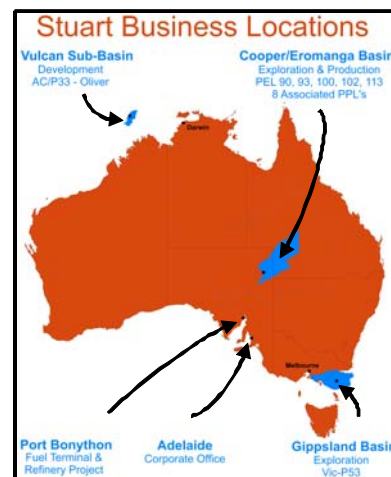


28 January 2009

The Manager  
Company Announcements  
Australian Stock Exchange Limited

Dear Sir,



### Quarterly Report Period Ending 31 December 2008

Australian oil explorer and producer, Stuart Petroleum Limited (ASX Code: STU) today reports on activities for the Quarter ended 31 December 2008.

#### 1 SUMMARY RESULTS

- Cash receipts during the Quarter totalled \$28.1 million including A\$12 million from the sale of commodity price hedges.
- Stuart's borrowings at 31 December 2008 reduced to A\$12 million, down from A\$23 million at 30 September 2008.
- During the Quarter:
  - Sales revenues totalled \$6.6 million, compared to A\$11.2 million in the September 2008 Quarter.
  - Oil production totalled 76,600 barrels, compared to 107,000 barrels in the September 2008 Quarter.
  - Stuart achieved an average sales price of A\$85.90 per barrel of oil compared to A\$104.70 in the September 2008 Quarter.
- Stuart's current hedge position will ensure it receives an average oil price of more than A\$100 per barrel on 107,000 barrels of hedged production for the remainder of 2008-2009.
- Exploration expense of \$29.5 million for the Quarter reflects costs associated with drilling the Bazzard-1 well in Vic P53 expensed in accordance with the Company's accounting policy. The well was plugged and abandoned after failing to encounter commercial hydrocarbons.

## **2 WORK COMPLETED**

### **2.1 TIMOR SEA PERMIT AC/P33 – Oliver Oilfield (Stuart earning 50% equity and Operator)**

Stuart engaged a Project Manager for Oliver. The Manager, Mr A. Dougans commenced with the company in December. Planning activity for the appraisal and development phases commenced.

Preliminary design work was undertaken for the planned appraisal well, Oliver-2. The consortium sharing the Songa Venus semi-submersible rig, of which Stuart is a member, completed the necessary tendering and contracting work for the various third party services required aboard the rig during drilling.

The rig was released to the first consortium member on 8 January. Stuart is the fourth operator in the consortium sequence, and Oliver-2 is expected to spud in December 2009.

The Designated Authority granted an extension of Year 5 of the AC/P33 permit to coincide with the well timing. Year 5 now ends 24 December 2009.

### **2.2 GIPPSLAND BASIN PERMIT VIC P53 (Stuart earning 50% interest and Operator)**

During the quarter, Bazzard-1 was drilled to a total depth of 3450m on 8 October. Good quality thick sandstones were intersected in three out of the four primary target horizons. Bazzard confirmed the depth conversion for the top Latrobe Group and the presence of the structural trap, in contrast to previous drilling in the permit. Minor oil shows and low resistivity values across the reservoirs indicated the sands were wet and possibly had received very little migrating oil. The well was plugged and abandoned and the rig was released on 13 October.

Since then, the Company has proceeded with interpretation of the well results and their incorporation into mapping within Vic/P53, with the aim of identifying additional drilling candidates. This work includes commencing a palynological study of the cuttings from Bazzard-1 to provide precise identification of layers within the drilled section.

During the quarter, Exoil and Moby extended the time period in which Stuart may elect to drill a second well in Vic/P53, from 11 January (90 days after rig release from Bazzard) to 31 March 2009.

## **2.3 COOPER/EROMANGA BASIN**

### **2.3.1 Exploration**

In PEL 102, processing of the Rogan 3D data (48 km<sup>2</sup>) was completed. The seismic interpretation and inversion study of the Rogan/Packsaddle Ridge area has also been completed. Interpretation confirms a gas prospect updip of Rogan 1 (Mean gas in place 15 BCF) and 3 oil/gas prospects on the Packsaddle Ridge – Balsa, Mentone and Mentone West with a mean oil and gas in place totalling 5.6 MMSTB and 9 BCF respectively.

PIRSA granted an application to extend the time in which to drill the remaining two commitment wells in PEL 102, to 24 August 2009.

A seismic project of reprocessing and inversion is progressing in the northern licences (PEL 100, PEL 90 and PEL 102) with the objective of defining Birkhead Formation sand channels in PEL 100, which host the Cleansweep oil discovery, and improving structural mapping and identifying direct indications of gas accumulations in PEL's 90 and 102.

## 2.3.2 Development & Production

Stuart's share of oil production during the Quarter was 76,555 barrels, 28% lower than the previous quarter. The reduction was a result of heavy rains and associated road closures which limited the export of crude oil during much of November and early December, with Worrior being particularly affected.

Derrilyn production was impacted by a downhole pump failure on Derrilyn 3 which is due to be replaced in the next quarter.

At Acrasia, further upgrades to the facility water disposal capacity have been completed and were brought online in December.

Quarter	Equity %	December 2007	September 2008	December 2008	Change over preceding quarter (%)
<b>Stuart Petroleum Operated Oilfields</b>					
Acrasia	75	910	8,528	6,953	- 18%
Arwon	100	1,640	220	214	-3%
Worrior	70	145,440	71,688	47,515	-34%
Harpoono Complex	66.67	6,420	5,095	6,587	+ 29%
Padulla	100	22,090	9,505	8,457	-11%
Cleansweep	50	-	855	309	-64%
<b>Sub-Total</b>		<b>176,500</b>	<b>95,891</b>	<b>70,039</b>	<b>-27%</b>
<b>Non-Operated Oilfields</b>					
Derrilyn Unit	35	13,170	10,967	6,516	-40%
<b>Total Production (bbls)</b>		<b>189,670</b>	<b>106,858</b>	<b>76,555</b>	<b>-28%</b>

## 2.4 PORT BONYTHON FUELS (Stuart 85% interest)

During the Quarter, Stuart continued to progress Stage 1 (diesel storage and distribution) of the project to construct and operate a diesel fuel terminal and refinery at Port Bonython.

### **3 WORK PLANNED**

#### **3.1 Timor Sea, Northern Territory AC/P33**

Two seismic reprocessing projects are underway using the Oliver 3D data set to enhance the signal to noise ratio and to convert the time data to depth. Reprocessed data is expected by the end of January 2009 and will be used to remap the field, re-estimate oil and gas potential and to locate the Oliver 2 appraisal/development well to be drilled late in 2009.

#### **3.2 Gippsland Basin Vic/P53**

- Mapping of additional prospects is proceeding. A decision will be made during the March Quarter on whether to exercise an option to drill a second prospect to earn a 50% interest in the permit.
- A palynology project to accurately date a number of lower reservoirs encountered in Bazzard-1, is underway to confirm the mapping of seismic horizons. Initial results started to be received during January 2009.

#### **3.3 Cooper/Eromanga Basin**

- **Exploration**

In PEL 102, mapping of 3D and 2D seismic will be completed to finalize the location of two exploration wells to be drilled by 24 August 2009.

In PEL 90 Intra-Triassic and intra-Permian horizons will be mapped to complete prospect definition in the Sprigg/Sprigg Extension 3D area.

#### **3.4 Poolowanna Trough**

The Company has applied for four exploration licences in The Poolowanna Trough covering some 33,000 square kilometres. Award of the licences is waiting on the resolution of Native Title. Once issued, the licences will be subject to further seismic interpretation prior to the identification of suitable drilling prospects. It is likely that interest in structures or in the permit areas, will then be offered for farm out to interested parties

#### **3.5 Geothermal Project**

Further to the 12 Geothermal Exploration Licences (GELs) granted in the Cooper Basin in the previous quarter, an additional 14 GEL applications have been made in the Marree area. Work progressed with the University of Adelaide and with various engineering contractors to investigate the potential to use the geothermal heat contained in co-produced water, to generate electrical power to drive artificial lift pumps at existing oil production facilities.

#### **3.6 Kwanza Basin – Angola**

Stuart has prequalified as a petroleum exploration operator in Angola for the current onshore licensing round. The deadline for the submission of bid round proposals, originally set for 13 March 2008, has been extended to a time to be advised by the Angolan Government. Further advice will be provided to ASX as licence bidding is progressed.

## 4 HEDGING

### Crude Oil

During the Quarter, Stuart sold 244,000 bbls of its US\$153.00 to US\$100 collars and 81,000 bbls of its US\$101.50 to US\$80 collars, realizing A\$12.0 million. Accounting for the gain will be reflected in profit in the period of the original hedge. The remaining hedges as at 31 December 2008 are summarised in columns (1) to (5) and the total volumes hedged is shown in column (6):

#### Volumes Hedged (Barrels of oil)

	(1)	(2)	(3)	(4)	(5)	(6)
Period	Collar US\$81.25 to US\$60.00	Collar US\$100.00 to US\$80.00	Collar US\$100.50 to US\$80.00	Collar US\$101.50 to US\$80.00	Collar US\$153.00 to US\$100.00	Total hedged volume
Remaining 2008/2009	54,000	24,000	22,000		7,000	107,000

107,000 barrels of the Company's production is hedged for the remainder of the 2008/09 financial year. Stuart's AUD oil price is forecast to average more than A\$100 per barrel on this production during the period, notwithstanding any further decline in USD oil prices and continued softness in the AUD. The remainder of Stuart's production for the year is unhedged.

### Currency

During the Quarter, the Company entered into a series of currency hedges designed to protect revenues should the AUD strengthen above a range of USD values.

Forward Sales	USD Million	AUD Million	Rate
2008/09	7.3	10.89	A\$1.00=US\$0.6703
2009/10	8.5	12.68	
2010/11	4.5	6.71	
<b>Zero Cost Collars</b>			
2008/09	7.3	10.14	Cap of US\$0.72 and Floor of US\$0.66. Adjusted if rate exceeds US\$0.764
2009/10	8.5	11.81	
2010/11	4.5	6.25	

## 5 SHARES/OPTIONS ISSUED

13,552 shares were issued to staff during the quarter in accordance with the Stuart Petroleum Employee Share Plan. At the date of this report there are 63,082,422 shares on issue. In addition, there are 4,550,000 options issued but not quoted. There are also 3,040,477 Unlisted Performance Rights issued to staff in accordance with the Stuart Performance Rights Plan. These rights vest over a period of three years subject to the achievement of specified performance hurdles after which they may be exercised and converted to shares.

Yours faithfully,

Tino Guglielmo  
Managing Director

Attachments:

*Tables 1-3*

*Cooper/Eromanga Basin Map*

*Gippsland Basin Map*

*Vulcan Sub Basin*

<p><i>For further information please contact: Managing Director Tino Guglielmo on (08) 8410 0611 or Email: <a href="mailto:guglielmo.t@stuartpetroleum.com.au">guglielmo.t@stuartpetroleum.com.au</a></i></p>
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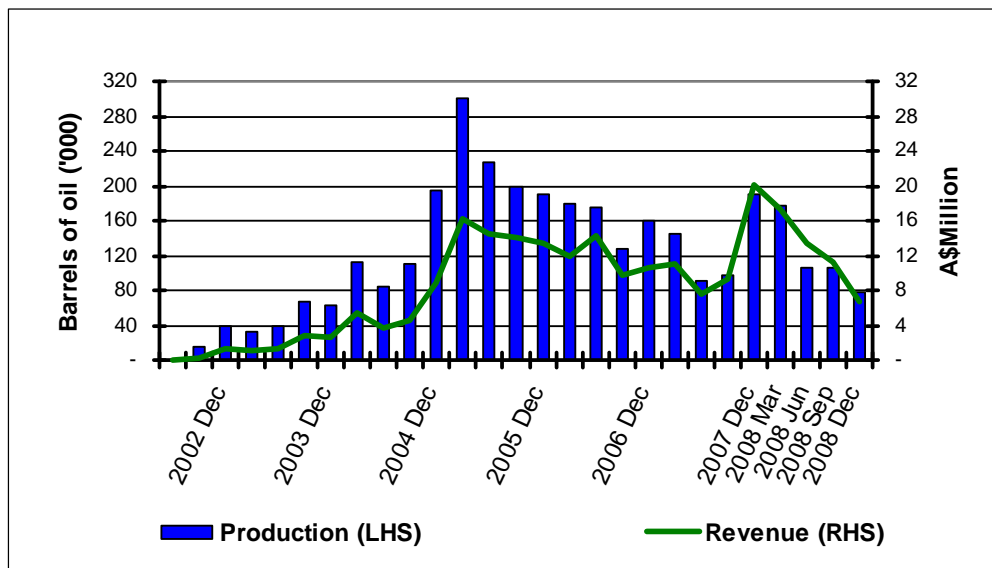
**Table 1**

**Stuart Petroleum Limited**  
**Quarterly Statistics (Quarter on Quarter)**

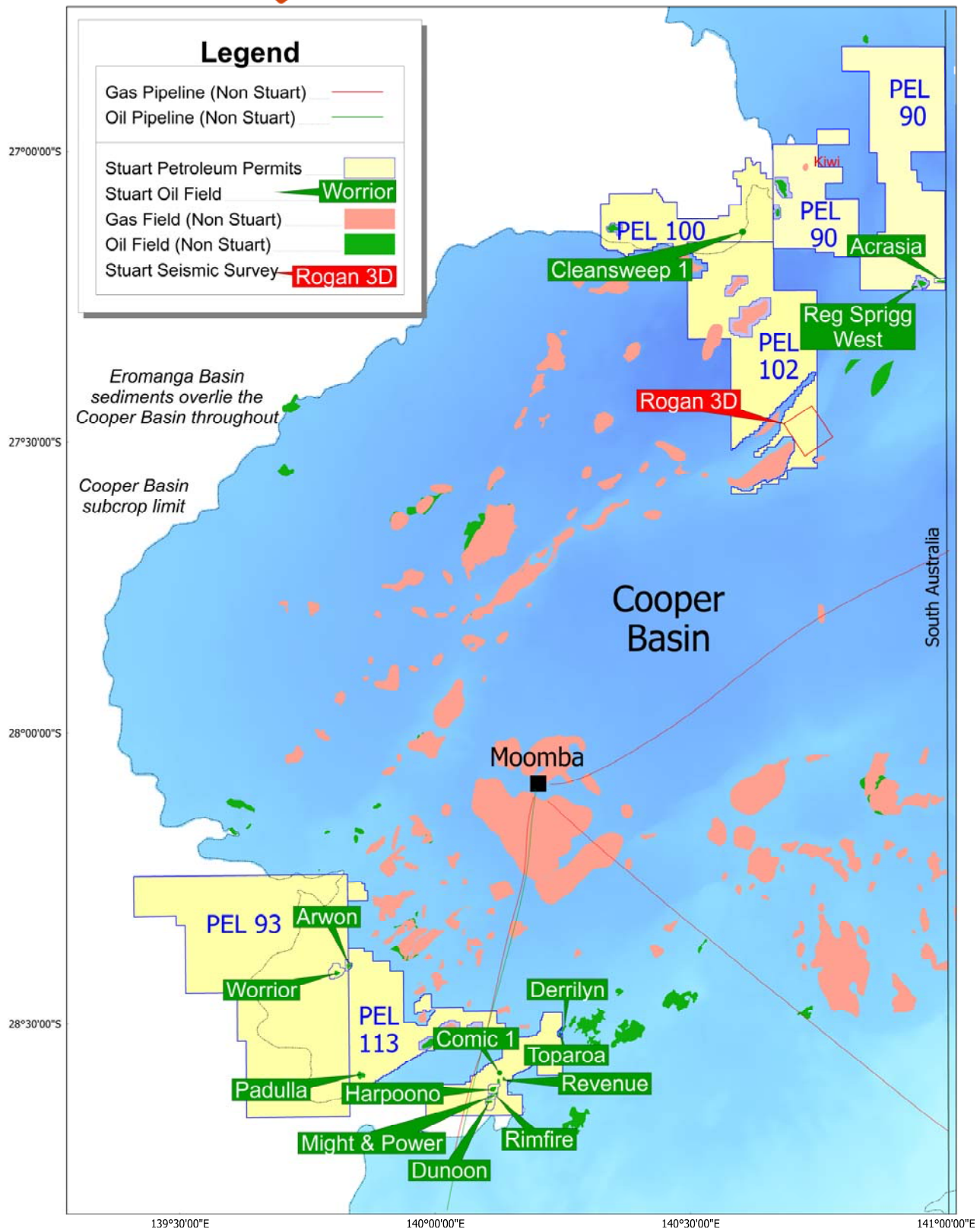
Quarter	December 2007	March 2008	June 2008	September 2008	December 2008	Change over Preceding Quarter (%)
<b>Sales Revenue</b>						
• Oil Revenue (A\$ million)	20.2	17.3	13.4	11.2	6.6	(41)
• Average price (A\$/bbl)	106.5	98.0	125.7	104.7	85.9	(18)
<b>Production Volumes (bbls)</b>	189,670	175,760	106,566	106,858	76,799	(28)
<b>Operating Expenditure</b>						
• Production, Export & Royalty Cost	5.5	5.0	5.3	4.1	2.5	(39)
• Costs per bbl (A\$/bbl)	29.00	28.16	49.73	38.32	32.24	(16)
<b>Capital Expenditure (A\$ million)</b>						
• Exploration Expenditure Capitalised	3.4	1.7	1.3	13.7	<16.9>	N/A
• Exploration Expenditure Expensed	4.9	0.9	2.9	4.0	29.5	637
• Development Expenditure Capitalised	1.2	0.9	1.5	1.0	0.9	(10)
<b>Total Capital Expenditure</b>	9.5	3.5	5.7	18.7	13.5	(27)
<b>Net Bank Debt (A\$ million)</b>	14.9	14.5	7.0	12.3	12.0	(2)

**Table 2**

**Stuart Petroleum Limited**  
**Quarterly Oil Production & Sales Revenue**



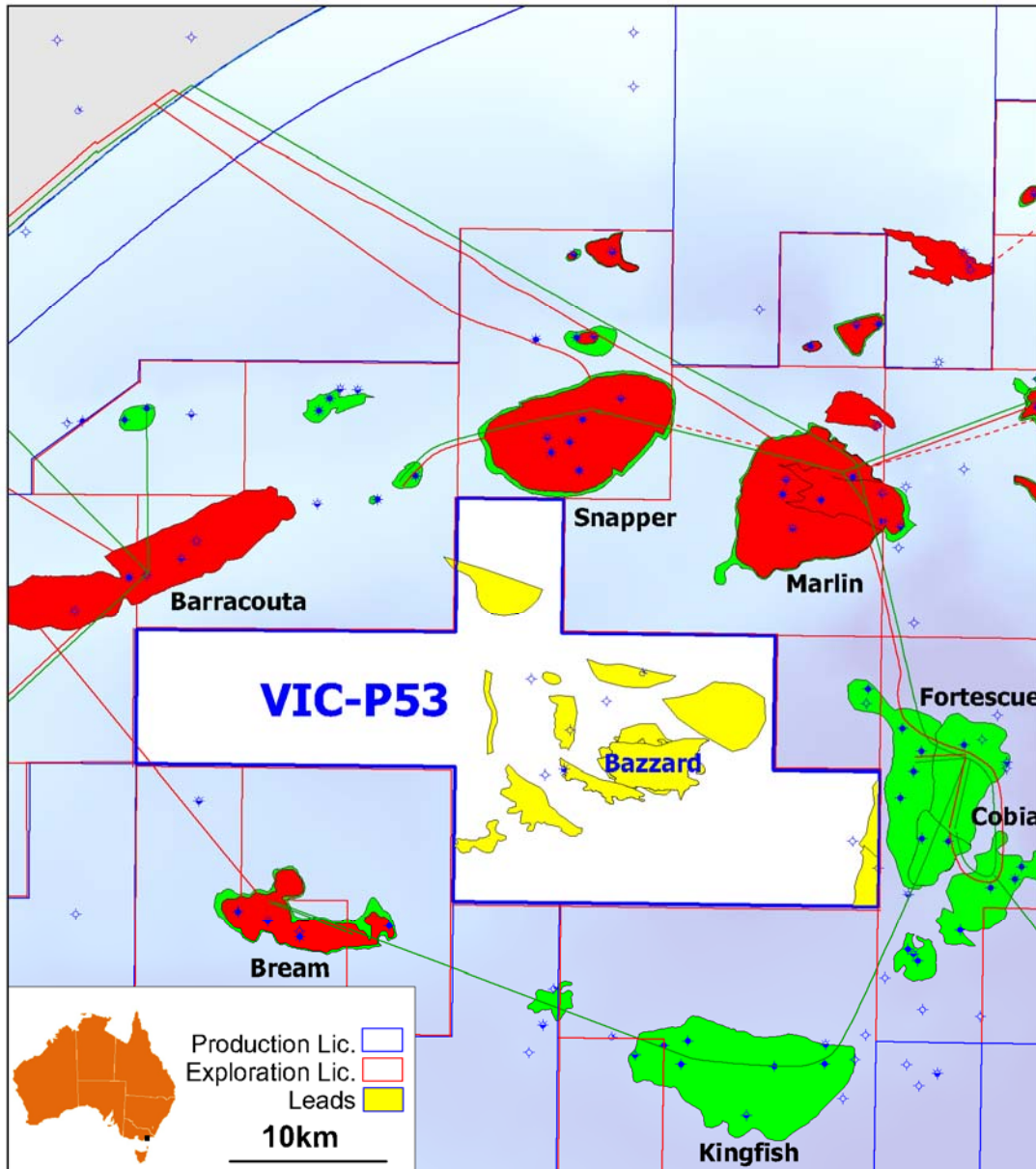
# Cooper / Eromanga Basin South Australia







# VIC-P53 Permit Location Map Offshore Gippsland Basin





# AC/P33 Permit Location Map Offshore Vulcan Sub-Basin

