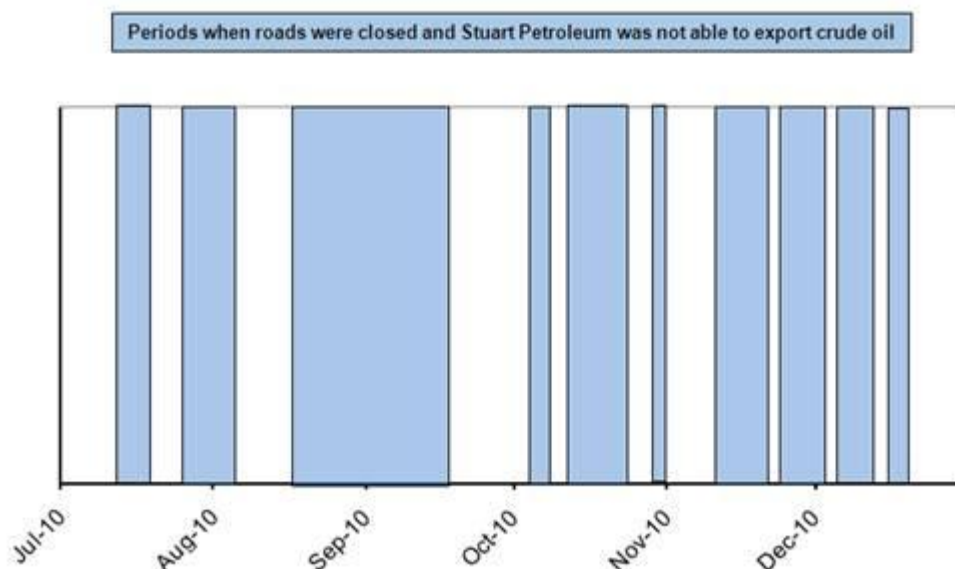
Calendar year 2010 has been the wettest since 1974 in central Australia.

In 1974 there were five months with rainfall greater than 60mm of which four were in the first half of the year. In 2010 there were four months with rainfall greater than 60mm of which three were in the second half of the year.

The only other year in which rainfall greater than 60mm has been experienced in a single month since Stuart began operations was in February 2003. The occurrence of rain in the second half of the year is unprecedented.

Because the majority of Stuart's production is exported via road train over clay capped roads, any significant rain results in the closure of the roads until the surface can dry out. As can be seen in the graph below there were ten periods during the six months when the Company was unable to export crude oil by road.

Stuart's facilities are designed to accommodate short outages with surface crude oil storage, however longer outages require production to be deferred. As part of an ongoing risk minimisation strategy to mitigate the impact of individual local rain events, Stuart exports by road to three independent destinations; Santos in Moomba, IOR in Eromanga and Shell in Corio, Victoria. Further work is being carried out to develop this strategy to ensure as far as possible that production will be able to continue in the event that unseasonal rains persist.



The impact of the rain has been to restrict production and export from existing facilities and, for the time being, has delayed seismic acquisition and exploration drilling projects.

1.4. Shale Gas / Liquids

Further samples of Roseneath and Murteree Shale rock cuttings have been taken from wells drilled in the Tenappera Trough within PEL 516 (Stuart 100%). These samples are being analysed for Total Organic Carbon (TOC) and Vitrinite Reflectance (VR). The VR values provide a measure of the maturity of shale gas source rocks and thereby provide an estimate of the potential hydrocarbon content.

Modelling of the range of productivity that might be expected from wells drilled to exploit the potential of shale hydrocarbons has begun and is scheduled for completion in March.

1.5. Corporate

Personnel

Mr. Tino Guglielmo resigned as Managing Director of the Company on 6 October 2010 and Mr. Iain MacDougall took on the role of Acting Chief Executive Officer.

Hedging

During the Quarter, the Company entered into a zero cost collar transaction for 44,000 barrels of sales proceeds in the period March 2011 to May 2011 with a put strike price of US\$70.00 / barrel and call strike price of at a price of US\$103.70 / barrel.

In accordance with the requirements of Australian Accounting Standards, the gain or loss on the close out of hedges can only be realised in the period to which the hedge originally related. The gain realised in the current quarter was \$1.6 million.

Share capital

At the date of this report, the Company has a total of 67,082,422 ordinary fully paid shares on issue.

At 31 December 2010 there were 1,716,671 options outstanding. A total of 750,000 options issued to directors expired during the Quarter.

As at the date of the previous quarterly report there were 591,977 performance rights outstanding. Following staff departures during and subsequent to the end of the Quarter, a further 71,292 performance rights have lapsed. As at the date of this report there are 520,685 outstanding performance rights. Entitlement to the remaining performance rights will be measured at 30 June 2011 subject to a share price hurdle between \$1.90 and \$2.44.

The Company has no other securities on issue other than those referred to above.

Environment

As reported by the Commonwealth Department of Environment, Water, Heritage and the Arts (DEWHA) in December, a conviction was recorded against Stuart relation to an administrative breach of the Environment Protection and Biodiversity Conservation (EPBC) Act during the drilling of the Oliver 2 well in 2009. The breach was immediately rectified. A penalty of \$102,750 was levied by the Court.

2. WORK PLANNED

2.1. Drilling and Workover

Two workovers are planned, to repair a downhole pump at Acrasia 5 and to access the untapped Birkhead reservoir at Worrior 7.

As a consequence of weather related delays, no drilling has been scheduled for the first half of 2011. The Vintage Crop 1 exploration well in PEL 516, which will evaluate potential Eromanga Basin oil reservoirs as well as the gas potential of the deeper Roseneath and Murteree shales, is now expected to be drilled around the middle of the calendar year, together with the Acrasia 6 development well.

2.2. Exploration

Cooper Basin – A study to evaluate the potential of oil-saturated fractured basement beneath the Worrior Oil Field is proposed. Oil shows in fractured basement were encountered in 4 Worrior wells and 6 barrels of oil were recovered on test in Worrior 3.

Poolowanna / Pedirka Basin – The Right to Negotiate process has been successfully concluded with the Wangkangurru / Yarluyandi native title claimants and Stuart is engaging with Primary Industries and Resources South Australia (PIRSA) to progress the grant of its initial 2 Petroleum Exploration Licence Applications in the basin, PELA 288 and PELA 289. Processing of the remaining two applications, PELA 290 and PELA 331 will follow in due course.

These four Petroleum Exploration Licence Applications cover approximately 33,000 km² of sparsely explored sections of the Jurassic/Cretaceous Eromanga Basin the Triassic Simpson Basin and the Permo-Triassic Pedirka Basin. One oil flow of approximately 100

barrels / day was recovered from the Poolowanna-1 well (situated approximately 10km north of PELA 288) drilled in 1977 by Santos and partners.

2.3. Port Bonython Fuels

Following execution of the licence to use the jetty and the adjacent access land, Stuart will continue work to determine how project value can best be maximised.

2.4. Shale Gas

Work is continuing to establish the data acquisition programme in Vintage Crop-1 which will provide an initial evaluation of the shale gas potential of PEL 516.

As well as wireline data acquisition, cores will be cut in the Roseneath and Murteree Shales to ascertain gas content and gas composition. Core analysis will provide data to establish the parameters required for hydraulic fracturing of future wells. The data obtained will be used to plan further dedicated evaluation wells in other parts of the permit.

Attachments

- Tables 1-2
- Regional Geological Setting showing Stuart Acreage Interests
- Asset Location Map – Cooper/Eromanga Basins

Compliance statement

The reserves estimates appearing in this statement were compiled by Mr Bruce Gunn, an employee of Resource Investment Strategy Consultants P/L (RISC), from information provided by Stuart. RISC is independent with respect to Stuart and has no pecuniary interest, other than to the extent of the professional fees receivable for the preparation of its report, or other interest in the assets evaluated, that could reasonably be regarded as affecting our ability to give an unbiased view of these assets. Mr Gunn, a practising petroleum engineer with over 25 years experience, has consented to the inclusion of the reserve information in the form and context in which it appears in this announcement.

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

Table 1

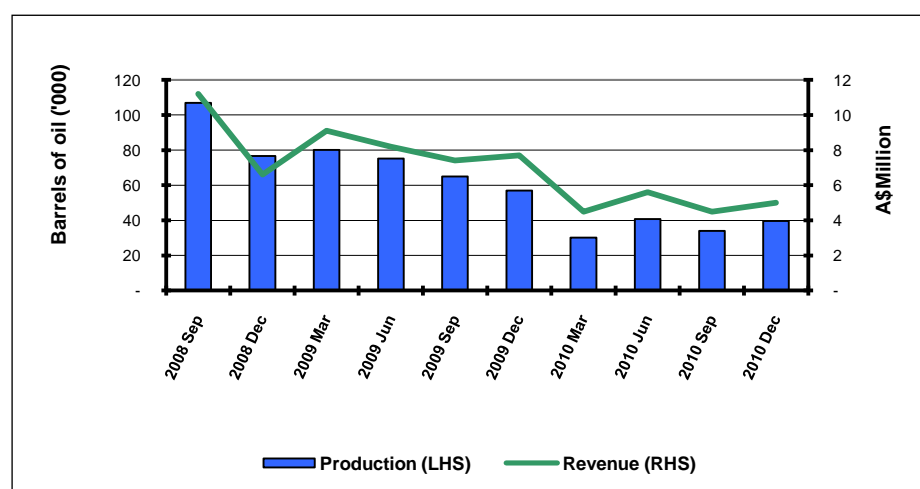
Stuart Petroleum Limited
Quarterly Statistics (Quarter on Quarter)

	December 2009	March 2010	June 2010	September 2010	December 2010	Change over Preceding Quarter (%)
Production Volumes (bbls)	57,034	30,191	40,843	33,878	39,712	17
• Average price – including hedging (A\$/bbl)	135.0	149.1	137.1	132.8	125.9	(5)
• Average price – excluding hedging (A\$/bbl)	98.2	76.2	88.1	79.7	85.6	7
• Oil Revenue – including hedging (A\$ million)	7.7	4.5	5.6	4.5	5.0	11
• Oil Revenue – excluding hedging (A\$ million)	5.6	2.3	3.6	2.7	3.4	26
• Production, Export & Royalty Cost (A\$ million)	2.3	1.5	1.2	1.5	1.5	0
• Costs per bbl (A\$/bbl)	40.3	49.7	29.4	44.3	37.8	(15)
• Exploration Expenditure Capitalised	0.3	0.0	0.7	(0.6)*	0.0	n/a
• Exploration Expenditure Expensed	1.0	0.3	0.5	2.9	1.4	(52)
• Development Expenditure Capitalised	0.9	0.8	1.5	2.2	3.4	55
Total Capital Expenditure	2.2	1.1	2.7	4.5	4.8	7
Net cash at Bank (A\$ million)	(8.8)	1.3	0.1	(0.9)	(4.5)	400
Receivables (A\$ million)	16.0	2.1	3.1	2.1	3.0	43
Trade Creditors (A\$ million)	(4.8)	(2.9)	(3.4)	(3.5)	(4.3)	23

* Drilling costs for Kerinna 2 capitalised in the prior Quarter transferred to exploration expense

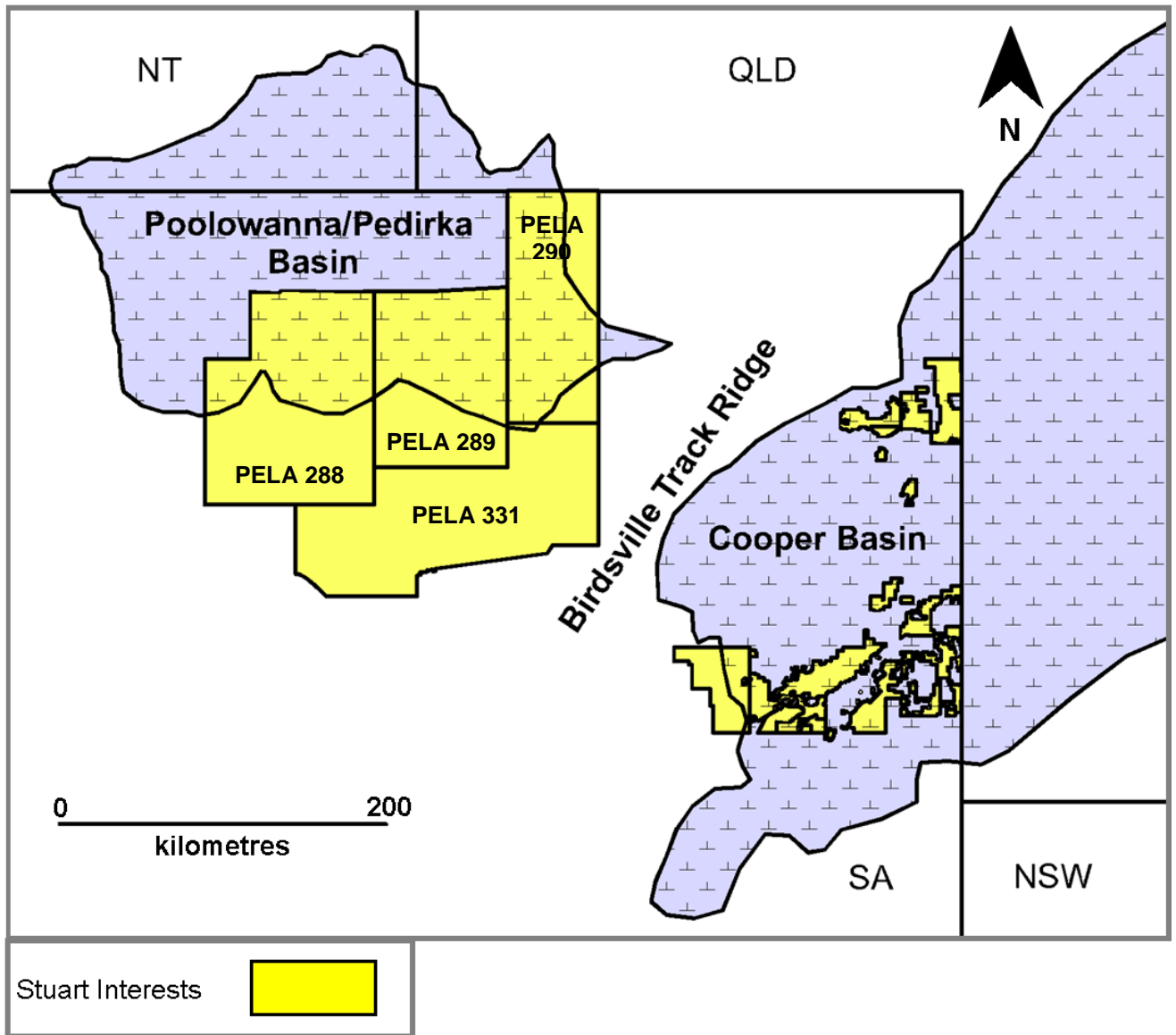
Table 2

Stuart Petroleum Limited
Quarterly Oil Production & Sales Revenue



Regional Geological Setting showing Stuart Acreage Interests

Permo-Triassic Basins subcropping Eromanga Basin strata



Asset Location Map Cooper/Eromanga Basins, South Australia

Stuart Legend

- Stuart Exploration Acreage
- PEL's 90, 93, 100, 102, 113 & 516
- Stuart Oil Production Tenements
- Stuart Gas Discovery
- Stuart Oil Drill Targets
- Stuart Gas Drill Targets

Regional Legend

- Oil Field
- Gas Field
- Oil Pipeline
- Gas Pipeline

0 20
kilometres

