STUART PETROLEUM LIMITED

ABN 58 059 146 226

FINANCIAL REPORT

for the half-year ended 31 December 2009

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24 February 2010

APPENDIX 4D

for the half-year ended 31 December 2009

(Rule 4.2A.3)

Results for Announcement to the Market

				$A'000
Revenues from ordinary activities *(item 2.1*	Decreased	15%	To	15,334
Profit (loss) from ordinary activities after tax attributable to members (*item 2.2*)	Increased	107%	To	1,826
Net profit (loss) for the period attributable to members *(item 2.3)*	Increased	107%	To	1,826

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

During the half-year ended 31 December 2009 Stuart Petroleum Fuels Pty Ltd increased its equity interest to 100% of Port Bonython Fuels Pty Ltd. As a result, Port Bonython Fuels Pty Ltd became a wholly owned subsidiary of Stuart Petroleum Limited from 30 July 2009.

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 2009 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 COMPREHENSIVE INCOME

Revenues for the half-year were $15.3 million, a 15% decrease from the previous corresponding period. Net profit after tax for the half-year increased 107% to $1.8 million from a loss of $26.1 million mainly due to lower exploration expense and impairment write-offs. Set out below is a detailed explanation of the changes giving rise to the net profit after tax:

Product Sales ($15.1 million down by $2.7 million -15%)

Product sales revenue for the 6 months to 31 December 2009 was $15.1 million, down 15% on the $17.8 million achieved in the previous corresponding period in 2008. The decreased revenue was the result of lower sales volume partly offset by increased oil prices. The sales volume reduced from 183,000 barrels of oil to 122,000 barrels of oil due primarily to natural field decline. The volume reduction was partly offset by increased oil prices with the average sales price after hedging increasing from A$96.96 per barrel to A$123.85 per barrel.

Cost of Sales ($6.4 million down by $3.1 million -33%)

The decrease in cost of sales resulted primarily from reduced tolls and royalties of $1.7 million and a reduction in amortisation of $1.1 million. The reduced costs were primarily driven by reduced revenues and production.

Exploration Expense ($1.3 million down by $32.3 million -96%)

Expenditure of $3.8 million was incurred in the current period. Costs of $2.5 million relating to AC/P33 were capitalised during the half-year. The reduction in exploration expense reflects changes in the drilling program compared to the previous year.

Tax ($1.1 million up by $12.2 million +110%)

The tax expense has resulted primarily from an increase in accounting profit due to reduced exploration and impairment.

Dividends (Nil down by $1.3 million)

The directors did not declare a dividend during the half-year.

BALANCE SHEET

Set out below is an explanation of the major movements in the balance sheet since the Financial report at 30 June 2009.

Total Assets ($45.6 million down by $6.6 million -13%)

The decrease in assets is due to three events; the closing out of foreign currency hedges; the elimination of goodwill on the purchase of the remaining 15% equity in Port Bonython Fuels Pty Ltd; and impairment of oil and gas assets.

a) The decrease in the hedge receivable due to the closing out of foreign currency hedges during the six month period reduced assets by $2.9 million.

b) Goodwill decreased by $2.9 million following the purchase of all shares (remaining 15%) in Port Bonython Fuels Pty Ltd (PBF) and the consequent extinguishment of the future purchase obligation (current and non-current liabilities).

c) Oil and gas assets decreased by $2.2 million due to an impairment of assets at Acrasia and Harpoono following review of remaining reserves.

The exploration and evaluation expenditure decreased by $2.6 million as a result of the transfer of $5.1 million of expenditure carried forward at 30 June 2009 to non-current assets classified as held for sale. The expenditure relates to preliminary costs associated with the drilling of the Oliver 2 well.

Inventories decreased by $1.8 million due to the impairment of casing inventory.

Total Liabilities ($17.0 million down by $5.5 million -24%)

The decrease in liabilities was mainly due to extinguishment of the future purchase obligation upon purchase of the remaining shares in PBF of $2.9 million, a reduction in the deferred tax liability of $1.4 million due to impairment of oil and gas assets and sale of foreign exchange hedges and a reduction of borrowings of $2.2 million.

The decreases in liabilities were partly offset by an increase in the current tax liability of $1.1 million due to the gain on closing out of foreign exchange hedges.

Total Equity ($28.5 million decreased by $1.1 million -4%)

Total equity decreased by $1.1 million primarily due to a comprehensive loss of $1.3 million. Hedge gains pertaining to future periods had previously been recognised as a reserve and have been brought to account in profit during the half-year.

CASH FLOW STATEMENT

The factors impacting the cash flow are summarised below:

Cash Flows from Operating Activities ($6.9 million down by $22.9 million -77%)

Operating cashflows were reduced due to lower receipts from customers of $19.0 million resulting from lower sales and an increase in debtors. Further, lower proceeds from sale of hedge of $9.0 million as well as a decrease in income tax refund of $2.5 million contributed to the lower operating cashflows.

The reduced operating cashflows were partly offset by reduced contractor, supplier and employee payments of $5.2 million and lower royalty payments of $2.1 million primarily due to lower sales in the period and lower net borrowing costs of $0.3 million.

Cash Flows from Investing Activities (-$4.7 million down by $29.0 million -86%)

Cash payments for exploration and evaluation reduced by $26.9 million in the six months to 31 December 2009 due to reduced exploration activity, compared to the prior corresponding period. Further, lower investment in drilling equipment compared to the previous corresponding period resulted in a reduced cash outflow of $2.9 million.

Cash Flow from Financing Activities (-$2.2 million down by $5.0 million -174%)

During the half-year the cash inflow from operating activities exceeded the cash outflow from investing activities by $2.1 million. This was used to reduce borrowings by $2.2 million.

Cash at end of the year

As at 31 December 2009 the Cash at bank was $0.3 million compared to $0.2 million at the 31 December 2008.

DIRECTORS' REPORT

for the half-year ended 31 December 2009

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 2009. The Company's Financial Statements for the half-year ended 31 December 2009, presented on pages 7-19, form part of this report.

DIRECTORS

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

John Gilbert Branson LLB, FAICD – Chairman
Giustino (Tino) Guglielmo B Eng (Mech), MAICD, MSPE – Managing Director
David Brian Clarke B Sc

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.

	Consolidated Six months ended 31 December 2009	**Consolidated Six months ended 31 December 2008**
Statement of comprehensive income ($'000)		
Product Sales Revenue	**15,116**	17,784
Cost of Sales	**(6,379)**	(9,474)
Net Profit / (Loss) After Tax	**1,826**	(26,091)
Profit attributable to minority interest	**-**	1
Profit attributable to owners of Stuart Petroleum Limited	**1,826**	(26,092)
Earnings per Share (diluted) - cents	**2.6**	(41.6)
Balance Sheet ($'000)	**Consolidated 31 December 2009**	**Consolidated 30 June 2009**
Total Assets	**45,565**	52,162
Interest Bearing Liabilities	**9,100**	11,250
Capital and reserves attributable to owners of Stuart Petroleum Limited	**28,529**	28,920
Minority interest	**-**	725
Shareholders' Equity	**28,529**	29,645

Cash Flow Statement ($'000)	**Consolidated 31 December 2009**	**Consolidated 31 December 2008**
Operating inflows	**6,850**	29,733
Investing outflows	**(4,740)**	(33,760)
Financing inflows	**(2,150)**	2,887

Ratios	**Consolidated 31 December 2009**	**Consolidated 30 June 2009**
Net Tangible Asset per Share – cents	**45.0**	47.0
		Consolidated 31 December 2008
Return on Contributed Equity	**5.8%**	(61.7%)
Return on Capital Employed	**4.5%**	(44.5%)
		Consolidated 30 June 2009
Net borrowings / Net borrowings & Equity	**23.6%**	26.9%
		Consolidated 31 December 2008
Average oil price received net of hedging	**A$123.85**	A$96.96
Volumes (thousands of barrels)		
Proved and probable reserves	**2,054**	2,420
Production – barrels of oil	**122**	183

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

	Six months ended 31 December 2009	**Six months ended 31 December 2008**
Worrior	**76**	119
Acrasia	**12**	16
Derrilyn unit	**13**	17
Harpoono Area	**2**	12
Arwon	**-**	1
Padulla	**19**	18
TOTAL	**122**	183

Results of the exploration / drilling program

No drilling was undertaken during the half-year.

DIVIDENDS

No dividends were paid during the half-year and the Directors do not recommend the payment of a dividend out of retained profits at 31 December 2009.

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.

On 12 January 2010, the Company announced that it had received South Australian Government Approval for the Port Bonython Fuels development application. The application relates to:

- Construction of fuel unloading facilities at the Port Bonython Jetty
- Construction of a 5.3 kilometre long fuel pipeline from the jetty head to land owned by Port Bonython Fuels Pty Ltd
- Construction of tanks with a diesel storage capacity in excess of 100 million litres
- Construction of truck loadout and associated facilities

On 11 February 2010, the Company announced that Foreign Investment Review Board approval to the sale of its interest in Timor Sea petroleum exploration permit AC/P33 to PTTEP Australasia (Ashmore Cartier) Pty Ltd had been received.

On 18 February 2010, the Company announced that it had received settlement monies from the sale of its interest in exploration permit AC/P33. The Company expects to recognise an accounting profit on the sale of this interest of $4.6 million before tax and corporate advisory completion fees.

OUTLOOK

The full year 2009/10 oil production forecast is expected to be up to 240,000 barrels following rain in February 2010. The focus during the next six months will be to complete necessary studies and approvals leading to the commencement of construction of Stage 1 of the Port Bonython Fuels Project.

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 7 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
24 February 2010

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Auditor's Independence Declaration

As lead auditor for the review of Stuart Petroleum Limited for the half year ended 31 December 2009, 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
24 February 2010

FINANCIAL STATEMENTS

For The Half-Year Ended
31 December 2009

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 2009 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 2009

		Half-year	
		Consolidated	
	Note	**2009 $'000**	2008 $'000
Product sales	2	**15,116**	17,784
Cost of sales	3	**(6,379)**	(9,474)
Gross profit		**8,737**	8,310
Other revenue from ordinary activities	2	**218**	263
Other income	2	**-**	52
Other expenses from ordinary activities	3	**(1,623)**	(1,695)
Exploration expense	3	**(1,296)**	(33,598)
Impairment of oil & gas assets	3	**(2,628)**	(8,589)
Finance costs	3	**(516)**	(1,982)
Profit / (loss) before income tax expense		**2,892**	(37,239)
Income tax (expense) / benefit		**(1,066)**	11,148
Profit / (Loss) for the half-year		**1,826**	(26,091)
Other comprehensive income / (loss)			
Change in fair value of Cash flow hedges net of tax		**(3,112)**	23,975
Other comprehensive income for the half-year, net of tax		**(3,112)**	23,975
Total comprehensive income / (loss) for the half-year		**(1,286)**	(2,116)
Profit / (loss) is attributable to:			
Owners of Stuart Petroleum Limited		**1,826**	(26,092)
Minority interest		**-**	1
		1,826	(26,091)
Total comprehensive income / (loss) is attributable to:			
Owners of Stuart Petroleum Limited		**(1,286)**	(2,117)
Minority interest		**-**	1
		(1,286)	(2,116)
Earnings per share for profit / (loss) attributable to the ordinary equity holders of the company:			
Basic earnings / (loss) per share (cents)		**2.9**	(41.6)
Diluted earnings / (loss) per share (cents)		**2.6**	(41.6)

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

BALANCE SHEET
As at 31 December 2009

	Note	Consolidated 31 December 2009 $'000	Consolidated 30 June 2009 $'000
CURRENT ASSETS			
Cash and cash equivalent assets		**281**	321
Receivables		**5,365**	4,876
Inventory		**555**	2,339
Current tax receivable		**-**	90
Derivative financial instruments asset		**-**	2,897
Other assets		**575**	311
Non-current assets classified as held for sale		**5,100**	-
Total current assets		**11,876**	10,834
NON-CURRENT ASSETS			
Exploration and evaluation	4	**2,533**	5,152
Oil and gas assets	5	**30,641**	32,793
Other plant and equipment		**356**	411
Land at cost		**40**	-
Goodwill	7	**119**	2,972
Total non-current assets		**33,689**	41,328
Total assets		**45,565**	52,162
CURRENT LIABILITIES			
Trade and other payables		**3,660**	4,137
Borrowings		**9,100**	11,250
Current tax liabilities		**1,119**	-
Provisions		**282**	275
Derivative financial instruments		**221**	-
Deferred share purchase consideration	7	**-**	1,033
Total current liabilities		**14,382**	16,695
NON CURRENT LIABILITIES			
Deferred tax liability		**330**	1,773
Provisions		**2,324**	2,176
Deferred share purchase consideration	7	**-**	1,873
Total non-current liabilities		**2,654**	5,822
Total liabilities		**17,036**	22,517
Net assets		**28,529**	29,645
EQUITY			
Contributed equity	8	**10,392**	10,392
Reserves		**9,876**	12,093
Retained Profits		**8,261**	6,435
Capital and reserves attributable to owners of Stuart Petroleum Limited		**28,529**	28,920
Minority interest		**-**	725
Total equity		**28,529**	29,645

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

STATEMENT OF CHANGES IN EQUITY
For the half-year ended 31 December 2009

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	7	**-**	**696**	**-**	**(725)**	**(29)**
Total equity at 31 December 2009		**10,392**	**9,876**	**8,261**	**-**	**28,529**

Consolidated	Note	Contributed equity $'000	Reserves $'000	Retained Earnings $'000	Minority interest $'000	Total Equity $'000
Total Equity at 1 July 2008		10,079	(10,402)	33,559	-	33,236
Total comprehensive income for the half-year		-	23,975	(26,092)	1	(2,116)
Transactions with owners in their capacity as owners:						
Contributions of equity, net of transaction costs	8	313	-	-	-	313
Dividends paid	6	-	-	(1,261)	-	(1,261)
Employee share options / rights		-	237	-	-	237
		313	24,212	(27,353)	1	(2,827)
Purchase of non controlling interest in subsidiary		-	-	-	350	350
Total equity at 31 December 2008		10,392	13,810	6,206	351	30,759

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

CASH FLOW STATEMENT
For the half-year ended 31 December 2009

		Half-year	
		Consolidated	
	Note	2009 $'000	2008 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		11,514	30,542
Proceeds on close out of hedges		3,004	11,986
Interest received		8	67
Other income received		183	196
Payments to contractors, suppliers and employees (inclusive of goods and service tax)		(6,794)	(12,006)
Royalties paid		(750)	(2,816)
Income tax paid		34	2,490
Borrowing costs paid		(349)	(726)
Net cash inflow from operating activities		6,850	29,733
Cash flows from investing activities			
Payment for:			
Cash acquired on purchase of subsidiary		-	236
Investment in drilling equipment		-	(2,890)
Exploration and evaluation		(2,598)	(29,523)
Oil and gas assets		(2,123)	(1,669)
Other plant and equipment		(19)	(42)
Proceeds from disposal of non-current assets		-	128
Net cash outflow from investing activities		(4,740)	(33,760)
Cash flows from financing activities			
Proceeds from share issues		-	297
Dividends Paid		-	(1,260)
(Repayment) / Proceeds from borrowings		(2,150)	3,850
Net cash inflows from financing activities		(2,150)	2,887
Net (decrease) / increase in cash held		(40)	(1,140)
Cash at the beginning of the year		321	1,367
Net Cash at the end of the year		281	227

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2009

1. Basis of preparation of half-year report

The general purpose financial report for the interim half-year reporting period ended 31 December 2009 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 2009 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.

During the half-year ended 31 December 2009 Stuart Petroleum Fuels Pty Ltd increased equity interest to 100% of Port Bonython Fuels Pty Ltd. As a result Port Bonython Fuels Pty Ltd is a wholly owned subsidiary of Stuart Petroleum Limited from 30 July 2009.

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.

Changes in accounting policy
Stuart Petroleum had to change some of its accounting policies as the result of new or revised accounting standards which became operative for the annual reporting period commencing on 1 July 2009.

The affected policies and standards are:

- Business combinations – revised AASB 3 Business Combinations
- Segments – new AASB 8 Operating Segments
- Borrowing Costs – AASB 123
- Presentation of Financial Statements – AASB 101

Business combinations
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 disclosed in note 7.

1. Basis of preparation of half-year report (continued)

Segment reporting
The Group has applied AASB 8 Operating Segments from 1 July 2009. AASB 8 requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes. As the Group operates in one business segment (exploration and production) there has been no impact on reportable segments presented.

Borrowing costs
The revised AASB 123 has removed the option to expense all borrowing costs and requires the capitalisation of all borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset. The Group has applied the revised AASB 123 from 1 July in relation to expenditure on the Port Bonython Fuels Project.

Presentation of Financial Statements
The revised AASB 101 requires the presentation of a statement of comprehensive income and makes changes to the statement of changes in equity, but does not affect any of the amounts recognised in the financial statements. The Group has applied the revised standard from 1 July 2009.

2. Revenue and other income from ordinary activities

	Half-year	
	Consolidated	
	2009 $'000	2008 $'000
Product sales		
Crude oil	**15,116**	17,784
Other:		
Interest	**9**	67
Sundry	**209**	196
	218	263
Other income		
Gain on sale of motor vehicles	**-**	52
Total other income	**-**	52

3. Expenses from continuing operations

	Half-year	
	Consolidated	
	2009 $'000	2008 $'000
Cost of sales:		
Production costs	**2,041**	2,080
Employee benefit expense	**200**	375
Superannuation expense	**18**	34
Tolls and export tariffs	**1,611**	2,405
South Australian Government and Native Title royalties	**748**	1,679
Depreciation – plant and equipment	**827**	1,122
Amortisation – capitalised exploration and development	**934**	1,779
	6,379	9,474
Other expenses from ordinary activities:		
Employee benefit expense	**545**	650
Superannuation expense	**49**	59
Other selling and administrative expenses	**968**	906
Depreciation – plant and equipment	**61**	80
	1,623	1,695
Exploration Expense	**1,296**	33,598
Impairment of Oil & Gas assets	**2,628**	8,589
Finance Costs:		
Accretion of restoration liability	**81**	80
Foreign exchange loss / (gain)	**86**	1,176
Interest and finance charges	**349**	726
	516	1,982

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 2009 $'000	Twelve months ended 30 June 2009 $'000
Balance at beginning of the period	**5,152**	11,795
Add expenditure for the period	**3,777**	34,171
Less net transfer (to) development phase	**-**	(13)
Less non-current assets classified as held for sale	**(5,100)**	-
Less expensed in the period	**(1,296)**	(40,801)
Balance at the end of the period	**2,533**	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.

5. Non-current assets – Oil and gas assets

Consolidated	**Six months ended 31 December 2009**			
	Sub surface assets $'000	**Plant and equipment $'000**	**Capital work in progress $'000**	**Total $'000**
Balance at beginning of the period	**13,864**	**13,864**	**5,065**	**32,793**
Add expenditure for the period	**103**	**21**	**2,113**	**2,237**
Add restoration obligations	**-**	**-**	**-**	**-**
Less WDV of disposals	**-**	**-**	**-**	**-**
Less impairment in the period	**(863)**	**(1,765)**	**-**	**(2,628)**
Less amortised / depreciated during the period	**(934)**	**(827)**	**-**	**(1,761)**
Balance at the end of the period	**12,170**	**11,293**	**7,178**	**30,641**

	Twelve months ended 30 June 2009			
Consolidated	**Sub surface assets $'000**	**Plant and equipment $'000**	**Capital work in progress $'000**	**Total $'000**
Balance at beginning of the year	24,773	14,600	2,587	41,960
Add net transfer from exploration and evaluation phase	13	-	-	13
Add expenditure for the year	152	1,730	2,478	4,360
Add restoration obligations	(114)	6	-	(108)
Less WDV of disposals	-	(76)	-	(76)
Less impairment in the year	(7,960)	(155)	-	(8,115)
Less amortised / depreciated during the year	(3,000)	(2,241)	-	(5,241)
Balance at the end of the year	13,864	13,864	5,065	32,793

6. Dividends

	Half-year	
	2009 $'000	2008 $'000
Dividends paid during the half-year	**-**	1,261

7. Acquisition of minority interest

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 31 December 2009.

Deferred purchase consideration	**$'000**
Balance at 1 July 2009	**2,906**
Less expenditure attributable to deferred consideration incurred	**(53)**
Less removal of deferred purchase obligation following purchase of shares	**(2,853)**
Balance at 31 December 2009	**-**

Goodwill	**$'000**
Balance at 1 July 2009	**2,972**
Less release of deferred purchase obligation	**(2,853)**
Balance at 31 December 2009	**119**

8. Equity securities issued

		Six month 31 December 2009 $'000		Twelve months 30 June 2009 $'000	
(a)	**Share Capital**		**10,392**		10,392
		Number	**$'000**	**Number**	**$'000**
(b)	**Movement in ordinary fully paid shares**				
	Balance at beginning of period	**63,082,422**	**10,392**	62,668,870	10,079
	Options exercised	**-**	**-**	400,000	297
	Employee share scheme ($1,000 per employee)	**-**	**-**	13,552	16
	Balance at 31 December	**63,082,422**	**10,392**	63,082,422	10,392
(c)	**Movement in options**				
	Balance at beginning of period	**4,250,000**		4,950,000	
	Options issued to Executives / Employees	**-**		-	
	Options lapsed	**(1,083,331)**		(300,000)	
	Options exercised	**-**		(400,000)	
	Balance at 31 December	**3,166,669**		4,250,000	
(d)	**Movement in rights**				
	Balance at beginning of period	**2,026,987**		0	
	Performance rights issued to Managing Director (G Guglielmo)	**-**		885,984	
	Managing Director performance right lapsed	**-**		(295,328)	
	Performance rights issued to key management personnel	**-**		1,495,511	
	Key management personnel performance right lapsed	**-**		(498,502)	
	Performance rights issued to other employees	**-**		658,982	
	Other employee performance right lapsed	**-**		(219,660)	
	Total performance rights on issue	**2,026,987**		2,026,987	
	Performance rights vested	**0**		0	
	Performance rights not vested	**2,026,987**		2,026,987	
	Total performance rights	**2,026,987**		2,026,987	

9. Borrowings

Stuart's facility limit under the multi option facility is $10 million as at 31 December 2009. In accord with the Deed of Consent with the Commonwealth Bank of Australia for the sale of the Company's 50% interest in AC/P33, the facility limit will reduce to $2.375 million immediately on completion. The Company has hedged the US$ component of the sales proceeds from the sale.

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.

As at 30 June 2009, the minimum exploration commitment within one year included $34.5 million for the dry hole cost of the Oliver 2 well. There is no commitment as of 31 December 2009 in relation to this well. This commitment has been eliminated with the sale of the AC/P33 permit announced in October 2009 after the final condition precedent (being Foreign Investment Review Board) was satisfied as announced on 11 February 2010.

On 9 December 2009 the Company announced that it was the successful bidder for a new exploration block in the Cooper Basin (PELA 516). The new licence will be awarded after Native Title Agreements are executed with claimant groups. The commitment for the PELA 516 permit is expected to be $20 million over the first three licence years.

12. Events occurring after the balance sheet date

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.

On 12 January 2010, the Company announced that it had received South Australian Government Approval for the Port Bonython Fuels development application. The application relates to:

- Construction of fuel unloading facilities at the Port Bonython Jetty
- Construction of a 5.3 kilometre long fuel pipeline from the jetty head to land owned by Port Bonython Fuels Pty Ltd
- Construction of tanks with a diesel storage capacity in excess of 100 million litres
- Construction of truck loadout and associated facilities

On 11 February 2010, the Company announced that Foreign Investment Review Board approval to the sale of its interest in Timor Sea petroleum exploration permit AC/P33 to PTTEP Australasia (Ashmore Cartier) Pty Ltd had been received.

On 18 February 2010, the Company announced that it had received settlement monies from the sale of its interest in exploration permit AC/P33. The Company expects to recognise an accounting profit on the sale of this interest of $4.6 million before tax and corporate advisory completion fees.

DIRECTORS' DECLARATION

In the Directors' opinion:

(a) the financial statements and notes set out on pages 7 to 19 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 2009 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
24 February 2010

PRICEWATERHOUSECOOPERS

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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 balance sheet as at 31 December 2009, 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 and fair presentation of the half-year 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 control relevant to the preparation and fair presentation of the half-year 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.

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 2009 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 2009 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
24 February 2010