ASX ANNOUNCEMENT
FOR IMMEDIATE RELEASE

Friday, 23 October 2009

The Manager
Company Announcements
Australian Securities Exchange Limited

Dear Sir,

Annual Report 2009

Australian oil producer and explorer, Stuart Petroleum Limited (ASX code: STU) advises the attached letter dated 20 October 2009 from the Chairman of the Company has been circulated to All Shareholders. In addition, the attached Annual Report for 2009 is now available for viewing on either the Company's website or on the Computershare Investor Services website as detailed in the Chairman's letter.

Yours faithfully,

John F. McRae
Company Secretary

Attachments:
Letter from the Chairman to All Shareholders
Annual Report 2009

For further information please contact: Managing Director Tino Guglielmo on (08) 8410 0611 or Email: guglielmo.t@stuartpetroleum.com.au

STUART PETROLEUM LIMITED

20 October 2009

All Shareholders

Dear Shareholder,

Annual Report 2009

The Annual Report for 2009 is available for review by shareholders. A copy is enclosed herewith for those shareholders who have requested a printed copy of the Report. For all other shareholders, the Report may be viewed on either the Stuart Petroleum website or on the Computershare Investor Services website.

The Annual Report contains references to Stuart's Timor Sea assets, AC/P33 (including the Oliver oil field appraisal and development project) and AC/P35. As advised to the ASX on 7 October 2009, the Company is working towards completion of a transaction in which Stuart would retain no right title or interest in those assets in exchange for a cash payment.

As of the date of this letter, the transaction remains incomplete and subject to final approvals. Shareholders should refer to the ASX or the Company's website for any announcement relating to completion of the transaction and the lifting of the suspension of trading in the Company's shares.

The Annual Report may be viewed on the following sites:

Stuart Petroleum Limited:
www.stuartpetroleum.com.au/library/Annual%20Report%202009.pdf

Computershare Investor Services:
www.edocumentview.com.au/stu

Shareholders are reminded that the Annual General Meeting of Stuart Petroleum Limited is to be held on 16 November, 2009 at the Stamford Plaza Hotel, 150 North Terrace, Adelaide commencing at 10.00am Adelaide time.

The Notice of Meeting was sent to all shareholders on 15 October 2009.

Yours faithfully,

John G Branson
Chairman
Stuart Petroleum Limited

Stuart Petroleum Limited ABN 58 059 146 226
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PO Box 8148, Station Arcade, Adelaide, South Australia 5000

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STUART PETROLEUM LIMITED

moving forward
delivering growth

annual report 2009

Stuart Petroleum Limited
ANNUAL REPORT 2009

CONTENTS

THE STUART STORY

Since commencing as an oil and gas explorer in 1999, Stuart Petroleum has drilled 34 exploration wells and 14 development wells. The first of these wells, Acrasia-1, was drilled in March/April of 2002 and discovered oil. Over the period, the exploration drilling success rate (15 wells) is more than 44% and the development drilling success rate (12 wells) is more than 85%.

The Company has discovered over 9.4 million barrels of oil reserves since commencement and, through 30 June 2009, has produced over 5.5 million barrels of oil from those reserves.

The Worrior oilfield, discovered in 2003, has produced over 3.1 million barrels of oil from currently assessed ultimate recoverable reserves of 5.3 million barrels of oil. It continues to produce strongly along with the Padulla, Acrasia, Derrilyn and the Harpoono Area oilfields.

Production from these fields has generated cash for re-investment while enabling the Company to maintain appropriate levels of liquidity. It continues to provide the foundation for future growth.

The Company reported profits in each year from 2003 to 2008 and in 2008, paid its fourth consecutive dividend. Details of the 2009 results are contained in this Report.

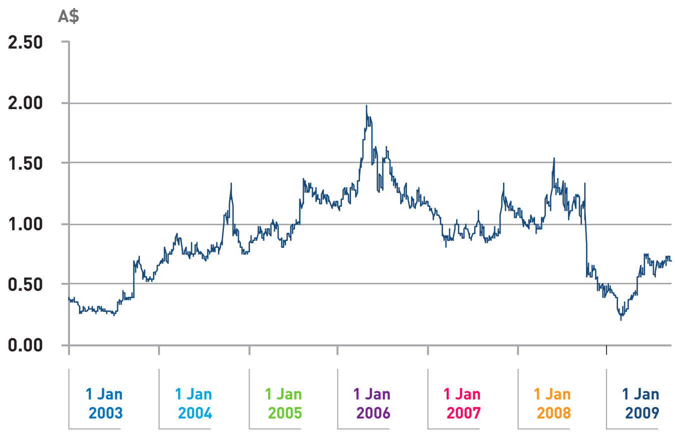
In summary, Stuart has grown from an initial capital base of just under $6 million dollars to a market capitalisation of around $45 million, after re-investing over $100 million in exploration and returning almost $5 million in dividends to shareholders. It has achieved this organically with a staff base of no more than 16 people.

The Company has a strong balance sheet and an experienced management and staff with the ability to further develop a portfolio of existing and new growth projects with the potential to provide excellent returns to shareholders over the medium term.

In the tradition of the explorer John McDouall Stuart, from whom the Company name was derived, Stuart Petroleum will continue its journey of discovery.

A graph of the Company's share price since 2003 is shown below:

Stuart Share Price



For further details of the Company's history, please refer to the website www.stuartpetroleum.com.au

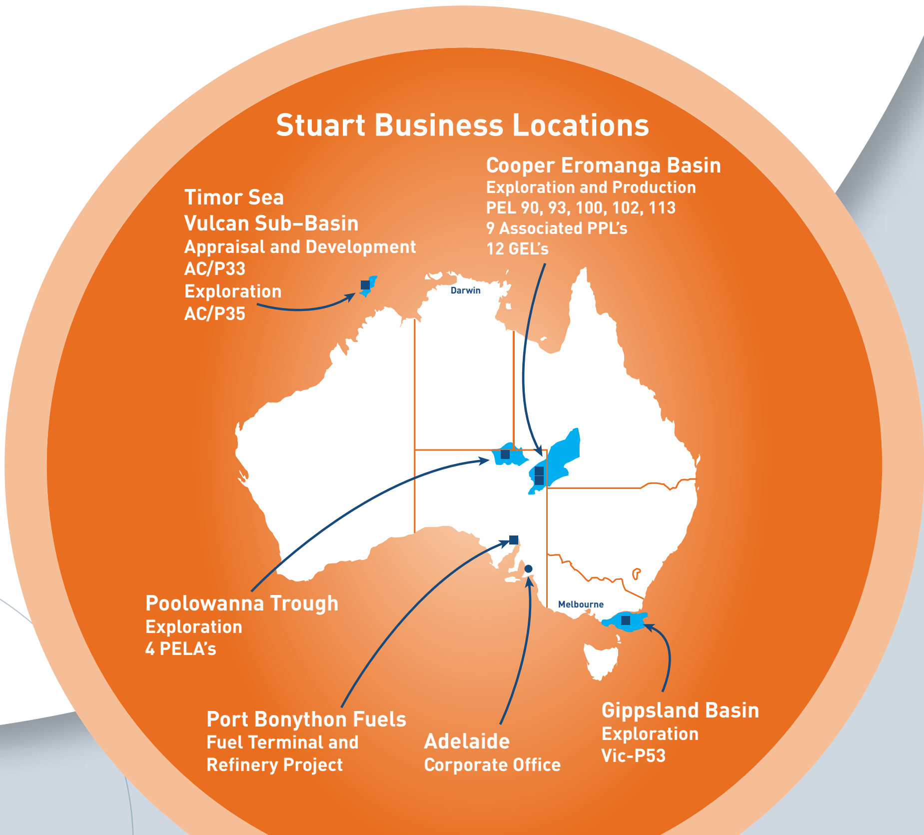
Summary 2008/09

moving forward delivering growth

For further details refer to the following pages:

- Progressed the appraisal of Timor Sea permit AC/P33 containing the Oliver oil and gas field. Stuart's share of estimated mean recoverable oil and condensate was upgraded to more than 16 million barrels, up by 68% from the 2008 estimate of 9.6 million barrels. Mean recoverable gas volumes increased to 550 BCF of gas. 4, 7
- Progressed key elements of the proposed fuel terminal and refinery project at Port Bonython in South Australia: 4, 8
    - Secured land at Port Bonython
    - Lodged the Development Application
    - Negotiating with potential suppliers and foundation customers.
- Drilled the offshore Bazzard structure in Gippsland Basin permit Vic P53 in September 2008. The well was plugged and abandoned after failing to discover economically recoverable hydrocarbons. 9
- Generated over $17 million of cash by realising value from hedging. The average oil price received was $103.50 per barrel compared to $105.72 per barrel in the previous year. 5, 13
- Reduced reliance on debt funding throughout the year. Net debt at year end was $10.9 million with a Gearing ratio of 26.9%. 13
- Production was 338,693 barrels of oil, all from the Cooper Basin. 9
- Sales revenues were $35.1 million. 12
- Cash flow from operations was $39.1 million. 13
- Gross profit was $17.4 million. The Company reported a net loss after tax of $25.9 million following exploration expense of $40.8 million and an impairment write down of $8.8 million. 12
- EBITDAX was $20.9 million ($61.72 per barrel/33 cents per share). 13
- Year end Reserves were 2.35 million barrels of oil, all in the Cooper Basin. 10

Note: All figures in this report are in A$ unless otherwise stated.



From the Chairman and the Managing Director

INTRODUCTION

The Year ended 30 June 2009 has seen excellent progress made on two of the Company's major growth projects, more than $17 million of cash was generated from the Company's hedging strategy and Stuart has weathered the economic downturn in a strong position to grow.

Offsetting these outcomes were lower production from the Cooper Basin and higher exploration expense and impairment charges which contributed to the reported loss after tax of $25.9 million.

GROWTH PROJECTS

UPSTREAM GROWTH

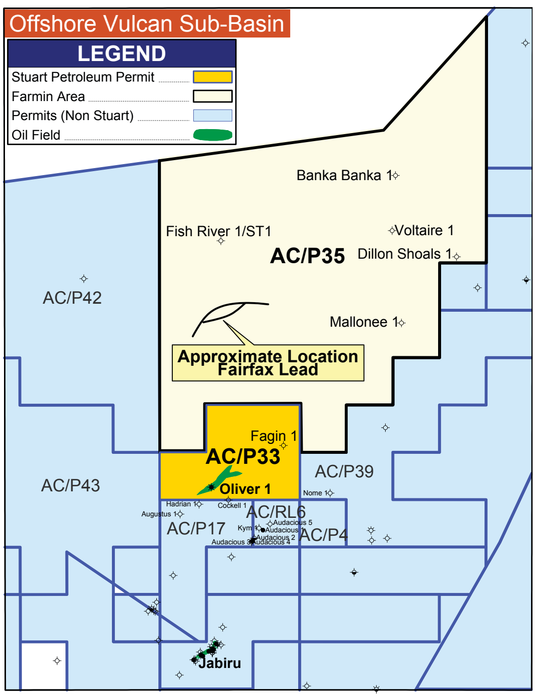
Timor Sea Appraisal and Development Project– AC/P33 (Oliver)

During the year, Stuart completed geological, geophysical and engineering studies over the Oliver structure and announced increased hydrocarbon in place estimates for the field.

Following modelling of this information and subsequent review of the results by RISC Pty Limited, an internationally recognised oil and gas consultancy, the Company announced that mean recoverable oil and condensate estimates had increased to 32.6 million barrels, up 68% from the 2008 estimate of 19.3 million barrels. Mean recoverable gas increased to 550 Billion Cubic Feet (BCF) plus LPG.

The Company also advised that its modelling had shown that 30 million barrels of oil and condensate would have strong development potential and that it would continue to proceed with the objective of drilling the Oliver-2 appraisal well late in 2009. Refer to page 7 for further information.

AC/P33 & AC/P35 PERMIT LOCATION MAP



Right:
Timor Sea Permits held by Stuart. See P3 Map for area location

DOWNSTREAM GROWTH

Port Bonython Fuels Project

During the year, Stuart secured land at Port Bonython on which to site the facilities under an agreement with the State of South Australia. In May 2009, Stuart lodged a Development Application with the South Australian Development Assessment Commission seeking approval for the proposed project. A decision is anticipated in the December Quarter of 2009.

The Company is engaged in discussions with potential diesel suppliers and is negotiating offtake agreements with foundation customers.

The Company is also proceeding with engineering studies and commercial arrangements with the objective of reaching a final investment decision in the December Quarter of 2009. Refer to page 8 for further information.

Top (left-right):

John Branson
Chairman

Tino Guglielmo
Managing Director

continued >>

Right: Oil storage tanks, Cooper Basin. Stuart expects to maintain a solid base in the Cooper Basin.

2008/09 RESULTS

The Company recorded a net loss after tax of $25.9 million compared to the previous year's profit of $13.2 million. This was largely due to lower production, increased exploration expense and increased impairment charges.

The Cooper Basin delivered revenues of $35.1 million, down 42% on 2007/08. Production of 338,693 barrels of oil was down 41% on the previous year total of 569,562.

EBITDAX totalled $20.9 million for a gross operating margin of $61.72 per barrel, down from $69.94 per barrel in the previous year. The reduction was mainly due to a lower average oil price of $103.50 per barrel for the year ($2.22 per barrel below the previous year) and higher Operating costs of $43.05 per barrel for the year ($6.49 per barrel higher than the previous year) due to the impact of lower production on fixed field operating costs and higher tolling costs.

Net cash inflow from operating activities was $39.1 million or 57.8 cents per share, up 12.8 cents per share on the previous year. This increase reflected the reduction in debtors from year end 2008 and the significant contribution from realised hedge gains through the year.

As at 30 June 2009, Stuart's reserves totalled 2.3 million barrels of oil, compared to 2.6 million barrels at 30 June 2008.

HEDGING GAINS

The Company realised value from its commodity price hedging strategy from November 2008 through 30 June 2009 (as prices and the USD/AUD exchange rate dropped rapidly) and generated over $17 million of cash.

Subsequent to year end, a portion of the Company's currency hedge contracts was closed out realising an additional $2.2 million of cash.

In total, Stuart has generated over $19 million of cash from the closeout of hedge contracts from November 2008 through to August 2009.

EXPLORATION EXPENSE AND IMPAIRMENT

Results for the year reflect Exploration Expense of $40.8 million. This includes all costs associated with the Bazzard well ($26.6 million for drilling and $8.5 million previously capitalised) and $5.7 million of Cooper Basin and Timor Sea costs expensed during the year. These amounts were charged to the Income Statement in accordance with Stuart's Accounting Policy.

Impairment expense for the year of $8.8 million was mainly due to the carrying value of the Harpoono and Cleansweep oil fields being greater than their future value.

CAPITAL MANAGEMENT

The strong operating cash flow ($39.1 million) generated from production and high average oil prices enabled the Company to fund $43.3 million for all exploration and development activities, growth projects and acquisitions, and the 2008 dividend payment.

Net debt at year end totalled $10.9 million, up from $7.0 million at 30 June 2008 and the Company's gearing ratio was 26.9%, up from 17.4% at the previous year end.

The Company plans to incur substantial **discretionary** expenditures on both the Oliver appraisal and development project and the Port Bonython Fuels project in the near term. These discretionary expenditures require funding in order for the projects to proceed on schedule.

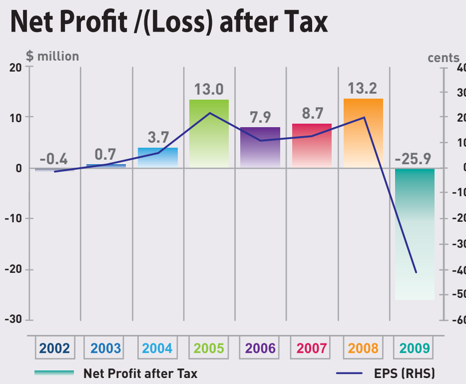
The Company intends to establish a strategic partnership to assist in funding the proposed expenditure on both projects and has had discussions with respected industry participants interested in working with Stuart to develop them further.

Greshams Advisory Partners Limited has been engaged to assist these discussions.

KEY FINANCIAL INFORMATION

Year ending 30 June	% Change	2009	2008
Consolidated Income Statement ($'000)			
Product Sales	-42	35,056	60,214
Gross Profit	-50	17,385	34,672
Exploration Expense	+320	(40,801)	(9,711)
Impairment of oil and gas assets	+228	(8,834)	(2,690)
Income Tax	+285	11,035	(5,967)
Net Profit/(Loss) after Tax	-296	(25,863)	13,177
Earnings per Share (diluted) (cents)	-310	(41.0)	19.5

See above for commentary on Key Financial Information. Further details is contained in the Finance and Commercial Report commencing page 12.



From the Chairman and the Managing Director >>

DIVIDEND

To mitigate the impact on cash and/or borrowings during this period, the Company considers it prudent to suspend the payment of dividends. Accordingly, no dividend has been declared for 2009.

The Directors will monitor the position with the objective of restoring dividend payments when the capital expenditure demands have been met.

NEW GROWTH PROJECTS

The Company will continue its Cooper Basin gas strategy of reviewing and drilling prospects with both oil and gas targets given the growing potential for further development of natural gas in the region.

Subsequent to year end, the Company entered into an Option Agreement over a second offshore block, Timor Sea permit AC/P35 (see map page 4), which provides for Stuart earning equity of up to 70%. This exploration project has been added to the growth portfolio and, with its Fairfax lead having similarities to the nearby Oliver structure, facilitates the building of an important strategic stake in the Timor Sea.

OUTLOOK

Stuart is fundamentally sound. The Balance Sheet is strong, the Company continues to produce oil from its Cooper Basin oilfields and has made excellent progress in its growth projects in the Timor Sea and at Port Bonython.

Stuart expects to maintain Cooper Basin production in excess of 250,000 barrels of oil for the forthcoming year. It expects to drill three Cooper Basin exploration wells and the Oliver-2 offshore appraisal well, after the farm down of Oliver equity.

On behalf of all shareholders, we thank Stuart's management and staff for their efforts over the past twelve months and look forward to another year of progress on the Company's growth projects.

John G. Branson
Chairman

Giustino (Tino) Guglielmo
Managing Director

2009/10 CHALLENGES AND STRATEGIES

Stuart's Vision, Strategy and Guiding Principles/Values are stated on Page 91 of this Report. Within the framework they provide, Stuart will, over the next 12 months, focus on progressing its two key growth projects in the Timor Sea and at Port Bonython. At the same time, it will continue to harvest production from its Cooper Basin reserves base and to evaluate the potential to participate in the regional natural gas market.

The challenge of progressing the above growth activities efficiently and effectively is dependent on the ability of the Company to fund the project expenditures in a capital constrained environment. The Company is considering a range of alternatives to meet its funding obligations.

Stuart has already flagged its intent to farm down equity in both the Oliver appraisal and development project and the Port Bonython fuels project. The Company has had discussions with respected industry participants interested in working with Stuart to develop these projects further and has engaged Gresham Advisory Partners Limited to assist in these discussions.

In the interim, Stuart will complete the geophysical and engineering activities in readiness to drill the Oliver-2 appraisal well in 2009 and will resolve commercial and engineering issues leading towards a final investment decision on its Port Bonython fuels project.

Stuart has achieved a safety performance rate of zero lost time and medical treatment injuries per million man hours worked for each of the last four years which is better than the industry benchmark of 7 injuries per million man hours worked. Stuart will maintain and develop its operating systems and procedures to ensure this challenging performance outcome continues to be achieved.

Top:
Drilling rig on location - Cooper Basin SA

Growth **Projects** >>

Growth Projects

OLIVER APPRAISAL AND DEVELOPMENT PROJECT

Timor Sea Permit AC/P33 – Vulcan Sub-Basin

Stuart is operator and is earning a 50% interest in the Timor Sea permit AC/P33, which contains the Oliver oilfield appraisal and development project, approximately 700 km west of Darwin and 20-30 km north of the producing Jabiru oilfield.

Stuart will earn its interest by sole-funding $60 million for the Oliver-2 appraisal well and the engineering studies required to reach a final investment decision (FID) on development of the discovery. Stuart will also fund the first $25 million of development costs after approval of the FID.

The Oliver appraisal and development project studies will be conducted in two phases over approximately 2-3 years. 130sq km of 3D seismic has been re-processed and geological, geophysical and engineering studies have determined new hydrocarbons in place and recoverable oil and condensate volumes.

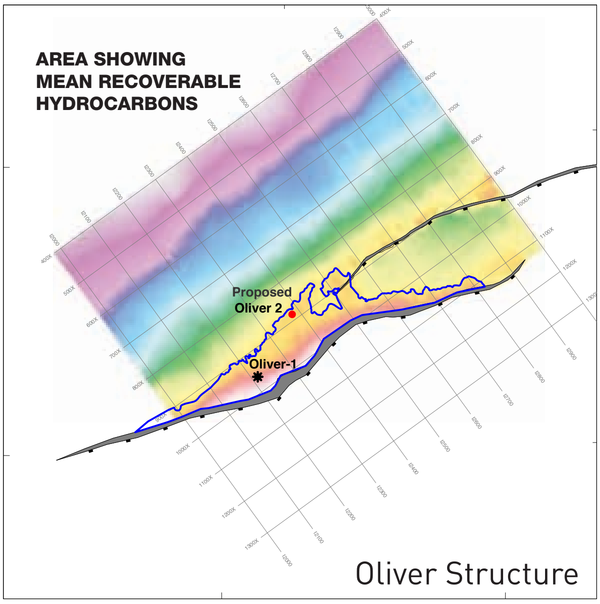
Resource Potential

Recoverable oil and condensate in the Oliver structure has been assessed to be in the range of 12 to 60 million barrels of oil and condensate with a mean volume of 32.6 million barrels and 550BCF of mean recoverable gas. Stuart's share of mean recoverable oil and condensate is 16.3 million barrels.

The assessment was independently reviewed by RISC Pty Limited, an internationally recognised oil and gas consultancy.

Oliver-2 Appraisal well

The Oliver-2 well will confirm the size of structure or areal extent of the field. It will confirm the reservoir stratigraphy and define the oil water contact to accurately determine the upper limits of oil and condensate in the field.



Oliver Structure

As previously announced, the semi-submersible drilling rig, the *Songa Venus* (pictured top left), has been contracted to drill the well. In July, the *Southern Supporter* conducted a sub-sea survey to review the sea bed over the field and to assist in positioning the rig. At this stage, the well is scheduled for drilling in 2009.

The cost of drilling the Oliver-2 well is estimated at US$35 million. Stuart's share will be subject to farm down arrangements.

Oliver Development

Oliver has emerged as a significant offshore hydrocarbon development opportunity.

Subject to the results obtained from the Oliver-2 appraisal well, further engineering studies will be required to determine the ultimate nature of development.

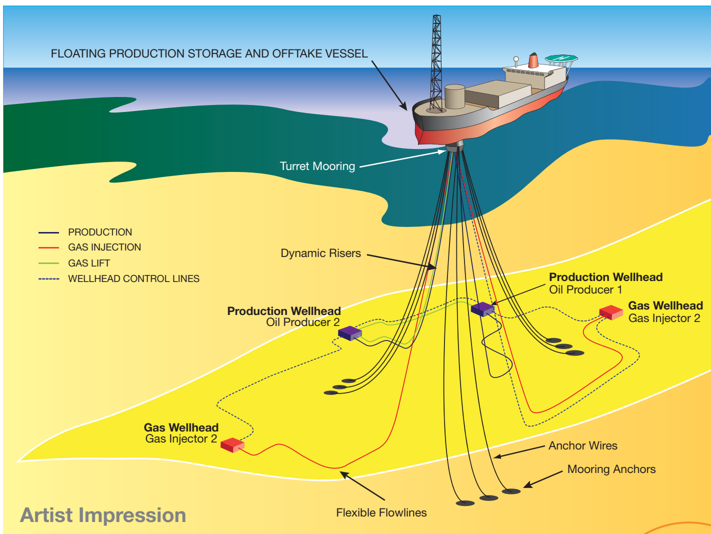
This could include consideration of an oil and gas liquids stripping operation or a floating liquid natural gas development.

An illustration of field development via liquids stripping is shown below.

Development of the Oliver oilfield will add significant value to Stuart.

2009/10 Work Program

The Oliver-2 appraisal well will be drilled in 2009. Results of the well will be evaluated and reservoir modelling completed to support the potential field development plan. Engineering and economic studies will be completed as required and requisite development approvals obtained prior to making a final investment decision late in 2010.



Above: Diagram of Oliver Conceptual Field Development

PORT BONYTHON FUELS PROJECT

The wholly owned Port Bonython Fuels project, strategically located at Port Bonython in the upper reaches of the Spencer Gulf in South Australia, incorporates a proposed two stage development of a 110 million litre diesel storage terminal and associated distribution facilities and a subsequent diesel distillation plant and additional storage.

The facility is being developed by Port Bonython Fuels Pty Limited (PBF) to supply diesel fuel to existing and new markets in South Australia's northern region.

Stage 1 of the development costing around $60 million, involves the construction of the storage terminal and distribution facilities for the supply, receipt, storage and distribution of around 500 million litres of imported diesel fuel per annum.

The location was selected because Port Bonython is the only operational deep water port in the north of South Australia capable of berthing diesel tankers with a capacity in excess of 100,000 tonnes and has available infrastructure in place.

Significant progress was made during the year in respect of the acquisition of land on which to site the project, the lodgement of the Development Application and the acquisition of additional equity in the project.

Land Secured

In May 2009, PBF, reached agreement with the South Australian Government to acquire a 74 hectare parcel of land for the development of Stage 1 of the fuel storage, processing and distribution facility.

PBF has secured a 10 year option to purchase a further 64 hectares of land to accommodate Stage 2 expansion plans.

Future expansion would be undertaken subject to appropriate economic justification.

Development Application

On 25 May 2009, PBF lodged a project Development Application with the South Australian Development Assessment Commission.

The Development Application will be reviewed by the Development Assessment Commission (DAC) prior to it making a recommendation to the SA Minister for Planning.

Additional Project Equity

During the year, Stuart had increased its equity in Port Bonython Fuels Pty Limited to 85% following acquisition of 35% equity from the Scott Group.

Subsequent to year end, the Company acquired the remaining 15% equity from Scott's and now owns 100% of Port Bonython Fuels Pty Limited. The acquisitions were made on commercial terms and meet the strategic objectives of both parties in respect of the fuels project.

Stuart is particularly pleased to have increased its stake in this important infrastructure development project but may move to reduce its equity prior to the final investment decision.

2009/10 Work Program

The Company is proceeding with negotiations with potential diesel suppliers and is negotiating offtake agreements with foundation customers.

Commercial negotiations, including access to the Port Bonython jetty and Section 240 (access corridor from the Port Bonython jetty to Port Bonython Road) will be concluded along with final engineering design studies in anticipation of approval of the Development Application and other Regulatory authorities.

Subject to the above the Company expects to make a final investment decision by year end 2009.

Construction is expected to take 15 months following approval of the final investment decision, and operations should commence in mid 2011.

Stuart is committed to sustained development in the region and to a successful commencement of operations.

Top:
Artist impression of truck leaving Port Bonython Fuels with diesel for delivery to regional customers.

Operations Report

COOPER/EROMANGA BASINS

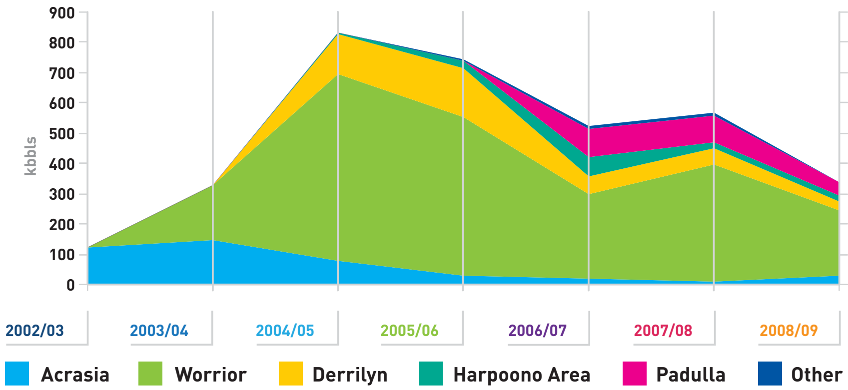
2008/09 Results

Production

Full year production of 338,693 barrels of oil (569,562 barrels in the previous year), reflected natural field decline.

Routine production operations continued throughout the year with a focus on safety and environmental performance, routine well performance optimisation, maximisation of uptime and minimisation of operating costs.

Production History



Exploration

During 2008/09, Stuart drilled the Brew-1 exploration well in PEL 113 which was plugged and abandoned. This well completed the year 5 program for the licence.

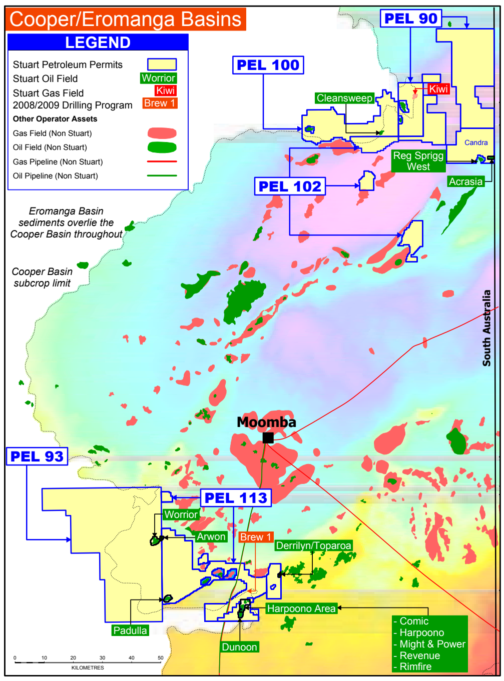
The Company completed an assessment of all leads and prospects within its licence areas and in other licences offered for farm in and has produced a ranked seriatim of drillable prospects to be used to select 2009/10 wells.

2009/10 Outlook

Stuart expects to maintain a solid base in the Cooper Basin in 2009/10 with production forecast to exceed 250,000 barrels of oil for the year.

The Worrior-7 development well, designed to accelerate production, will be evaluated for drilling.

Up to 3 exploration wells are expected to be drilled in the Cooper Basin.



Above: Cooper Basin permits held by Stuart. See page 3 map for area location.

OTHER AREAS

Pedirka Basin (Poolowanna Trough)

Stuart has applied for four exploration licences in the Simpson Desert area covering the Poolowanna Trough. The licences, PELA's 288, 289, 290 and 331 cover a total of 33,000 km^2.

A Native Title Agreement is currently being negotiated and will be finalised before the licences are granted.

Timor Sea Permit AC/P33

Besides containing the Oliver oil and gas field, the agreement to earn a 50% interest in the offshore Vulcan Sub-Basin permit AC/P33 added to Stuart's exploration portfolio.

Stuart is reviewing seismic data to determine whether there are additional exploration targets within the licence.

Gippsland Basin Permit Vic P53

Stuart, as Operator, drilled the offshore Bazzard 1 exploration well in Vic P53 in September 2008. The well did not encounter any commercial hydrocarbons and was plugged and abandoned.

Stuart has mapped several other prospects in the Permit and will elect whether to earn a 50% interest in the whole of the Permit by drilling another exploration well.

Negotiations to extend the Permit term are currently underway with the Victorian Department of Primary Industry.

Reserves Report

Stuart's Proved and Probable (2P) oil reserves at 30 June 2009 were 2.35 million barrels, compared with 2.61 million barrels at 30 June 2008. Proved (1P) reserves were 1.70 million barrels, compared with 1.74 million barrels at 30 June 2008. The 2P reserves replacement ratio was 25%.

Contingent resources are also recognised in the McKinlay reservoir of the Might and Power discovery adjacent to the Harpoono complex.

During the year, **proved and probable** (2P) reserves totalling 90,000 barrels were added through upwards revisions in the Worrior Birkhead, Acrasia Poolowanna and Toparoa Hutton reservoirs due to improved well performance, offset by downwards revisions in the Acrasia Paning and Cleansweep Birkhead reservoirs where production decline was faster than expected.

Worrior and Acrasia also added significant volumes to **proved** (1P) reserves through upwards revisions based on well performance.

The proved and probable additions for the year represent a reserves replacement ratio of 25%. This result reflects the maturity of the producing fields.

Small volumes of possible reserves are recognised (in addition to the 2P reserves) in some producing reservoirs. Generally, all reservoirs are now considered fully developed, with some additional recovery possible through slower decline from existing wells.

The Company's share of technically recoverable gas resources at Kiwi and Worrior is unchanged at an estimated 1.8 billion cubic feet on a Proven plus Probable (2P) basis, of which 1.4 billion cubic feet are Proved (1P) resources.

Above: Oil storage facilities - Cooper Basin SA

Remaining Reserves – Stuart Share

Field	Working Interest	Remaining Proven (1P) Reserves 30 June 2009	Remaining Proven and Probable (2P) Reserves 30 June 2009
	%	'000 barrels	'000 barrels
Independently Reviewed:			
Acrasia	75.00	97	163
Arwon	100.00	0	14
Derrilyn Unit	35.00	144	189
Harpoono Complex	66.67	32	130
Padulla	100.00	235	330
Reg Sprigg West	18.75	16	18
Worrior	70.00	1180	1493
Comic	100.00	0	8
Total		**1704**	**2345**

This report is based on an independent review of reserves carried out as at 31 March 2009, less accumulated production for the June quarter of 2009. The review was conducted by Mr. Wong Shau Yee of Petroleum Resource Management Pty Ltd which has provided written certification of the results and has agreed to the inclusion of the information in the form and context presented in this report.

Schedule of Licences **as at 30/6/2009**

Licence	%
Cooper/Eromanga Basin:	
PEL 113	
Saintly Block	67
Dunoon Block	67
Murteree Block	65
Remainder	100
PPL 206, 208, 214 and 215 Derrilyn Unit	35
PPL 209 Harpoono Area	67
PPL 221 Padulla	100
PRL 16 Dunoon	67
PEL 93	70
PPL 207 Worrior	70
PPL 217 Arwon West	100
PPL 218 Arwon East	100
PEL 90	
Maribu Block	100
Candra Block	75
Kiwi Block	75
PPL 203 Acrasia	75
PPL 211 Reg Sprigg West	18.7
PEL 102	100
PEL 100	50
Pedirka Basin (Poolowanna Trough)	4 PEL Applications
Gippsland Basin	
Vic P53 (earning)	50
Ashmore Cartier	
AC/P33 (earning)	50

Stuart also holds 12 Geothermal Exploration Licences in the Cooper Basin and has applied for an additional 14 licences over northern South Australia.

Above: Wellhead facilities for oil production - Cooper Basin SA

Finance and Commercial **Report**

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Finance & Commercial Report

2008/09 FINANCIAL RESULTS

Stuart reported a net loss after tax of $25.9 million, a decrease of 296% from the $13.2 million profit in the previous year. The decrease was due to lower gross profit, higher exploration expense, higher impairment charges and higher finance costs, partially offset by lower income tax.

The loss per share was 41.0 cents compared to earnings per share of 19.5 cents in the prior year.

Above: Drilling rig in the Cooper Basin SA

Reconciliation	**$ million**
Net Profit after Tax 30 June 2008	**13.2**
Lower Gross Profit	(17.3)
Higher Exploration Expense	(31.1)
Higher Impairment Expense	(6.1)
Higher Finance Costs	(1.6)
	(42.9)
Lower Income Tax	17.0
Net Loss after Tax 30 June 2009	**(25.9)**

Gross Profit

Gross Profit of $17.4 million was $17.3 million (50%) lower than 2007/08 mainly due to lower product sales ($25.2 million) offset by lower operating costs ($7.9 million).

Product Sales ($35.1 million down by $25.2 million -42%)

The decrease in product sales was primarily due to lower production, reflecting natural field decline.

The average sales price after hedging decreased from A$105.72 to A$103.50 per barrel.

Cost of sales ($17.7 million down by $7.9 million -31%)

Government royalties decreased by $3.2 million as a result of lower sales and reduced oil prices (measured before hedging gains).

Tolls and export tariffs decreased by $2.1 million primarily as a result of lower production/sales volumes.

Amortisation and depreciation charged decreased by $1.7 million consequent upon the reduced production.

Production costs decreased by $0.7 million primarily due to reduced downhole workover costs.

Exploration Expense

Exploration expense was $40.8 million, up by $31.1 million (320%) over 2007/08.

Exploration expense included $35.1 million for offshore Gippsland Basin permit Vic P53 exploration including the Bazzard well, and $4.9 million in the Cooper / Eromanga Basin.

The exploration expense comprised dry hole costs of $32.8 million and seismic acquisition and other costs of $8.0 million. Dry hole costs included Bazzard-1 $29.1 million, Brew-1 ($2.0 million) and Subzero-1 ($1.7 million).

Impairment of Oil and Gas Assets

Impairment expense was $8.8 million, up by $6.1 million (228%) over 2007/08.

Carrying values exceeded future cashflows at Harpoono ($6.1 million), Cleansweep ($1.9 million) and other assets ($0.8 million) and were written down.

Income Tax

The Company reported an income tax benefit of $11.0 million for the year (liability of $6.0 million previous) due to the loss reported.

Balance Sheet

Net tangible assets per ordinary share at 30 June 2009 are 47 cents (30 June 2008: 53 cents).

Total assets

Total assets of $52.2 million decreased by $22.2 million (30%) on the previous year due to a decrease in current assets ($9.1 million) and a decrease in non-current assets ($13.1 million).

The decrease in current assets mainly reflects a reduction in receivables ($9.6 million) resulting from reduced production/sales and the timing of receipts.

Non-current assets reflected decreased exploration and evaluation assets ($6.9 million) due to the transfer of capitalised costs to exploration expense, decreased oil and gas assets ($9.0 million) mainly due to the $8.8 million impairment write-down and decreased other assets ($0.2 million).

The decreases were partially offset by a $3.0 million increase in goodwill resulting from the issue of shares in Port Bonython Fuels Pty Ltd during the year.

Total liabilities

Total liabilities of $22.5 million decreased by $18.5 million (45%) on the previous year due to a decrease in current liabilities ($9.4 million) and a decrease in non-current liabilities ($9.1 million).

The decrease in current liabilities is mainly the result of:

Revaluation of crude oil hedging instruments ($12.6 million) and decreased trade and other payables ($4.9 million).

The decreases were partly offset by an increase in current bank borrowings and other liabilities of $8.1 million.

The decrease in non-current liabilities is mainly the result of:

Decreased hedging liability ($5.2 million), decreased non-current borrowings ($4.1 million) and decreased deferred tax liability ($1.9 million).

The decreases were partly offset by an increase of $1.9 million in non-current deferred purchase consideration relating to future payments on the purchase of shares in Port Bonython Fuels Pty Ltd.

Total Equity

Total equity of $29.6 million decreased by $3.6 million (11%) on the previous year due to a reduction in Retained Profits ($27.1 million) reflecting the loss for the period, offset by an increase in Reserves ($22.5 million) resulting from the closeout of derivative financial instruments with maturity dates in future periods. The profit on closeout of these derivative financial instruments will be transferred from the reserve to profit in the periods in which the hedges were originally designated for maturity.

	% Change	Year End 30/6/09	Year End 30/6/08
Balance Sheet ($'000)			
Total Assets	-30	52,162	74,344
Total Liabilities	-45	-22,517	-41,108
Total Equity	-11	29,645	33,236

Cash Flow Statement

Cash inflows from operating activities

Cash inflow of $39.1 million was up $11.1 million (40%) on the previous year mainly due to receipts from the closeout of commodity hedges with maturity dates in future years ($13.3 million), lower Income tax paid ($6.7 million), lower payments for royalties ($1.4 million) and lower payments to contractors and suppliers ($1.6 million) consequent upon lower production.

The increased inflows were partly offset by reduced receipts from customers of $11.9 million consequent upon lower production.

Cash outflows from investing activities

Cash outflow of $42.0 million was up $10.1 million (31%) on the previous year due to cash payments for exploration and evaluation which increased by $19.4 million primarily due to drilling of the Bazzard 1 well and payment of $2.3 million for drilling equipment relating to the Oliver-2 appraisal well.

These increases were partially offset by decreased cash payments for oil and gas assets ($11.2 million) reflecting lower Cooper/Eromanga Basin activity and other minor receipts ($0.4 million).

Cash inflows from financing activities

Cash inflow of $3.2 million was down $1.9 million (49%) on the previous year due to a lower drawdown of bank borrowings of $2.2 million offset by an increase in the proceeds from share issues upon the exercise of employee options of $0.3 million.

The Company paid a 2 cent per share dividend of $1.3 million in September 2008 which was similar to the previous year.

	% Change	Year End 30/6/09	Year End 30/6/08
Cash Flow ($'000)			
Cash at beginning of the year	-12	1,367	1,554
Operating	+40	39,076	27,990
Investing	+31	-42,048	-31,984
Net Financing/(Repayments)	-37	3,187	5,060
Dividends paid	+1	-1,261	-1,253
Cash at end of the year	-77	321	1,367

continued >>

Financial & Commercial Report

>>

Working Capital

Stuart has a working capital loan facility with the Commonwealth Bank of Australia, denominated in A$. The A$ facility is based on the value of proved reserves, which is reassessed twice yearly.

As of 30 June 2009, cash on hand was $0.3 million and bank borrowings were $11.25 million. Net borrowings totalled $10.9 million ($7.0 million previous). The Gearing ratio was 26.9% (17.4% previous).

Risk Management

The principal financial risk to Stuart is the likelihood of a lower oil price.

The price of crude oil increased from US$70 per barrel in October 2007 to over US$145 per barrel in July 2008. In an environment of such volatility and with the drilling of Bazzard scheduled for the first quarter of 2008/09, the Company increased its 2008/09 oil price commodity hedges and acquired future production hedges out to 2011. The hedges covered the risk of the oil price retreating to the level of October 2007 which could have materially impacted available borrowing limits under the Company's reserve based multi option facility.

The Company also took out foreign exchange contracts to protect the available borrowing limits under the Company's reserve based multi option facility.

Oil prices declined to a low of US$38 per barrel in December 2008 and the Company was able to reduce its borrowings by early close out of commodity hedges realising A$13.3 million. As at 30 June 2009, all commodity hedges had been closed out for a gain of more than A$17 million.

As at 30 June 2009, the Group had open foreign exchange hedges as detailed below:

Forward Sales	**USD Million**	**AUD Million**	**Rate**
2009/10	1.55	2.3	US$0.6703
2010/11	2.50	3.7	

Zero Cost Collars			
2009/10	8.25	11.5	Option of US$0.72
2010/11	4.00	5.6	

Subsequent to year end the Company closed out the 2009/10 Forward Sales and all of the zero cost collars, realising $A2.2 million which has been used to reduce debt. Stuart has also acquired new commodity price hedges covering September to November 2009 to mitigate oil price risk and will continue to use such instruments as appropriate.

Exploration risk is managed through the maintenance of the prospect inventory, peer reviews and the adoption of standard oilfield risking methodology. Prospects with the highest risked reserves and the lowest finding cost per barrel are preferentially drilled in each licence.

Sensitivities

Stuart's financial results are sensitive to movements in oil prices and in USD/AUD foreign exchange rates.

A US$1.00 movement in oil price impacts revenue by A$0.4 million before royalties and tax. A one cent movement in the USD/AUD foreign exchange rate impacts revenue by A$0.3 million before royalties and tax.

These calculations assume a base production figure of 280,000 barrels of oil. Any change in this assumption will impact the above results.

Commercial

Contracts and agreements extended or entered into during the year provided the basis for the sale and movement of product from Stuart's fields to market. Stuart has sales contracts with Santos Limited (as the buyers representative for the Cooper Basin Producers), with The Shell Company of Australia Limited and with Beach Petroleum Limited. The Company also contracts with Toll Energy and the Scott Group of Companies for transportation services, among others.

Stuart continues to develop and refine its commercial procedures, systems and processes while pursuing industry best practice, where appropriate.

Outlook

The Company's profitability is dependent upon the level of production, the costs of production and the price of oil in AUD. In addition, unsuccessful exploration and downgrades to reserves can have a significant impact on exploration expense and asset impairment respectively thus reducing Net Profit after Tax.

Based on the Company's planning estimates, and subject to the above constraints, the Company expects to return to profitability in 2009/10.

Sustainability **Report**

Introduction

Stuart Petroleum recognises that how it achieves its results is just as important as what it achieves. Its conduct within the community can impact the results, long term value and sustainability of the Company. Accordingly, Stuart operates within a Business Management System designed to ensure that results are achieved in a high quality, safe, environmentally acceptable, low risk and community conscious manner.

Stuart's Business Management System incorporates quality assurance and management, health and safety policies and procedures applicable to employees and contractors, the conduct of activities within the environment in which Stuart operates and its responsibilities in the broader community.

Stuart also subscribes to the Australian Petroleum, Production and Exploration Association's Principles of Conduct. These are detailed within the Company's website.

A summary of performance in respect of key areas follows.

Health and Safety

Stuart aims to achieve safety performance better than the industry benchmark of 7 recordable incidents (lost time injuries and medical treatment injuries) per million man hours worked.

For the year ended 30 June 2009, the Company and its contractors recorded 130,164 hours worked, with no lost time or medical treatment incidents recorded. This equates to a frequency rate of zero. Stuart continues to work with its contractors to minimise incident levels.

Environment

Stuart's objective is to minimise the environmental impact of its activities.

During the year, Stuart was able to satisfy the relevant authorities with its environmental performance. There was one minor incident where an evaporation pond overflowed due to blocked pipework. The blockage was cleared, damage to the pond wall repaired and the surrounding area remediated with no damage to the local environment.

Greenhouse Gas Emissions

Stuart currently produces oil with low concentrations of the volatile fractions that are a significant source of greenhouse gases.

Stuart's greenhouse gas measurement methodology aligns with the new Federal National Greenhouse and Emissions Reporting (NGER) legislation, introduced for the 2008/09 financial year.

Stuart's registration under the NGER system was approved by the Department of Climate Change in August 2009 and the Company will make a final report by 31 October 2009, on emissions for the year ended 30 June 2009 in accordance with the requirements of the legislation.

Provisional estimates are that, using the Operational Control basis required by the NGER legislation, Stuart's greenhouse gas emissions have decreased by more than 50% to less than 20,000 tonnes CO2 equivalent compared to the previous financial year.

Left:
Stuart's procedures are designed to maintain the sensitive operating environment

Our **People** >>

Our People

THE TEAM

Stuart had 16 employees at the 30 June 2009 and continues to be supported by a group of pre-selected outsource partner organisations that are integral to its operations.

Stuart's team has substantial experience in exploration, development and operations in both onshore and offshore environments.

The benefits of having such a high quality and experienced team are reflected in the results achieved by the Company during the year. These include contributions to the Oliver project by defining hydrocarbons in place and recoverable hydrocarbons, providing the conceptual design for the Oliver field development and defining the location specifications for the Oliver-2.

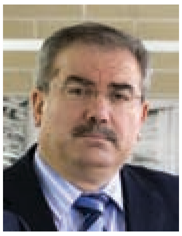
Additional contributions attributable to this broad skill base were observed in securing land at Port Bonython, the preparation of the project Development Application, engineering design studies, extensive commercial negotiations for access, supply and offtake and the development of an initial marketing survey all applicable to moving the Port Bonython Fuels project forward.

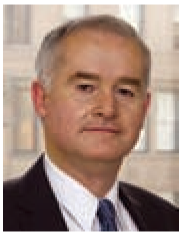
Financial acumen was demonstrated by the $17 million of cash generated through hedging activities and reflected the strength of Stuart's accounting team and the management of risk through well managed processes.

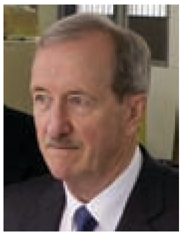
Employee Development

Stuart's objective is to provide employees with work experiences that facilitate growth and development of the individual within a team environment and to assist all employees in achieving their full potential.

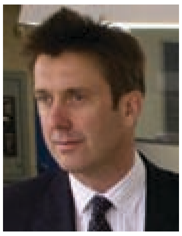
MEMBERS OF STUART'S MANAGEMENT TEAM


Tino Guglielmo

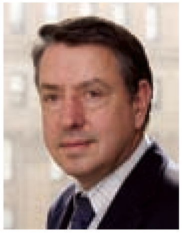

Bob Frears


John McRae


Neil Bird


Iain MacDougall


Mark Mussared


Andrew Ikin

During the year, development experiences included:

- Participation in the Bazzard project, Stuart's first offshore exploration project. All employees were exposed to this project in various areas of geoscience, petroleum/reservoir engineering, risk management, emergency response, drilling management and finance.
- Participation in the front end development phase of the Oliver offshore project in the Timor Sea and the diesel fuel Terminal/Refinery project at Port Bonython.

Both projects have drawn on Stuart personnel in varying forms and this involvement has further enhanced the already strong skill base.

The Company contributed over $80,000 in 2008/09 to employee training, education and development allocated across its employees. Part of this investment has been directed to the management of succession planning and support for two employees studying for tertiary education degrees.

The Company also provided opportunities for "work experience" students to participate in a variety of business activities ranging from sponsored field trips to internal work programs.

2009/10 Outlook

Stuart will again rely on its small group of employees and external partners to progress its operations and growth projects during 2009/10.

In the event of a successful Oliver appraisal well, personnel involvement in development activities will be sourced on an "as needs" basis.

The Fuel Terminal and Refinery Project will be progressed through Stuart's 100% holding in Port Bonython Fuels Pty Ltd. Stuart will contribute staff and funding resources to the project as required.

Community Responsibility Report

Above: SA students from Port Augusta and Ceduna attend secondary school under a scholarship program sponsored by Stuart Petroleum. Pictured with the Managing Director of Stuart Mr. Tino Guglielmo, Annesley Principal Linda Douglas, Council Chair Jan Keightley, and spokesman on indigenous welfare issues Mr. Noel Pearson are Nicole, Tishara, Alyssa, Allie, Shanelle and Jacinta.

Stuart recognises that a number of diverse community groups have ongoing interests in the Company. Stuart takes an active role in informing these groups of corporate and community activities through the Company website and through consultation. These include support for and attendance at State Government information days held in Whyalla, meetings with the Whyalla Council and meetings with individual members of the community on the development of the Port Bonython project.

Stuart has also participated in initiatives designed to assist the education and training of representatives of the Dieri people whose traditional lands include some of Stuart's Cooper Basin exploration and production licences.

These initiatives include:

- Contribution to the funding for the establishment of the Dieri Aboriginal Corporation
- Provision of funding for Annesley College education scholarships to support three secondary students from the Indigenous community
- Arranged introductions to key contractors to develop training and supply chain opportunities.

Stuart has continued to contribute a substantial amount of senior management time in supporting the South Australian Chamber of Mines and Energy on Indigenous affairs. This work has again been community focused and has been targeting industry bodies, State and Federal Government for increased support with regard to Indigenous community based projects in South Australia.

During the year, Stuart (as Operator) paid over $3.6 million in royalties to the SA State Government and over $357,000 of Native Title royalties to traditional landowners from its Cooper/Eromanga Basin production.

Stuart also contributed to a variety of charity and other community support groups.

The Company is committed to the ongoing support and development of relationships with its stakeholders.

5 Year Summary >>

5 Year Summary
year ending 30 June 2005 - 2009

As at 30 June	2005	2006	2007	2008	2009
Average Oil Price Received Net of Hedging (A$/bbl)	53.00	72.35	74.05	105.72	**103.50**
Financial Performance (A$million)					
Sales Revenue	44.1	53.9	38.7	60.2	**35.1**
Total Revenue	44.6	54.5	39.4	60.8	**35.5**
EBITDAX	19.8	22.0	22.6	39.8	**20.9**
Income Tax	(2.4)	(3.6)	(3.7)	(6.0)	**11.0**
NPAT	13.0	7.9	8.7	13.2	**(25.9)**
Financial Position (A$million)					
Total Assets	26.7	49.5	48.6	74.3	**52.2**
Net Debt	1.5	(3.9)	(3.3)	(7.0)	**(10.9)**
Shareholders Equity	17.8	18.4	32.2	33.2	**29.6**
Reserves and Production (mmbbls)					
Proven plus Probable Reserves	2.6	2.1	2.6	2.6	**2.3**
Production	0.832	0.745	0.523	0.569	**0.339**
Exploration					
Wells drilled (number)	4	8	5	7	**2**
Expenditure (A$million)	5.2	17.0	8.8	23.1	**34.0**
Other Capital Expenditure (A$million)					
Development	3.9	13.1	3.4	5.3	**0.2**
Buildings, Plant and Equipment	3.5	9.1	6.3	3.8	**4.5**
Share Information					
Issued Shares (number-'000)	62,540	62,640	62,653	62,669	**63,082**
Options (number-'000)	800	4,550	4,850	4,950	**4,250**
Performance Rights (number -'000)	-	-	-	-	**2,027**
Weighted Average Shares (number-'000)	62,176	62,625	62,648	62,667	**63,004**
Dividends per share (cents/share)	2	2	2	2	**0**
Dividends paid ($million)	-	1.252	1.252	1.253	**1.261**
Number of Shareholders	2,808	3,164	2,939	2,940	**2,897**
Ratios					
Earnings per share (cents/share)	20.7	11.7	12.9	19.5	**-41.0**
Return on Shareholders' Equity (%)	90.7	34.4	31.5	38.3	**-83.6**
Return on Average Capital Employed (%)	57.0	30.5	24.2	27.1	**-56.5**
Gearing (%)	-	17.4	5.1	17.4	**26.9**
EBITDAX per Bbl ($/barrel)	23.85	29.58	43.15	69.94	**61.72**

Notes:
Results from 2005 reflect changes due to adoption of AIFRS.
Number of Shareholders stated as at 23/09/2005, 22/9/2006, 22/09/2007, 19/09/2008 and 22/09/2009.

full financial report - 30 June 2009

THIS FINANCIAL REPORT COVERS BOTH THE SEPARATE FINANCIAL STATEMENTS OF STUART PETROLEUM LIMITED AS AN INDIVIDUAL ENTITY AND THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE CONSOLIDATED ENTITY CONSISTING OF STUART PETROLEUM LIMITED AND ITS SUBSIDIARIES. THE FINANCIAL REPORT IS PRESENTED IN AUSTRALIAN CURRENCY.

Stuart Petroleum Limited is a company limited by shares, incorporated and domiciled in Australia.

Its registered office and principal place of business is:
Level 7
22 King William Street
Adelaide SA 5000

A description of the nature of the Company's operations and its principal activities are included in the Review of Operations in the Directors' Report released herewith.

The financial report was authorised for issue by the directors on 26 August 2009. The Company has the power to amend and reissue the financial report.

Through the use of the internet, Stuart Petroleum has ensured that all corporate reporting is timely, complete, and available globally at minimum cost to the Company. All press releases, financial reports and other information are available on the Company's website: www.stuartpetroleum.com.au

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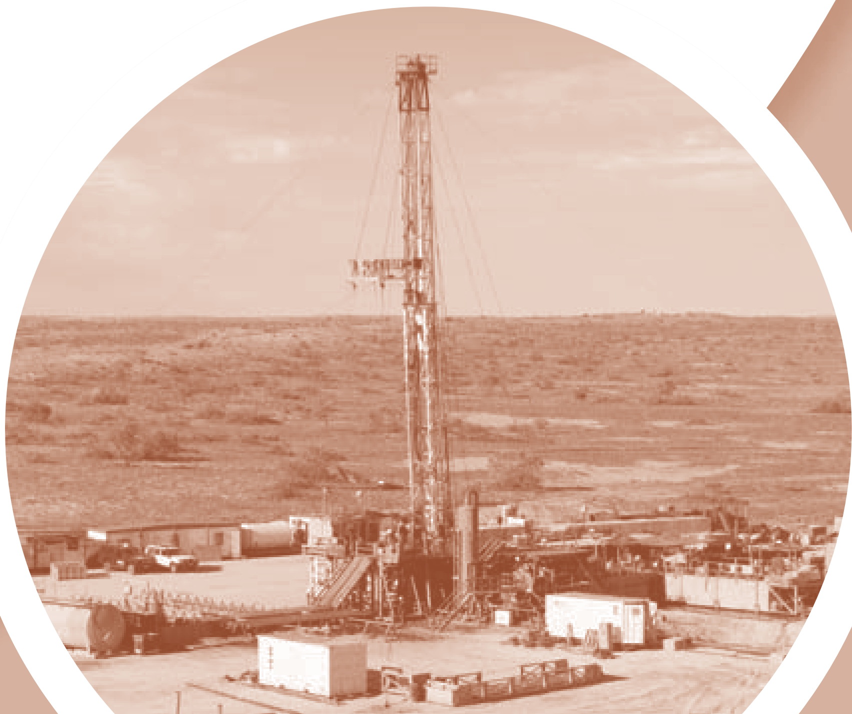

Directors' Report
for the year ended 30 June 2009

The Directors present their report on the consolidated entity (referred to hereafter as the Group) consisting of Stuart Petroleum Limited (the Company) and the entities it controlled at the end of, or during, the year ended 30 June 2009.

1. DIRECTORS

The names of the Directors of the Company in office during the whole of the financial year and up to the date of this report are as follows:

John G Branson LLB, FAICD
(Chairman)

Giustino (Tino) Guglielmo B Eng (Mech), MAICD, MSPE
(Managing Director)

David B Clarke BSc
(Non Executive Director)

Details of each director's qualifications, experience and special responsibilities; their attendance at board meetings; and the company secretary's qualifications and experience are contained in the Corporate Governance Report released with the Directors' report.

2. PRINCIPAL ACTIVITIES

The principal activities of the Group during the financial year were oil and gas exploration, development and production in the Cooper/Eromanga Basin in South Australia and exploration in the Gippsland Basin offshore Victoria permit Vic P53. The Group also undertook preparatory activities in advance of drilling the Oliver - 2 Appraisal well in the offshore Timor Sea permit AC/P33 scheduled for late 2009 / early 2010, and progressed the commercial and engineering arrangements for the Port Bonython Fuels storage and distribution project.

3. DIVIDENDS

On 27 August 2008 the Directors declared the payment of a fully franked ordinary dividend of $1,261,377 (2 cents per fully paid share) which was paid on 19 September 2008, out of retained profits at 30 June 2008.

The Directors did not declare a dividend to be paid out of retained profits at 30 June 2009.

4. REVIEW AND RESULTS OF OPERATIONS

The net loss after income tax attributable to the shareholders was $25.9 million, compared to the profit in the previous corresponding period of $13.2 million. The loss was predominantly due to lower sales receipts, the expensing of the costs related to the Bazzard-1 exploration well and impairment charges where the carrying value of some assets exceeded the discounted value of future cash flows.

Further information is contained in the commentary on financial statements commencing on page 12 of the Annual Report.

5. STATE OF AFFAIRS

Significant changes in the state of affairs of the Group during the financial year were as follows:

- The Company announced on 20 August 2008 that it entered into an agreement to farm into exploration permit AC/P33. The permit contains the Oliver 1 oil well which was an oil and gas discovery. As of 1 June 2009 the company announced, following completion of geological and geophysical studies, an increase in Oil in Place of 20% to 53 million barrels and Condensate in Place of 167% to 31 million barrels. As of 17 August 2009 the Company announced that it had upgraded its estimate of the recoverable resource at Oliver to 32.6 million barrels.
- The Company announced on 25 May 2009 that it had lodged a Development Application with the South Australian Government for the construction and operation of a fuel storage and distribution facility at Port Bonython, South Australia. The Company also announced that agreement had been reached with the South Australian government to acquire 74 hectares of land adjacent to the jetty at Port Bonython.

Photo top:
Chairman, Mr. John Branson,
Managing Director, Mr. Tino Guglielmo and
Non-executive Director, Mr. David Clarke

6. EVENTS SUBSEQUENT TO BALANCE DATE

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

On 22 July 2009, the Company announced that it had closed out part of its portfolio of foreign currency hedges realising $2.2 million. The sale has no impact on the financial results for the 2008/9 year.

On 27 July 2009, the Company announced it had entered into an option to farm into the Timor Sea exploration permit AC/P35. The permit is contiguous with AC/P33 which contains the Oliver 1 well, an oil, condensate and gas discovery.

On 30 July 2009, the Company announced that it had acquired the 15% interest in Port Bonython Fuels that it did not own and that following the acquisition it held 100% of the equity interest in the Company and the fuels project. This transaction will see minority interests eliminated and a gain on the acquisition recognised as a component of equity. Subsequent to this transaction the deferred purchase consideration is no longer payable. As a result $2.86 million of the obligation of as at 30 June 2009 will be adjusted against goodwill in the next financial year.

On 17 August 2009, the Company announced that as a result of evaluation work undertaken, the audited mean recoverable oil and condensate resource at Oliver had increased from 19.3 million barrels to 32.6 million barrels.

On 26 August 2009, the Company executed a new facility agreement with the Commonwealth Bank of Australia, details of which are provided in Note 17 of the Financial Statements.

7. LIKELY DEVELOPMENTS

Further information about likely developments in the operations of the Group and the expected results of those operations in future financial years has not been included in this report because disclosure of the information would likely to result in unreasonable prejudice to the Group.

8. REMUNERATION REPORT

The remuneration report is set out under the following main headings:

A Principles used to determine the nature and amount of remuneration

B Details of remuneration

C Service Agreements

D Share based compensation

E Additional Information

The information provided in this remuneration report has been audited as required by section 308 (3C) of the *Corporations Act 2001*.

A. PRINCIPLES USED TO DETERMINE THE NATURE AND AMOUNT OF REMUNERATION

The objective of the Group's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with achievement of strategic objectives and the creation of value for shareholders, and conforms to market practice for delivery of reward. The Board ensures that executive reward satisfies the following key criteria for good reward governance practices:

- Competitiveness and reasonableness
- Acceptability to shareholders
- Performance linkage / alignment of executive compensation
- Transparency
- Capital Management

The Group has structured an executive remuneration framework that is market competitive and complementary to the reward strategy of the organisation.

Alignment to shareholders' interests:

- has reserves and production (which underlay economic profit) as a core component of the plan design
- focuses on sustained growth in shareholder wealth (share price and dividends) through reserves replacement and reserves growth.
- focuses executives on key non financial drivers of value.
- attracts and retains high calibre executives.

Alignment to program participants' interests:

- rewards capability and experience
- reflects competitive reward for contribution to growth in shareholder wealth
- provides a clear structure for earnings rewards
- provides recognition for contribution.

The framework provides a mix of fixed and variable pay, and a blend of short and long term incentives. As executives gain seniority with the group, the balance of this mix shifts to a higher proportion of "at risk rewards".

As explained in the Corporate Governance Report, the Group does not have a Remuneration Committee. Matters that might have been considered by remuneration committee are reviewed by the full board of Directors.

NON-EXECUTIVE DIRECTORS

Fees and payments to non-executive directors reflect the demands which are made on, and the responsibilities of, the directors. Non-executive directors' fees and payments (excluding options) are reviewed annually by the Board and any increase over $500,000 stipulated in the Company's Constitution, would be subject to shareholder approval. The limit of fees has not been increased since the adoption of the Constitution in 1999.

DIRECTORS' FEES

The current base remuneration was last reviewed with effect from 1 July 2008. The fees were based on a survey of publicly available data. Directors are also entitled to share based compensation and cash bonuses based on company performance. Details of fees paid are included in Section B.

RETIREMENT ALLOWANCES FOR DIRECTORS

Non executive directors receive superannuation contributions of 9% of fees. Superannuation contributions are in accordance with the requirements of the Superannuation Guarantee legislation.

As of 6 July 2007, the Company entered into Deeds with Mr J G Branson and Mr D B Clarke, to retain their services on commercial terms, under which the Company would pay retirement benefits in certain circumstances. The amount of any benefit payable will be determined in accordance with the Corporations Act.

8. REMUNERATION REPORT - CONTINUED

EXECUTIVE PAY

The executive pay and reward framework has three components:

- Base pay and benefits, including superannuation
- Short-term performance incentives - Performance Incentive Program (PIP), and
- Long term incentives through participation in the Stuart Petroleum Limited Performance Rights Plan (PRP). With the establishment of the PRP as of 27 August 2008, the Board determined that no new options will be issued under the Stuart Petroleum Directors and Executive Option Scheme.

The combination of the remuneration components listed above comprises the executives' total remuneration.

The performance incentive program has been suspended for the 2008/09 financial year and the performance rights plan for the 2009/10 financial year, consistent with economic conditions experienced throughout the year, but may be reinstated for subsequent years at the discretion of the Board.

BASE PAY

The base pay is structured as a total employment cost package which, at the executive's discretion, may be delivered as cash only, or a combination of cash and salary sacrifice.

The base pay of executives is reviewed annually to ensure that executive pay is competitive with the market.

An executive's pay is also reviewed on promotion.

There are no guaranteed base pay increases included in any executives' contracts.

Salaries were reviewed as of 1 July 2008. The Board has implemented a pay freeze as of 1 July 2009 for 2009/10.

BENEFITS

Executives receive benefits including payment of car parking and tax advisory services.

RETIREMENT BENEFITS

Superannuation contributions are made in accordance with the requirements of the Superannuation Guarantee legislation.

SHORT TERM INCENTIVES – PERFORMANCE INCENTIVE PROGRAM (PIP)

The Performance Incentive Program applies to all employees including executives. In the case of executives, cash bonuses up to 30% of base salary per annum are payable on achievement of specific performance targets. The PIP is calculated on a balanced scorecard of objectives agreed with employees at the beginning of the budget year and reviewed quarterly.

The objectives reflect a mix of corporate and budget outcomes as well as personal objectives relevant to the individuals' position.

Bonuses, where approved, are payable along with the September monthly salary payment.

As part of its deliberation of the annual programme, the Board considers the appropriate targets and key performance indicators (KPIs) to link the performance incentive program. The Board also considers the outcomes achieved against the targets and approves all amounts paid under the program.

The performance incentive program was suspended from 1 July 2008 for the 2008/09 financial year, but may be reinstated for subsequent years at the discretion of the Board.

PERFORMANCE RIGHTS PLAN

The Company has a Performance Rights Plan designed to complement overall remuneration objectives. During the year, rights were issued to employees in accordance with the plan.

The rights plan was suspended from 1 July 2009 for the 2009/10 financial year, but may be reinstated for subsequent years at the discretion of the Board.

B. DETAILS OF REMUNERATION

AMOUNTS OF REMUNERATION

Details of the remuneration of the directors and the key management personnel (as defined in AASB 124 *Related Party Disclosures*) of Stuart Petroleum Limited are set out in the tables below.

The key management personnel of Stuart Petroleum Limited include the directors as previously identified and the six executives that report directly to the managing director. All 6 executives served for the full twelve months except for Mr RA Frears who was on unpaid medical leave for the final two and a half months of the year.

EXECUTIVES OF THE ENTITY:

- RA Frears - Exploration Manager
- JF McRae - Company Secretary and Commercial Manager
- ID MacDougall - Engineering and Production Manager
- ND Bird - Business Development and Supply Manager
- AJ Ikin - Chief Financial Officer
- MR Mussared - Exploitation Manager

The cash bonuses accrued under the PIP as of 30 June 2008 were paid in September 2008 based upon an assessment by the Board of the contribution of the executives in 2007/08. A cash bonus under the PIP for 2008/09 has not been accrued at year-end as the Board determined that there would be no bonuses paid in September 2009 given the economic conditions experienced throughout the year. The performance rights granted were all in accordance with the Performance Rights Plan.

For the year ended 30 June 2009

2009	SHORT–TERM BENEFITS				LONG-TERM BENEFITS	POST EMPLOYMENT BENEFITS		EQUITY BENEFITS	
NAME	CASH SALARY AND FEES	CASH BONUS[1]	NON MONETARY BENEFITS	OTHER SHORT-TERM BENEFITS	LONG SERVICE LEAVE[3]	SUPER-ANNUATION	DIRECTORS' RETIREMENT BENEFITS[4]	OPTIONS / RIGHTS	TOTAL
	$	$	$	$	$	$	$	$	$
NON EXECUTIVE DIRECTORS									
JG Branson	133,333	-	-	3,414	-	12,000	85,943	20,938	255,628
DB Clarke	66,667	-	-	3,414	-	6,000	40,540	13,959	130,580
SUB-TOTAL NON-EXECUTIVE DIRECTORS	**200,000**	**-**	**-**	**6,828**	**-**	**18,000**	**126,483**	**34,897**	**386,208**
EXECUTIVE DIRECTORS									
G Guglielmo	366,212	-	-	3,415	25,593	32,959	-	50,773	478,952
OTHER KEY MANAGEMENT PERSONNEL									
RA Frears[2]	179,915	7,679	1,000	3,415	6,768	16,192	-	50,684	265,653
MR Mussared	214,970	-	1,000	3,415	4,031	19,347	-	54,574	297,337
ID MacDougall	214,096	-	1,000	3,415	5,900	19,269	-	48,314	291,994
JF McRae	212,563	-	1,000	3,415	9,413	19,131	-	48,102	293,624
ND Bird	194,798	-	1,000	3,415	4,957	17,532	-	43,633	265,335
AJ Ikin	211,264	-	1,000	3,415	4,367	19,014	-	54,453	293,513
TOTAL	**1,793,818**	**7,679**	**6,000**	**30,733**	**61,029**	**161,444**	**126,483**	**385,430**	**2,572,616**

[1] Amounts accrued as at 30 June 2008 were paid during the year. No obligation exists for the 2008/09 cash bonus.
[2] Salary reduced due to unpaid leave taken. Cash bonus is the additional amount paid in excess of the accrual in the prior year.
[3] No payments for long service leave were made during the year.
[4] No payments have been made during the year – refer accounting policy note.

8. REMUNERATION REPORT- CONTINUED

2008	SHORT–TERM BENEFITS				LONG-TERM BENEFITS	POST EMPLOYMENT BENEFITS		EQUITY BENEFITS	
NAME	CASH SALARY AND FEES	CASH BONUS	NON MONETARY BENEFITS	OTHER SHORT-TERM BENEFITS	LONG SERVICE LEAVE[5]	SUPER-ANNUATION	DIRECTORS' RETIREMENT BENEFITS	OPTIONS / RIGHTS	TOTAL
	$	$	$	$	$	$	$	$	$
NON EXECUTIVE DIRECTORS									
JG Branson	100,000	17,000	-	2.399	-	9,000	177,570	84,895	390,864
DB Clarke	50,000	8,500	-	2,399	-	4,500	83,759	56,597	205,755
SUB-TOTAL NON-EXECUTIVE DIRECTORS	**150,000**	**25,500**	**-**	**4,798**	**-**	**13,500**	**261,329**	**141,492**	**596,619**
EXECUTIVE DIRECTORS									
G Guglielmo	270,703	46,388	-	3,145	9,764	24,363	-	113,195	467,558
OTHER KEY MANAGEMENT PERSONNEL									
RA Frears	217,656	30,715	1,000	4,384	16,424	19,859	-	9,639	299,407
MR Mussared	195,516	41,386	1,000	3,643	1,943	17,596	-	16,611	277,695
ID MacDougall	190,313	34,530	1,000	2,945	5,251	17,128	-	9,639	260,806
JF McRae	185,938	27,177	1,000	3,676	7,557	16,734	-	9,639	251,721
ND Bird	180,469	31,834	1,000	4,286	2,793	16,242	-	9,639	246,263
AJ Ikin	176,172	35,515	1,000	4,023	1,752	15,855	-	16,612	250,929
TOTAL	**1,566,767**	**273,045**	**6,000**	**30,900**	**45,484**	**141,007**	**261,239**	**326,466**	**2,650,998**

[5] No payments for long service leave were made during the year.

For the year ended 30 June 2009

The relative portions of remuneration that are linked to performance and those that are fixed are as follows:

NAME	FIXED REMUNERATION		AT RISK-STI		AT RISK-LTI	
	2009	2008	2009	2008	2009	2008
NON-EXECUTIVE DIRECTORS						
JG Branson	52%	26%	1%	5%	47%	69%
DB Clarke	51%	24%	3%	5%	46%	70%
EXECUTIVE DIRECTORS						
G Guglielmo	76%	58%	1%	11%	23%	32%
OTHER KEY MANAGEMENT PERSONNEL						
RA Frears	68%	73%	5%	12%	28%	15%
MR Mussared	72%	70%	1%	17%	26%	13%
ID MacDougall	73%	73%	1%	15%	25%	12%
JF McRae	72%	74%	1%	13%	26%	13%
ND Bird	73%	73%	1%	15%	25%	12%
AJ Ikin	73%	70%	1%	16%	25%	14%

8. REMUNERATION REPORT- CONTINUED

C. SERVICE AGREEMENTS

Remuneration and other terms of employment for the Managing Director and other key management personnel are formalised in service agreements. The major provisions relating to remuneration are set out below:

NAME	TERM OF AGREEMENT (YEARS)	COMMENCEMENT DATE OF AGREEMENT	BASE SALARY PLUS SUPERANNUATION GUARANTEE CONTRIBUTIONS, TO BE REVIEWED ANNUALLY	SALARY PAYABLE ON TERMINATION IN LIEU OF NOTICE (MONTHS)
G Guglielmo	1	July 2009	$420,000	6
RA Frears[1]	3	February 2006	$250,000	3
JF McRae	3	October 2008	$237,000	3
ID MacDougall	1	May 2009	$238,000	3
ND Bird	5	May 2005	$215,000	6
AJ Ikin	1	May 2009	$238,000	3
MR Mussared	1	May 2009	$238,000	3

[1] Renewal of contract pending return from unpaid medical leave

Each of the above employees participates in the Company's Performance Right Plan and previously the Employee Share Option Plan as approved by the Board from time to time. Whilst the issue of options under the scheme has been terminated, employees may still exercise unexpired options in accordance with the scheme. In addition, each of the above employees participates in performance bonuses in accordance with the Company's Performance Incentive Program.

D. SHARE BASED COMPENSATION

PERFORMANCE RIGHTS

Commencing in the 2008/09 year the "Directors and Executive Option Scheme" was replaced with the "Performance Rights Plan" (PRP). Under the PRP Plan performance rights are issued to all employees and executive directors based on their salary level. The performance hurdle of the right is set at 30 June with the hurdle represented by the Stuart Petroleum Ltd share price measured at 30 June the following year. The rights are granted under the plan for no consideration. Rights granted under the plan carry no dividend or voting rights.
The expensing of these rights is in accordance with AASB 2 *Share based payments*.

The terms and conditions of each grant of rights affecting remuneration in the previous, this or future reporting periods are as follows:

GRANT DATE	ENTITLEMENT MEASUREMENT DATE	MINIMUM PERFORMANCE HURDLE (SHARE PRICE) – 50% ENTITLEMENT	MAXIMUM PERFORMANCE HURDLE (SHARE PRICE) – 100% ENTITLEMENT	VALUE PER RIGHT AT GRANT DATE	EXERCISE PRICE
12 December 2008	30 June 2009	$1.44	$1.56	39.5 cents	Zero
12 December 2008	30 June 2009	$1.44	$1.56	4.9 cents	Zero
12 December 2008	30 June 2010	$1.65	$1.95	39.9 cents	Zero
12 December 2008	30 June 2010	$1.65	$1.95	8.3 cents	Zero
12 December 2008	30 June 2011	$1.90	$2.44	40.0 cents	Zero
12 December 2008	30 June 2011	$1.90	$2.44	10.0 cents	Zero
WEIGHTED AVERAGE		**$1.63**	**$1.98**	**30.5 CENTS**	**ZERO**

For the year ended 30 June 2009

Details of performance rights over ordinary shares in the Company provided as remuneration to each executive director of Stuart Petroleum Limited and each of the key management personnel of the Company are set out below. The performance rights are granted for zero consideration. When exercisable, each performance right is convertible into one ordinary share of Stuart Petroleum Limited. Further information on the performance rights is set out in the Note 26 to the Annual Financial Report.

The plan rules contain a restriction on removing the 'at risk' aspect of the instruments granted to executives. Plan participants may not enter into any transaction designed to remove the 'at risk' aspect of an instrument before it vests.

NAME	NUMBER OF RIGHTS GRANTED DURING THE YEAR		NUMBER OF RIGHTS VESTED DURING THE YEAR	
	2009	2008	**2009**	2008
DIRECTORS OF STUART PETROLEUM LIMITED				
G Guglielmo	**885,984**	-	**-**	-
OTHER KEY MANAGEMENT PERSONNEL OF THE COMPANY				
R Frears	**263,886**	-	**-**	-
J McRae	**250,444**	-	**-**	-
I MacDougall	**251,545**	-	**-**	-
N Bird	**227,176**	-	**-**	-
A Ikin	**250,915**	-	**-**	-
M Mussared	**251,545**	-	**-**	-

The assessed fair value at grant date of performance rights granted to the individuals is allocated equally over the period from grant date to vesting date, and the amount is included in the remuneration tables above. Fair values at grant date are determined using a Black–Scholes option pricing model that takes into account the exercise price, the term of the right, the share price at grant date and expected volatility of the underlying share, the expected dividend yield and the risk free rate for the term of the right.

Stuart Petroleum Limited's share price as at 30 June 2009 was below the minimum performance hurdle and the first tranche of rights (one third of the rights issued) lapsed on 30 June 2009. The number of performance rights which have lapsed is set out in the table below:

NAME	NUMBER OF RIGHTS LAPSED DURING THE YEAR DUE TO FAILURE TO SATISFY PERFORMANCE CONDITIONS	
	2009	2008
DIRECTORS OF STUART PETROLEUM LIMITED		
G Guglielmo	**295,328**	-
OTHER KEY MANAGEMENT PERSONNEL OF THE COMPANY		
R Frears	**87,962**	-
J McRae	**83,481**	-
I MacDougall	**83,848**	-
N Bird	**75,725**	-
A Ikin	**83,638**	-
M Mussared	**83,848**	-

NAME	% OF RIGHTS LAPSED DURING THE YEAR DUE TO FAILURE TO SATISFY PERFORMANCE CONDITIONS	
	2009	2008
DIRECTORS OF STUART PETROLEUM LIMITED		
G Guglielmo	**33**	-
OTHER KEY MANAGEMENT PERSONNEL OF THE COMPANY		
R Frears	**33**	-
J McRae	**33**	-
I MacDougall	**33**	-
N Bird	**33**	-
A Ikin	**33**	-
M Mussared	**33**	-

8. REMUNERATION REPORT- CONTINUED

OPTIONS

Prior to 2008/09, in order to retain key management and staff, share options were granted to directors and key executives with deferred vesting under the "Directors and Executive Option Scheme". The price was set from a benchmark of the weighted average share price for the 5 trading days prior to the issue of an invitation to accept the option. The options are granted under the plan for no consideration. Options granted under the plan carry no dividend or voting rights.

Where the duration of the options was for 3 years, there is progressive vesting of the options maturing 3 years from grant. The vesting formula is as follows:

- After Year 1 – 1/3 of options vested
- After Year 2 – a further 1/3 of options vested
- After Year 3 – the remaining 1/3 of options vested

Where the duration of the options was for 2 years then after one year, one half of the options vest and the remaining half vesting after two years.

The expensing of these options is in accordance with AASB 2 *Share based payments*.

The terms and conditions of each grant of options affecting remuneration in the previous, this or future reporting periods are set out below:

GRANT DATE	EXPIRY DATE	EXERCISE PRICE	VALUE PER OPTION AT GRANT DATE	DATE VESTED AND EXERCISABLE
26 July 2005	26 July 2009	89 cents each	19 cents	26 July 2006
26 July 2005	26 July 2010	89 cents each	29 cents	26 July 2007
26 July 2005	26 July 2011	89 cents each	35 cents	26 July 2008
16 November 2005	16 November 2009	89 cents each	56 cents	16 November 2006
16 November 2005	16 November 2010	89 cents each	62 cents	16 November 2007
16 November 2005	16 November 2011	89 cents each	67 cents	16 November 2008
22 March 2006	22 March 2010	$1.30 each	15 cents	22 March 2007
22 March 2006	22 March 2011	$1.30 each	24 cents	22 March 2008
1 March 2006	1 March 2010	$1.36 each	16 cents	1 March 2007
1 March 2006	1 March 2011	$1.36 each	26 cents	1 March 2008
1 March 2006	1 March 2012	$1.36 each	34 cents	1 March 2009
14 March 2006	14 March 2010	$1.36 each	16 cents	14 March 2007
14 March 2006	14 March 2011	$1.36 each	26 cents	14 March 2008
14 March 2006	14 March 2012	$1.36 each	34 cents	14 March 2009

Details of options over ordinary shares in the Company provided as remuneration to each director of Stuart Petroleum Limited and each of the key management personnel of the Company are set out below. The options are granted for zero consideration. When exercisable, each option is convertible into one ordinary share of Stuart Petroleum Limited. Further information on the options is set out in the Note 25 to the Annual Financial Report.

NAME	NUMBER OF OPTIONS GRANTED DURING THE YEAR		NUMBER OF OPTIONS VESTED DURING THE YEAR	
	2009	2008	**2009**	2008
DIRECTORS OF STUART PETROLEUM LIMITED				
J G Branson	**-**	-	**250,000**	250,000
G Guglielmo	**-**	-	**333,334**	333,333
D B Clarke	**-**	-	**166,667**	166,667
OTHER KEY MANAGEMENT PERSONNEL OF THE COMPANY				
R Frears	**-**	-	**83,334**	83,333
J McRae	**-**	-	**83,334**	83,333
I MacDougall	**-**	-	**83,334**	83,333
N Bird	**-**	-	**83,334**	83,333
A Ikin	**-**	-	**83,334**	83,333
M Mussared	**-**	-	**83,334**	83,333

The assessed fair value at grant date of options granted to the individuals is allocated equally over the period from grant date to vesting date, and the amount is included in the remuneration tables above. Fair values at grant date are determined using a Black–Scholes option pricing model that takes into account the exercise price, the term of the option, the share price at grant date and expected volatility of the underlying share, the expected dividend yield and the risk free rate for the term of the option.

The plan rules contain a restriction on removing the 'at risk' aspect of the instruments granted to executives. Plan participations may not enter into any transaction designed to remove the 'at risk' aspect of an instrument before it vests.

SHARES PROVIDED ON EXERCISE OF OPTIONS

Details of ordinary shares in the Company issued as a result of the exercise of remuneration options to each director of Stuart Petroleum Limited and other key management personnel of the Company are set out below:

NAME	DATE OF EXERCISE OF OPTIONS	NUMBER OF ORDINARY SHARES ISSUED ON EXERCISE OF OPTIONS GRANTED DURING THE YEAR		AMOUNT PAID PER SHARE
		2009	2008	
DIRECTORS OF STUART PETROLEUM LIMITED				
G Guglielmo	5 September 2008	**300,000**	0	$0.76
OTHER KEY MANAGEMENT PERSONNEL OF THE COMPANY				
J McRae	5 September 2008	**100,000**	0	$0.69

No amounts are unpaid on any shares issued on the exercise of options.

EMPLOYEE SHARE PLAN

At the discretion of the board, employees are granted up to $1,000 of Stuart Petroleum Limited shares.

E. ADDITIONAL INFORMATION

PRINCIPLES USED TO DETERMINE THE NATURE AND AMOUNT OF REMUNERATION: RELATIONSHIP BETWEEN REMUNERATION AND COMPANY PERFORMANCE

The Performance Incentive Program for the 2008/09 year is based on the achievement of Corporate Objectives as well as Individual Objectives. The Corporate objectives include Total Shareholder Returns, Production targets and QHSE (quality, health and safety, environmental) targets. The performance measures do not take into account the performance of the Company over more than the current year. The payment of the short term incentive is at the discretion of the Board.

The short-term incentive as a percentage of the maximum available and the earnings per share for the current year and the previous four years are set out below:

MEASURE	2009	2008	2007	2006	2005
Earnings per share	(41.0)	19.5	12.9	11.7	20.7
Short term incentive (% of maximum)	0%	58%	30%	57%	15%

8. REMUNERATION REPORT- CONTINUED

DETAILS OF REMUNERATION: CASH BONUSES AND OPTIONS AND PERFORMANCE RIGHTS

For the 2008/09 year no executive bonus is payable. Performance rights were issued in 2008/09. No options nor performance rights will be granted for the 2009/10 year.

SHARE BASED COMPENSATION

Further details relating to options are set out below:

2009	BALANCE AT START OF YEAR	GRANTED DURING YEAR AS COMPENSATION	EXERCISED DURING YEAR	LAPSED DURING YEAR[1]	BALANCE AT END OF YEAR	VESTED AND EXERCISABLE AT END OF YEAR
DIRECTORS OF STUART PETROLEUM LIMITED						
JG Branson	750,000	-	-	-	750,000	750,000
DB Clarke	500,000	-	-	-	500,000	500,000
G Guglielmo	1,300,000	-	(300,000)	-	1,000,000	1,000,000
OTHER KEY MANAGEMENT PERSONNEL OF THE GROUP						
R Frears	250,000	-	-	-	250,000	250,000
J McRae	350,000	-	(100,000)	-	250,000	250,000
I MacDougall	350,000	-	-	(100,000)	250,000	250,000
N Bird	250,000	-	-	-	250,000	250,000
A Ikin	250,000	-	-	-	250,000	250,000
M Mussared	250,000	-	-	-	250,000	250,000

[1] The value of the options lapsed during the year is zero.

2008	BALANCE AT START OF YEAR	GRANTED DURING YEAR AS COMPENSATION	EXERCISED DURING YEAR	LAPSED DURING YEAR	BALANCE AT END OF YEAR	VESTED AND EXERCISABLE AT END OF YEAR
DIRECTORS OF STUART PETROLEUM LIMITED						
JG Branson	750,000	-	-	-	750,000	500,000
DB Clarke	500,000	-	-	-	500,000	333,333
G Guglielmo	1,300,000	-	-	-	1,300,000	966,666
OTHER KEY MANAGEMENT PERSONNEL OF THE GROUP						
R Frears	250,000	-	-	-	250,000	166,666
J McRae	350,000	-	-	-	350,000	266,666
I MacDougall	350,000	-	-	-	350,000	266,666
N Bird	250,000	-	-	-	250,000	166,666
A Ikin	250,000	-	-	-	250,000	166,666
M Mussared	250,000	-	-	-	250,000	166,666

9. SHARES UNDER OPTION

Un-issued ordinary shares of Stuart Petroleum Limited under option at the date of this report are as follows:

DATE OPTIONS GRANTED	EXPIRY DATE	ISSUE PRICE	NUMBER UNDER OPTION
26 July 2005	26 July 2009	89 cents each	333,333
26 July 2005	26 July 2010	89 cents each	333,333
26 July 2005	26 July 2011	89 cents each	333,334
16 November 2005	16 November 2009	89 cents each	750,000
16 November 2005	16 November 2010	89 cents each	750,000
16 November 2005	16 November 2011	89 cents each	750,000
22 March 2006	22 March 2010	$1.30 each	50,000
22 March 2006	22 March 2011	$1.30 each	50,000
1 March 2006	1 March 2010	$1.36 each	83,333
1 March 2006	1 March 2011	$1.36 each	83,333
1 March 2006	1 March 2012	$1.36 each	83,334
14 March 2006	14 March 2010	$1.36 each	83,333
14 March 2006	14 March 2011	$1.36 each	83,333
14 March 2006	14 March 2012	$1.36 each	83,334
22 September 2006	22 September 2010	$1.32 each	150,000
22 September 2006	22 September 2011	$1.32 each	150,000
3 December 2007	3 December 2011	$1.17 each	50,000
3 December 2007	3 December 2012	$1.17 each	50,000
TOTAL			**4,250,000**

None of the above options entitles the holder to participate, by virtue of the options, in any share issue of the Company or any other entity.

10. SHARES ISSUED ON THE EXERCISE OF OPTIONS

400,000 shares were issued upon the exercise of options during the year ended 30 June 2009.

11. SERVICES PROVIDED BY THE AUDITOR

The Company may decide to employ the auditor (PricewaterhouseCoopers) on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company is important.

The Board of Directors has considered the position and is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The Directors are satisfied that the provision of non-audit services by the auditor as set out below, did not compromise the audit independence requirement of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed by the Board to ensure they do not impact the impartiality and objectivity of the auditor
- none of the services undermine the general principle relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*

Details of the amounts paid or payable to the auditor for audit and non-audit services provided during the year are set below:

ASSURANCE SERVICES	
Audit and review of financial reports and Other assurance work under the *Corporations Act 2001*	$148,850
NON AUDIT SERVICES	
Tax compliance services including compilation of tax return and business related tax advice	$36,799
TOTAL	**$185,649**

12. AUDITORS INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 33.

13. ENVIRONMENTAL REGULATION

The Group is subject to environmental regulation as part of the *South Australian Petroleum Act 2000* and *National Parks and Wildlife Act 1972(SA)*. Applicable legislation and requisite environmental approvals are obtained. Compliance performance is monitored on a regular basis, including quarterly compliance reviews with the regulator. The Directors are satisfied that environmental regulations have been complied with. During the year no fines were imposed, no prosecutions were instituted and no notice of non compliance was received from a regulatory body. The Group is also subject to the *South Australian Aboriginal Heritage Act 1988* and the *Aboriginal and Torres Strait Island Heritage Protection Act 1984*.

The Group is subject to reporting requirements of the *National Greenhouse and Energy Reporting Act 2007*. The Act requires the Group to report its annual greenhouse gas emissions and energy use. The first measurement period for this Act ran from 1 July 2008 to 30 June 2009. The Group has implemented systems and processes for the collection and calculation of the data required and will be able to prepare and submit its initial report to the Greenhouse and Energy data office by 31 October 2009.

14. INDEMNIFICATION AND INSURANCE OF OFFICERS

During the financial year the Group paid premiums to insure Directors and Executives. A condition of the contracts is that the nature of the liability indemnified and the premium payable not be disclosed.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the Directors and Executives in their capacity as officers of the entities in the Group, other than where such liabilities arise out of conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or anyone else or to cause detriment to any entities in the Group.

The Company is party to Deeds of Indemnity in favour of each Director referred to in this report who held office during the year, as well as senior executives and statutory officers. The indemnities operate to the full extent permitted by law and are not subject to a monetary limit. Stuart Petroleum is not aware of any liability having arisen, and no claims have been made, during or since the financial year under the Deeds of Indemnity.

15. ROUNDING

Australian Securities and Investments Commission Class Order 98/100, dated 10 July 1998, applies to the Company and accordingly amounts have been rounded off to the nearest thousand dollars in accordance with that Class Order, unless otherwise indicated.

16. AUDITOR

PricewaterhouseCoopers continues in office in accordance with section 327 of the *Corporations Act 2001*.

No indemnity has been granted to an auditor of the Group in their capacity as auditor of the Group.

Dated at Adelaide, South Australia this 27 day of August 2009 and signed in accordance with a resolution of the Directors.

JG BRANSON
CHAIRMAN

PRICEWATERHOUSECOOPERS

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Auditor's Independence Declaration

As lead auditor for the audit of Stuart Petroleum Limited for the year ended 30 June 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 audit; and

b) no contraventions of any applicable code of professional conduct in relation to the audit.

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

AG Forman
Partner
PricewaterhouseCoopers

Adelaide
27 August 2009

Liability limited by a scheme approved under Professional Standards Legislation

Corporate Governance Report
for the year ended 30 June 2009

Stuart Petroleum Limited is committed to a high level of corporate governance in accordance with the Corporations Act and the ASX Listing Rules. Stuart's principles and practices are detailed in the Corporate Governance Statement posted on the Company's web-site (www.stuartpetroleum.com.au/investor relations/corporate governance statement).

The Managing Director and Chief Financial Officer have assured the Board that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

Management has also reported to the Board that the Company's management of material business risks is effective.

The following information is provided as supplementary to the Corporate Governance Statement

DIRECTORS

Details of the members of the board, their experience, expertise and qualifications are set out below. Each member served for the full year and remains a member as at the date of the Annual Report.

JOHN G BRANSON

LLB, FAICD (Chairman) Age 62

EXPERIENCE AND EXPERTISE

Independent, non-executive Director for 9 years, Chairman for 9 years.
He has over 30 years experience in law and management.

OTHER CURRENT DIRECTORSHIPS

Non–executive Director of one public company: AED Oil Limited (Director since 2005). Chairman of Flinders Partners Pty Ltd (Director and Chairman since 1997); a member of the Bank of South Australia Advisory Board; and a director of Hytorc (South Pacific) Pty Ltd.

FORMER DIRECTORSHIPS IN LAST 3 YEARS

Australian Zircon NL.

SPECIAL RESPONSIBILITIES

Chairman of the Board.

INTERESTS IN SHARES AND OPTIONS

1,000,000 fully paid shares and 750,000 options at a strike price of $0.89 per share.

GIUSTINO (TINO) GUGLIELMO

B Eng (Mech), MAICD, MSPE
(Managing Director) Age 49

EXPERIENCE AND EXPERTISE

Managing Director for three and a half years: previously the Company's Chief Executive Officer. Over 25 year's industry experience.

OTHER CURRENT DIRECTORSHIPS

Nil.

FORMER DIRECTORSHIPS IN LAST 3 YEARS

Nil.

SPECIAL RESPONSIBILITIES

Managing Director.

INTERESTS IN SHARES AND OPTIONS

1,050,000 fully paid shares.

1,000,00 options at a strike price of $0.89 per share and 885,984 performance rights subject to a Stuart Petroleum Limited hurdle share price. The hurdle share price as at 30 June 2009 was not met and as a consequence 295,328 performance rights have since lapsed.

DAVID B CLARKE

BSc Age 61

EXPERIENCE AND EXPERTISE

Independent, non-executive Director.
A Public Company Director with more than 25 years experience. A graduate of the University of Adelaide in geology and physics, he has 25 years' experience in capital markets and has acted as principal sponsor and financier of several groups, which have developed Australian resource and industrial businesses.

OTHER CURRENT DIRECTORSHIPS

Non-executive Director of Australian Zircon NL (Director since 2001).

FORMER DIRECTORSHIPS IN LAST 3 YEARS

Nil.

SPECIAL RESPONSIBILITIES

Nil.

INTERESTS IN SHARES AND OPTIONS

14,585,110 fully paid shares and 500,000 options at a strike price of $0.89 per share.

INDEPENDENCE

The following relationships exist:

- Mr. J.G. Branson is independent
- Mr. D.B. Clarke is independent and is a substantial shareholder
- Mr G. Guglielmo is the Managing Director

The Board considers Mr Clarke to be independent, notwithstanding he is also a substantial shareholder, because he is not engaged in the full-time management of the Company and because of his demonstrated practice of considering the welfare of all shareholders in his capacity as a director.

RETIREMENT AND RE-ELECTION

One third of the Directors (the Managing Director excluded) are subject to re-election at each annual general meeting. The respective tenure of each Director is set out below:

NAME	INITIAL APPOINTMENT	LAST RE-ELECTED	TERM
J G Branson	9 April 1999	17 November 2008	To November 2010
G Guglielmo	20 January 2005		
D B Clarke	12 December 2001	15 November 2007	To November 2009

MEETINGS OF DIRECTORS

The Board schedules meetings to occur in each calendar month, and holds as many additional meetings as the operations of the Company may require. The number of meetings of the Company's Board of Directors is shown in the table below

NAME	NUMBER OF MEETINGS OF FULL BOARD HELD	NUMBER OF MEETINGS OF FULL BOARD ATTENDED
J G Branson	9	9
T Guglielmo	9	9
D B Clarke	9	8

Note: During the year there were nine matters which were approved by the unanimous written consent of the Directors.

CONFLICTS OF INTEREST

In accordance with the Corporations Act 2001 and the Company's Constitution, Directors must keep the Board advised, on an ongoing basis, of any interest that could potentially conflict with those of the Company.

ACCESS TO INDEPENDENT ADVICE

Directors have the right in connection with their duties and responsibilities, to seek independent professional advice at the Company's expense. Prior written approval of the Chairman is required, but this will not be unreasonably withheld. Independent professional advice, when obtained, is shared with other directors, where appropriate.

COMPANY SECRETARY

The appointment and removal of the Company Secretary is a matter for decision by the Board. The Company Secretary is responsible for ensuring that Board procedures are complied with and that Corporate Governance matters are addressed.

Details of the Company Secretary are set out below:

JOHN F McRAE CPA

EXPERIENCE AND EXPERTISE

Mr. McRae was appointed to the position of Company secretary in 2003. Prior to joining Stuart Petroleum Limited, he held a variety of senior financial and company secretarial positions in the oil and mining industries.

Corporate Governance Report

Stuart has adopted the revised Corporate Governance Principles and Recommendations as issued by the ASX Corporate Governance Council in August 2007. The Company's compliance with those Principles and Recommendations for the year ending 30 June 2009 is detailed in the Corporate Governance Scorecard which follows.

CORPORATE GOVERNANCE SCORECARD

The Company has not adopted all of the recommendations of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations. These recommendations and the reasons for non-adoption are detailed below:

- **Principle 2.4**

  The Company does not have a nomination committee. The Company has three directors. In the event a new or a replacement director was considered necessary, the full board of directors would be canvassed for their views and recommendations. The Company considers that its current size does not warrant the establishment of a nomination committee.

- **Principle 4.1**

  The Company does not have an audit committee. All of the directors participate in the review of matters which an audit committee would consider. Where necessary, Directors' may seek external advice on matters that would otherwise be brought before an audit committee. The Company considers that its current size does not warrant the establishment of an audit committee and it is not within the top 300 entities making an audit committee mandatory under Listing Rule 12.7.

- **Principle 4.2**

  Given the Company does not have an audit committee, the structure of such a committee is not applicable.

  Principle 4.3

  Given the Company does not have an audit committee, an audit committee charter is not applicable. The review process relating to matters subject to audit is detailed in the Corporate Governance Statement of the Company.

- **Principle 8.1**

  The Company does not have a remuneration committee. Matters that might be considered by a remuneration committee are reviewed by the full board. The Company considers that its current size does not warrant the establishment of a remuneration committee.

Subject to the above comments, the Company believes it has complied with the ASX Corporate Governance Principles and Recommendations for the year ending 30 June 2009.

Corporate Governance Scorecard

		Comply
Principle 1	**Lay solid foundations for management and oversight**	
1.1	Companies should establish the functions reserved to the Board and those delegated to senior executives and disclose those functions.	Yes
1.2	Companies should disclose the process for evaluating the performance of senior executives.	Yes
1.3	Companies should provide the information indicated in the Guide to reporting on Principle 1.	Yes
Principle 2	**Structure the board to add value**	
2.1	A majority of the Board should be independent directors.	Yes
2.2	The chair should be an independent director.	Yes
2.3	The roles of chair and chief executive officer should not be exercised by the same individual.	Yes
2.4	The Board should establish a nomination committee.	No
2.5	Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.	Yes
2.6	Companies should provide the information indicated in the Guide to reporting on Principle 2.	Yes
Principle 3	**Promote ethical and responsible decision-making**	
3.1	Companies should establish a code of conduct and disclose the code or a summary of the code as to:	
	• the practices necessary to maintain confidence in the Company' integrity	Yes
	• the practices necessary to take into account their legal obligations and the reasonable expectations of their shareholders	Yes
	• the responsibility and accountability of individuals for reporting and investigating reports of unethical practices	Yes
3.2	Companies should establish a policy concerning trading in Company securities by directors, senior executives and employees and disclose the policy or a summary of that policy.	Yes
3.3	Companies should provide the information indicated in the Guide to reporting on Principle 3.	Yes
Principle 4	**Safeguard integrity in financial reporting**	
4.1	The board should establish an audit committee.	No
4.2	The audit committee should be structured so that it:	
	• consists only of non-executive directors	No
	• consists of a majority of independent directors	No
	• is chaired by an independent chair, who is not chair of the board	No
	• has at least three members	No
4.3	The audit committee should have a formal charter.	No
4.4	Companies should provide the information indicated in the Guide to reporting on Principle 4.	Yes
Principle 5	**Make timely and balanced disclosure**	
5.1	Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior level for that compliance and disclose those policies or a summary of those policies.	Yes
5.2	Companies should provide the information indicated in the Guide to reporting on Principle 5.	Yes
Principle 6	**Respect the rights of shareholders**	
6.1	Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.	Yes
6.2	Companies should provide the information indicated in the Guide to reporting on Principle 6.	Yes
Principle 7	**Recognise and manage risk**	
7.1	Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.	Yes
7.2	The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the Company's management of its material business risks.	Yes
7.3	The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	Yes
7.4	Companies should provide the information indicated in the Guide to reporting on Principle 7.	Yes
Principle 8	**Remunerate fairly and responsibly**	
8.1	The board should establish a remuneration committee.	No
8.2	Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	Yes
8.3	Companies should provide the information indicated in the Guide to reporting on Principle 8.	Yes

Financial Statements
for the year ended 30 June 2009

Income Statement

For the year ended 30 June 2009		CONSOLIDATED		PARENT ENTITY	
	Note	**2009 $'000**	2008 $'000	**2009 $'000**	2008 $'000
Product sales from continuing operations	3	**35,056**	60,214	**35,056**	60,214
Cost of sales	4	**(17,671)**	(25,542)	**(17,671)**	(25,542)
GROSS PROFIT		**17,385**	34,672	**17,385**	34,672
Other revenue from ordinary activities	3	**448**	546	**442**	546
Other income	3	**52**	-	**52**	-
Other expenses from ordinary activities	4	**(2,296)**	(2,422)	**(2,296)**	(2,422)
Exploration expense	4	**(40,801)**	(9,711)	**(4,915)**	(9,137)
Impairment of oil & gas assets net of reversals	4	**(8,834)**	(2,690)	**(8,834)**	(2,690)
Impairment of intercompany receivable	4	**-**	-	**(25,121)**	(574)
Finance costs	4	**(2,852)**	(1,251)	**(2,852)**	(1,251)
(LOSS) / PROFIT BEFORE INCOME TAX EXPENSE		**(36,898)**	19,144	**(26,139)**	19,144
Income tax (expense) / benefit	6	**11,035**	(5,967)	**271**	(6,139)
(LOSS) / PROFIT FOR THE YEAR		**(25,863)**	13,177	**(25,868)**	13,005
(Loss) / Profit attributable to:					
Equity holders of Stuart Petroleum Limited		**(25,863)**	13,177	**(25,868)**	13,005
Minority interest		**-**	-	**-**	-
		(25,863)	13,177	**(25,868)**	13,005
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY					
Basic earnings per share (cents)	33	**(41.0)**	21.0	**(41.1)**	20.8
Diluted earnings per share (cents)	33	**(41.0)**	19.5	**(41.1)**	19.2

The income statement should be read in conjunction with the accompanying notes to the financial statements.

Balance Sheet

For the year ended 30 June 2009		CONSOLIDATED		PARENT ENTITY	
	Note	2009 $'000	2008 $'000	2009 $'000	2008 $'000
CURRENT ASSETS					
Cash and cash equivalent assets	7	**321**	1,367	**79**	386
Receivables	8	**4,876**	14,535	**4,876**	14,535
Inventory	9	**2,339**	33	**33**	33
Current tax receivable		**90**	2,604	**92**	2,604
Derivative financial instrument assets	18	**2,897**	-	**2,897**	-
Other assets	10	**311**	1,412	**7,700**	8,178
TOTAL CURRENT ASSETS		**10,834**	19,951	**15,677**	25,736
NON-CURRENT ASSETS					
Investments accounted for using the equity method	11	**-**	118	**-**	-
Exploration and evaluation	12	**4,934**	11,795	**2,231**	3,163
Oil and gas assets	13	**33,011**	41,960	**27,727**	41,876
Other plant and equipment	14	**411**	520	**411**	520
Goodwill	15	**2,972**	-	**-**	-
TOTAL NON-CURRENT ASSETS		**41,328**	54,393	**30,369**	45,559
TOTAL ASSETS		**52,162**	74,344	**46,046**	71,295
CURRENT LIABILITIES					
Trade and other payables	16	**4,137**	9,083	**3,073**	8,796
Borrowings	17	**11,250**	4,260	**11,250**	4,260
Derivative financial instruments	18	**-**	12,574	**-**	12,574
Provisions	19	**275**	225	**275**	225
Deferred purchase consideration	15	**1,033**	-	**-**	-
TOTAL CURRENT LIABILITIES		**16,695**	26,142	**14,598**	25,855
NON CURRENT LIABILITIES					
Borrowings	17	**-**	4,100	**-**	4,100
Deferred tax liability	20	**1,773**	3,623	**529**	1,033
Derivative financial instruments	18	**-**	5,249	**-**	5,249
Provisions	19	**2,176**	1,994	**2,176**	1,994
Deferred purchase consideration	15	**1,873**	-	**-**	-
TOTAL NON-CURRENT LIABILITIES		**5,822**	14,966	**2,705**	12,376
TOTAL LIABILITIES		**22,517**	41,108	**17,303**	38,231
NET ASSETS		**29,645**	33,236	**28,743**	33,064
EQUITY					
Contributed equity	21	**10,392**	10,079	**10,392**	10,079
Reserves	22	**12,093**	(10,402)	**12,093**	(10,402)
Retained Profits	22	**6,435**	33,559	**6,258**	33,387
CAPITAL AND RESERVES ATTRIBUTABLE TO EQUITY HOLDERS OF STUART PETROLEUM LIMITED		**28,920**	33,236	**28,743**	33,064
MINORITY INTEREST	23	**725**	-	**-**	-
TOTAL EQUITY		**29,645**	33,236	**28,743**	33,064

The balance sheet should be read in conjunction with the accompanying notes to the financial statements.

Statement of Changes in Equity

For the year ended 30 June 2009		CONSOLIDATED		PARENT ENTITY	
	Note	**2009 $'000**	2008 $'000	**2009 $'000**	2008 $'000
Total Equity at the beginning of the year		**33,236**	32,163	**33,064**	32,163
Change in fair value of Cash flow hedges net of tax	22	**14,503**	(11,248)	**14,503**	(11,248)
Realised value of hedges to be recognised in future periods	22	**7,457**	-	**7,457**	-
NET INCOME / (LOSS) RECOGNISED DIRECTLY IN EQUITY		**21,960**	(11,248)	**21,960**	(11,248)
(Loss) / Profit for the year		**(25,863)**	13,177	**(25,868)**	13,005
TOTAL RECOGNISED INCOME AND EXPENSE FOR THE YEAR		**(3,903)**	1,929	**(3,908)**	1,757
Transactions with equity holders in their capacity as equity holders:					
Contributions of equity, net of transaction costs	21	**313**	14	**313**	14
Dividends paid	24	**(1,261)**	(1,253)	**(1,261)**	(1,253)
Employee share options / rights	22	**535**	383	**535**	383
		(413)	(856)	**(413)**	(856)
NON-CONTROLLING INTEREST ON ACQUISITION OF SUBSIDIARY	23	**350**	-	**-**	-
POST ACQUISITION CHANGES IN MINORITY INTEREST		**375**	-	**-**	-
TOTAL EQUITY AT THE END OF THE YEAR		**29,645**	33,236	**28,743**	33,064
TOTAL EQUITY IS ATTRIBUTABLE TO:					
Equity holders of Stuart Petroleum Limited		**28,920**	33,236	**28,743**	33,064
Minority interest	23	**725**	-	**-**	-
		29,645	33,236	**28,743**	33,064

The Statement of changes in equity should be read in conjunction with the accompanying notes to the financial statements.

Cash Flow Statement

For the year ended 30 June 2009		CONSOLIDATED		PARENT ENTITY	
	Note	**2009 $'000**	2008 $'000	**2009 $'000**	2008 $'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers (inclusive of goods and services tax)		**44,822**	56,710	**44,822**	56,710
Payments to contractors, suppliers and employees (inclusive of goods and service tax)		**(17,199)**	(18,835)	**(17,311)**	(18,835)
Proceeds on closeout of hedges maturing in future years		**13,336**	-	**13,336**	-
Interest received		**70**	97	**64**	97
Other income received		**378**	448	**378**	448
Royalties paid		**(3,460)**	(4,848)	**(3,460)**	(4,848)
Income tax (paid) / received		**2,290**	(4,370)	**2,290**	(4,370)
Borrowing costs paid		**(1,161)**	(1,212)	**(1,161)**	(1,212)
NET CASH INFLOW FROM OPERATING ACTIVITIES	32	**39,076**	27,990	**38,958**	27,990
CASH FLOWS FROM INVESTING ACTIVITIES					
Payment for:					
Cash acquired on acquisition of subsidiary	15(a)	**236**	-	**-**	-
Investment in drilling equipment		**(2,339)**	-	**-**	-
Exploration and evaluation		**(34,844)**	(15,473)	**(7,023)**	(5,204)
Oil and gas assets		**(5,171)**	(16,375)	**(783)**	(16,291)
Other plant and equipment		**(58)**	(136)	**(58)**	(136)
Loans to / (from) subsidiaries		**-**	-	**(33,455)**	(11,334)
Proceeds from disposal of non-current assets		**128**	-	**128**	-
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		**(42,048)**	(31,984)	**(41,191)**	(32,965)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from share issues		**297**	-	**297**	-
Dividends Paid	24	**(1,261)**	(1,253)	**(1,261)**	(1,253)
(Repayment) / Proceeds from borrowings		**2,890**	5,060	**2,890**	5,060
NET CASH INFLOWS FROM FINANCING ACTIVITIES		**1,926**	3,807	**1,926**	3,807
NET (DECREASE) IN CASH HELD		**(1,046)**	(187)	**(307)**	(1,168)
Cash at the beginning of the year		**1,367**	1,554	**386**	1,554
NET CASH AT THE END OF THE YEAR	7	**321**	1,367	**79**	386

The cash flow statement should be read in conjunction with the accompanying notes to the financial statements.

Notes to and forming part of the Financial Statements

CONTENTS

1. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial report includes separate financial statements for Stuart Petroleum Limited as an individual entity and the consolidated entity consisting of Stuart Petroleum Limited and its subsidiaries.

(a) Basis of preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the Corporations Act 2001.

Compliance with IFRS

The financial report also complies with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and liabilities (including derivative instruments) at fair value through the income statement.

Critical accounting estimates

The preparation of financial statements in conformity with AIFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 2.

Working Capital Deficit

There is a net current asset deficiency in the consolidated entity as at 30 June 2009 as Stuart's current liabilities, $16,695k, exceed the current assets, $10,834k. This deficiency is primarily due to the classification of maturing borrowings of $11,250k as current. However on 26 August 2009, Stuart signed a new funding agreement to be in place beyond 30 June 2010, which means that the maturing debt has been re-financed. Refer to Note 17 for more details. The financial report has been prepared on a going concern basis, as the Directors believe Stuart has the capacity to pay its debts as and when they fall due.

(b) Principles of Consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Stuart Petroleum Limited as at 30 June 2009 and the results for all subsidiaries for the year then ended. Stuart Petroleum Limited and its subsidiaries together are referred to in this financial report as the Group or consolidated entity.

Subsidiaries are all those entities over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date control ceases.

Intercompany transactions, balances and unrealised gains or transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred.

Investment in subsidiaries is accounted for at cost in the individual financial statements of Stuart Petroleum Limited.

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests result in gains and losses for the Group that are recorded in the income statement. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of identifiable net assets of the company.

Minority interests in the results and equity of subsidiaries are shown separately in the consolidated income statement and balance sheet respectively.

(ii) Joint Ventures

The proportionate interests in the assets, liabilities and expenses of joint venture operations have been incorporated in the financial statements under the appropriate headings. Interests in joint ventures are detailed in Note 31.

(iii) Employee Share Trust

The Group has formed a trust to administer the Groups Employee Share Plan. The trust is consolidated, as the substance of the relationship is that the trust is controlled by the Group.

Shares held by the Stuart Petroleum Limited Employee Share Trust are disclosed as treasury shares and deducted from contributed equity.

(iv) Associates

Associates are all entities over which the Group has significant influence but not control. Investments in associates are accounted for in the parent entity financial statements using the cost method and in the consolidated financial statements using the equity method of accounting, after initially being recognised at cost.

The Group's share of its associates post- acquisition profit or losses is recognised in the income statement, and its share of post–acquisition movement in reserves is recognised in reserves. The cumulative post acquisition movements are adjusted against the carrying amount of the investment.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured long term receivable, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the assets transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

(c) Exploration and evaluation assets

To ensure comparability with major companies in the industry, Stuart Petroleum Limited adopted "successful efforts" accounting as part of the transition to AIFRS in accordance with AASB 6. The result is that all expenditure on exploration and evaluation for each area of interest is immediately expensed other than:

- exploration and evaluation drilling costs that will result in potentially commercial hydrocarbons and
- the costs of acquiring interests in new exploration assets, which are capitalised as intangible exploration and evaluation.

Expenditure on exploration and evaluation wells which are work in progress at period end and an outcome is not determined at balance date or are suspended pending re-entry, are capitalised pending the outcome of the well.

An area of interest refers to an individual geological area where the conditions for the presence of an oil or natural gas field are considered favourable or has been proved to exist. Where two or more separate and distinct development, construction and production operations arise (or are envisaged) in one area of interest, exploration and evaluation costs allocated to the area of interest are apportioned equitably between such operations, and each operation is accounted for separately from that time. As a consequence, each area of interest ultimately comprises a separate oil or gas field. A field is defined as an area consisting of a single reservoir or multiple reservoirs all grouped on or related to the same individual geological structural feature and or stratigraphic condition and produced through common facilities.

Exploration and evaluation expenditure in relation to separate areas of interest for which rights of tenure are current, is carried forward as an asset in the balance sheet where:

(i) it is expected that the expenditure will be recovered through the successful development and exploitation of an area of interest, or by its sale; or

(ii) exploration activities are continuing in an area and activities have not reached a stage which permits a reasonable estimate of the existence or otherwise of economically recoverable reserves and active and significant operations in, or in relation to, the area of interest are continuing.

The carrying amounts of the Group's exploration and evaluation assets are reviewed at each reporting date, in conjunction with the impairment review process referred to in note 1(g), to determine whether any of the following indicators of impairment exist:

(i) tenure over the licence area has expired during the period or will expire in the near future, and is not expected to be renewed;

(ii) substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is not budgeted or planned;

(iii) exploration for and evaluation of resources in the specific area has not led to the discovery of commercially viable quantities of resources, and the Group has decided to discontinue activities in the specific area; or

(iv) sufficient data exists to indicate that, although a development is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or from sale.

Where an indicator of impairment exists, a formal estimate of the recoverable amount is made, and any resultant impairment loss is recognised in the income statement.

When a discovered oil or gas field enters the development phase, the accumulated exploration and evaluation expenditure is transferred to oil and gas assets – assets in development.

(d) Oil and gas assets

When an oil or gas field enters the development phase the accumulated exploration expenditure is transferred to oil and gas assets.

The costs of oil and gas assets include past exploration and evaluation costs, development drilling and other subsurface expenditure, surface plant and equipment and other directly attributable costs.

These costs are subject to depreciation and depletion in accordance with (f) below.

(e) Intangible assets

(i) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the net identifiable assets of the acquired subsidiary / associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisition of associates is included in investment in associates. Goodwill is not subject to amortisation but is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired. Goodwill is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. Each of those cash-generating units represents the Group's investment in each country of operation by each primary reporting segment.

(f) Depreciation and depletion

Depreciation charges are calculated to write-off the depreciable value of assets over their estimated economic lives to the entity. The residual value, useful life and depreciation method applied to an asset is reviewed at the end of each annual reporting period.

The depreciation rates used for each class of asset for the current and previous years are as follows:

(i) Office, exploration and transportable exploration equipment: 17% – 40%, diminishing value method;

(ii) Motor vehicles: 22.5%, diminishing value method;

(iii) Production plant and equipment, which forms part of the production facilities, are depreciated in the ratio that production bears to the total reserves measured from period to period.

Once production commences, accumulated expenditure together with estimated subsurface costs necessary to develop the hydrocarbon reserves is amortised over the life of the associated estimated proven plus probable (2P) reserves.

Depletion is not charged on costs carried forward in respect of assets in the development stage until production commences.

(g) Impairment of non-current assets

With the exception of exploration expenditure carried forward pertaining to areas of interest in the exploration stage [refer to note 1 (c)], the carrying amounts of non-current assets are reviewed half yearly to determine whether they are in excess of their estimated recoverable amount at each reporting date.

Exploration and evaluation expenditure and oil and gas assets are assessed for impairment on a cash generating unit basis ("CGU"). The Group's CGU's are the same as its Area of Interest. If the carrying values exceed this recoverable amount, assets are written down in the current period and the decrement in the carrying value recognised as an expense. The recoverable amount of an asset is the greater of its fair value (less costs to sell) and its value in use. In determining the value in use, the expected net cash flows are discounted to their present value using the estimate of the pre-tax rate implicit in current market transactions for similar assets of approximately 12% (2008 12%).

For oil and gas properties the estimated future cash flows are based on estimates of hydrocarbon reserves, future production profiles, commodity prices and operating costs necessary to produce the reserves. Estimates of future commodity prices are based on contracted prices or forward market prices as applicable.

Where a project or an area of interest has been abandoned, or if the expenditure is not expected to be recouped, the expenditure incurred thereon is written off in the year in which the decision is made.

Non-financial assets other than goodwill that suffer an impairment are reviewed for possible reversal of the impairment at each reporting date.

(h) Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographic segment is engaged in providing products or services within a particular economic environment and is subject to risks and returns that are different to those of segments operating in other economic environments. Stuart Petroleum operates in one business (exploration and production). The Group has a number of growth projects, including exploration in the Timor Sea, which if successful will in future years result in the establishment of new segments.

(i) Business combinations

The purchase method of accounting is used to account for all business combinations, including business combinations involving entities or businesses under common control, regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition. Where equity instruments are issued in an acquisition, the fair value of the instruments is their published market price as at the date of exchange unless, in rare circumstances, it can be demonstrated that the published price at the date of exchange is an unreliable indicator of fair value and that other evidence and valuation methods provide a more reliable measure of fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill (refer note 1(i)). If the cost of acquisition is less than the Group's share of the fair value of the identifiable net assets of the subsidiary acquired, the difference is recognised directly in the income statement, but only after a reassessment of the identification and measurement of the net assets acquired.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to the present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

(j) Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rate expected to apply when the assets are recovered or liabilities are settled, based on the tax rate which is enacted or substantively enacted at the reporting date. The relevant tax rate is applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or tax liability is recognised in relation to the temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

(j) Income tax - continued

Tax consolidation legislation

Stuart Petroleum Limited and its wholly-owned Australian controlled entities implemented the tax consolidation legislation upon lodging its 2007/8 tax return.

The head entity, Stuart Petroleum Limited, and the controlled entities in the tax consolidation group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidation group continues to be a stand-alone tax payer in its own right.

In addition to its own current and deferred tax amounts, Stuart Petroleum Limited also recognises the current tax liabilities(or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidation group.

Assets or liabilities arising under tax funding agreements with the tax consolidation entities are recognised as amounts receivable from or payable to other entities in the Group. Details about the tax funding agreement are disclosed in Note 6.

Any differences between the amounts assumed and the amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly–owned tax consolidation entities.

Royalty related taxation Petroleum Resource Rent Tax (PRRT) is recognised as an income tax under AASB 112 *Income Taxes*.

(k) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in Australian dollars, which is Stuart Petroleum Limited's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Translation differences on non-monetary items, such as equities held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary items, such as equities classified as available-for-sale financial assets, are included in the fair value reserve in equity.

(l) Employee benefits

(i) Wages and salaries, annual leave and sick leave.

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in provisions in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

(ii) Long service leave

The liability for long service leave is recognised in provisions and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. The obligation is calculated using expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(iii) Retirement benefit obligations

The Group contributes to the employee's individual superannuation plan in accordance with the Superannuation Guarantee Act.

The Group contributes to the superannuation funds nominated by each employee. Contributions are expensed as they are paid. The Group's obligation is limited to these contributions. The Group does not operate a defined benefit superannuation fund.

The liability for Non Executive Directors retirement is recognised in employee benefit provisions. The provision is calculated as the present value of expected future payments based on a multiple of three times the current level of Directors fees, and assumes that each Director will continue to act in the role until the age of seventy. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(iv) Share-based payments.

Share-based compensation benefits are provided to certain employees and Directors. Information relating to these schemes is set out in note 34.

Share options and rights granted after 7 November 2002 and vested after 1 January 2005.

The fair value of options and rights granted under the Directors and Employee Share Option Plan and Performance Rights Plan is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the options and rights.

The fair value at grant date is determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option / right, the vesting and performance criteria, the impact of dilution, the non-tradable nature of the option / right, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option / right.

The fair value of the options / rights granted excludes the impact of any non-market vesting conditions (for example, profitability and production growth targets). Non-market vesting conditions are included in assumptions about the number of options / rights that are expected to become exercisable. At each balance sheet date, the entity revises its estimate of the number of options / rights that are expected to become exercisable. The employee benefit expense recognised in each period takes into account the most recent estimate.

Upon the exercise of options / rights, the balance of the share-based payments reserve relating to those options is transferred to share capital.

Profit–sharing and bonus payments

The Group recognises a liability and an expense for bonuses and profit-sharing based on specific performance criteria. The Group recognises a provision where contractually obliged.

(m) Revenue recognition

Revenue includes sale of petroleum products, interest income on short term investments, and other sundry revenue items. Revenue is recognised on an accruals basis. [Refer 1(o) Receivables].

(n) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with financial institutions. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

(o) Receivables

Sales are accrued as and when title to the crude oil produced passes to the customer at contracted price or management's estimate of the future price. The actual price is struck in the month the crude oil is uplifted by the ultimate purchaser. The crude oil delivered but not lifted from the Cooper Basin Producers' facilities at Pt Bonython generally reflects production volumes over the prior period up to 120 days. Collection of receivables is reviewed on an ongoing basis. Debts, which are known to be not collectable, are written off.

(p) Inventories

(i) Casing inventory

Casing inventory is held for use in exploration wells and is valued at the lower of cost and net realisable value. Cost comprises direct materials and is assigned to individual items of inventory. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs to make the sale.

(q) Trade and other payables

These amounts represent liabilities for goods and services provided to the entity prior to the end of the financial period and which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Royalties are accrued based on the value of sales. Other payables include any liability for completed hedging transactions and any liability for royalties on production.

(r) Restoration liabilities

The Group provides for restoration obligations in respect of its exploration and production leases. Restoration liabilities are discounted to present value and capitalised as a component of exploration and development expenditure and property plant and equipment as applicable. The capitalised costs are amortised over the life of the assets and the provision is accreted periodically to the profit and loss as the discounting of the liability unwinds. The increase in the provision as a result of accretion is treated as a borrowing cost.

(s) Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases (Note 27). Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

(t) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributed to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(u) Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the financial year but not distributed at balance date.

(v) Derivatives and hedging activities

The Group utilises foreign currency options, crude oil swaps, crude oil options and crude oil zero cost collars, to mitigate price and currency risk. All of these are classified as hedges of highly probable forecast transactions (cash flow hedges). Further details are documented in Note 18. These derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at the balance date to their fair value.

(v) Derivatives and hedging activities - continued

The Group documents, at the inception of the transaction, the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be effective in offsetting changes in fair values or cash flows of hedged items.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in equity in the hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

Amounts accumulated in equity are recycled in the income statement in the periods when the hedged item will affect profit or loss (for instance when the forecast sale that is hedged takes place). However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory) or a non-financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the measurement of the initial cost or carrying amount of the asset or liability.

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

(w) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities, which are not incremental costs relating to the actual draw-down of the facility, are recognised as prepayments and are amortised on a straight-line basis over the term of the facility.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

(x) Borrowing costs

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed.

(y) Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Group, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of additional ordinary shares that would been outstanding assuming the conversion of all dilutive potential ordinary shares.

(z) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the Australian Tax Office (ATO). In these circumstances the GST is recognised as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the balance sheet.

Cash flows are presented in the cash flow statement on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the ATO are presented as operating cash flows.

(aa) Rounding of amounts

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.

(ab) New accounting standards and interpretations

Certain new standards and interpretations have been published that are not mandatory for reporting period commencing 1 July 2008. The Group's and the parent entity's assessment of the impact of these new standards and interpretations is set out below.

The following standards, amendments and interpretations were available for early adoption but have not been applied by the Group in these financial statements:

Revised AASB 123 *Borrowing Costs* and AASB 2007-6 *Amendments to Australian Accounting Standards arising from AASB 123*

The revised AASB 123 has removed the option to expense all borrowing costs and - when adopted - will require the capitalisation of all borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset. The Group doesn't expect this change to have an impact on the Group result.

Revised AASB 101 *Presentation of Financial Statements* and AASB 2007-8 *Amendments to Australian Accounting Standards arising from AASB 101*

The revised AASB 101 requires the presentation of a statement of comprehensive income and makes changes to the statement of changes in equity, but will not affect any of the amounts recognised in the financial statements. If an entity has made a prior period adjustment or has reclassified items in the financial statements, it will need to disclose a third balance sheet (statement of financial position), this one being as at the beginning of the comparative period. The Group will apply the revised standard from 1 July 2009.

AASB 2008–1 *Amendments to Australian Accounting Standard – Share-based Payments: Vesting Conditions and Cancellations*

AASB 2008-1 clarifies that vesting conditions are service conditions and performance conditions only and that other features of a share-based payment are not vesting conditions. It also specifies that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The Group will apply the revised standard from 1 July 2009, but it is not expected to affect the accounting for the Group's share-based payments.

Revised AASB 3 *Business Combinations*, AASB 127 *Consolidated and Separate Financial Statements* and AASB-3 *Amendments to Australian Accounting Standards from AASB 3 and AASB 127*

The revised AASB 3 continues to apply the acquisition method to business combinations, but with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently remeasured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs must be expensed. This is different to the Group's current policy which is set out in note 1(i) above.

Transactions for business combinations completed prior to 30 June 2009 will continue to be accounted for under the existing standard. The impact on the Group is discussed in Note 37.

The revised AASB 127 requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is remeasured to fair value, and a gain or loss is recognised in profit or loss. Under the Group's current accounting policy, the retained interest in the carrying amount of the former subsidiary's assets and liabilities becomes the cost of investment. If the investment is accounted for as an available-for-sale financial asset, it is subsequently revalued to fair value; however, any revaluation gain or loss is recognised in the available-for-sale investments revaluation reserve.

The Group will apply the revised standards prospectively to all business combinations and transactions with non-controlling interests from 1 July 2009.

AASB 2009-5 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project*

This pronouncement will require exploration expenditure to be treated as an investing cashflow only if it is to be recognised as an asset. All other exploration expenditure will be required to be presented as an operating cashflow. This may impact the presentation of the Company's cash flow statement in future periods.

AASB 8 *Operating Segments*

AASB 8 will result in a significant change in the approach to segment reporting, as it requires adoption of a "management approach" to reporting on the financial performance. The information being reported will be based on what the key decision-makers use internally for evaluating segment performance and deciding how to allocate resources to operating segments. The Group will adopt AASB 8 from 1 July 2009. Based on current activities it is not expected to result in any additional disclosures.

2. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates, by definition, may not equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Impairment of Non Current Assets

The Group's accounting policy for exploration and evaluation assets is set out at Note 1(g). The application of this policy requires management to make certain estimates and assumptions as to future events and circumstances in determining the fair value of assets.

The two key determinants of the expected net cash flows are estimated recoverable reserves and commodity prices. Estimated recoverable reserves are discussed in (ii) below. Commodity prices are based on the benchmark price and forward curve. The benchmark price of oil sold by Stuart (AAPI Tapis) declined from US$141.10 as at 30 June 2008 to US$38.54 as at 31 December 2008 and recovered to US$78.40 as at 30 June 2009. The decline in oil prices resulted in an impairment charge of $7.87 million as at 31 December 2008. The subsequent price recovery as at 30 June 2009, and the revision to reserves referred to in (ii) below resulted in a writeback of impairment as at 30 June 2009 of $2.058 million. For information on impairment refer Note 5 below.

2. Critical accounting estimates and judgements

(ii) Estimated recoverable reserves

The estimated quantities of proven and probable hydrocarbon reserves reported by the Group are integral to the calculation of depletion and depreciation expense and to the assessments of possible impairment of assets. Estimated reserve quantities are based upon interpretations of geological and geophysical models and assessments of the technical feasibility and commercial viability of producing the reserves.

Reserve estimates require assumptions to be made regarding hydrocarbons in place, production rates, future development and production costs, commodity prices, exchange rates and fiscal regimes. Reserves estimates are prepared in accordance with the Group's policies and procedures for reserve estimation which conform to guidelines prepared by the Society of Petroleum Engineers. The Group also engages the services of an independent Reservoir Engineer to review the Group's reserves. The latest review was undertaken as of 31 March 2009 and the resultant reserves were used in the depreciation, depletion and impairment calculations. Where later information is available it has been brought to account.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only the current year or in the current years and future years if the revision affects both current and future years.

As at 31 March 2009, the revision to proved and probable reserves was net 90,000 barrels or an increase of approximately 4% in the Worrior Birkhead formation and Acrasia Poolowanna Formation offset by writedown in the Cleansweep field. The impact of the revision was to reverse impairment by $2.058 million and decrease the depreciation and amortisation charge by $0.19 million.

(iii) Restoration obligation

The Group's accounting policy for restoration liabilities is set out at Note 1(r). The application of this policy requires management to make certain estimates and assumptions as to the net present cost to restore their sites. The company has not undertaken any restoration activities in the current year or prior years and with continued operations does not expect to do so in the near term.

(iv) Goodwill

The Group's accounting policy for Goodwill is set out at Note 1(e)(i). Goodwill is allocated to cash-generating units for the purpose of impairment testing.

3. Revenue and other income

	CONSOLIDATED		PARENT ENTITY	
REVENUE	**2009 $'000**	2008 $'000	**2009 $'000**	2008 $'000
Product sales:				
Crude oil	**35,056**	60,214	**35,056**	60,214
Other:				
Interest	**70**	98	**64**	98
Sundry	**378**	448	**378**	448
	448	546	**442**	546
OTHER INCOME				
Gain on sale of motor vehicles	**52**	-	**52**	-

4. Expenses

	CONSOLIDATED		PARENT ENTITY	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
COST OF SALES:				
Production costs	**4,451**	5,199	**4,451**	5,199
Employee benefit expense	**518**	583	**518**	583
Superannuation expense	**46**	52	**46**	52
Tolls and export tariffs	**4,989**	7,114	**4,989**	7,114
South Australian Government and Native Title royalties	**2,426**	5,643	**2,426**	5,643
Depreciation – plant and equipment	**2,241**	2,447	**2,241**	2,447
Amortisation – capitalised exploration and development	**3,000**	4,504	**3,000**	4,504
	17,671	25,542	**17,671**	25,542
OTHER EXPENSES FROM ORDINARY ACTIVITIES:				
Employee benefit expense	**1,121**	1,094	**1,121**	1,094
Superannuation expense	**101**	98	**101**	98
Other selling and administrative expenses	**748**	878	**748**	878
Depreciation – plant and equipment	**168**	186	**168**	186
Rental expense on operating leases	**158**	166	**158**	166
	2,296	2,422	**2,296**	2,422
EXPLORATION EXPENSE	**40,801**	9,711	**4,915**	9,137
Impairment of Oil & Gas properties	**9,973**	2,690	**9,973**	2,690
Impairment reversal of Oil & Gas properties	**(2,058)**	-	**(2,058)**	-
Impairment of property	**719**	-	**719**	-
IMPAIRMENT OF OIL & GAS ASSETS	**8,834**	2,690	**8,834**	2,690
IMPAIRMENT OF INTERCOMPANY RECEIVABLE	**-**	-	**25,121**	574
FINANCE COSTS:				
Unwinding of restoration liability	**133**	158	**133**	158
Foreign exchange loss / (gain)	**1,558**	(118)	**1,558**	(118)
Interest and finance charges	**1,161**	1,211	**1,161**	1,211
	2,852	1,251	**2,852**	1,251

5. Impairment / reversal of oil and gas assets

Based on value in use computations the following impairments and reversals have been recorded in the financial year.

Impairment expense was $8.8 million due to the book value of assets exceeding the Net Present Value of future cashflows at Harpoono (6.1 million), Cleansweep ($1.9 million), investment in Port Bonython Fuels ($0.7 million) and Acrasia ($0.1 million).

The impairment at Harpoono of $6.1 million resulted primarily from reduced oil prices during the year and a reassessment of operating costs going forward.

Cleansweep 1 reserves based on field performance were less than anticipated. The resultant impairment was $1.9 million for the year. Work is ongoing to better understand the performance of the field.

The impairment at Acrasia of $0.1 million is net of a reversal of $2.1 million. The impairment at 31 December 2008 was reversed largely due to increased reserves and higher oil prices at 30 June 2009.

Impairment resulting from assets transferred to Port Bonython Fuels amounted to $0.7 million. The agreement with A.A. Scott Pty Ltd to purchase additional shares valued the work performed by the parties in developing the project. As a result the transaction resulted in recognition of an impairment of Stuart's share of property.

6. Income tax expense

(a) Income tax expense

	CONSOLIDATED		PARENT ENTITY	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
Current taxation	**284**	732	**9,695**	3,494
Deferred income tax (Note 20)	**(11,262)**	5,511	**(9,916)**	2,921
Under / (over) provided in prior years	**(57)**	(276)	**(50)**	(276)
Income tax expense / (benefit)	**(11,035)**	5,967	**(271)**	6,139

(b) Numerical reconciliation of income tax expense to prima facie tax payable

	CONSOLIDATED		PARENT ENTITY	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
(Loss)/ Profit from continuing operations before income tax expense	**(36,898)**	19,144	**(26,139)**	19,144
Prima facie income tax expense / (benefit) at 30% (2008: 30%) on operating (loss)/profit	**(11,069)**	5,743	**(7,842)**	5,743
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:				
Impairment of investment in intercompany receivable	**-**	-	**7,535**	172
Share-based payments	**94**	114	**94**	114
R&D claims	**(11)**	(19)	**-**	(19)
Under / (over) provision in prior year	**(3)**	112	**-**	112
Sundry items	**(46)**	17	**(58)**	17
Income tax expense	**(11,035)**	5,967	**(271)**	6,139

(c) Amounts recognised directly in equity

	CONSOLIDATED		PARENT ENTITY	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
Aggregate current and deferred tax arising in the reporting period and not recognised in profit or loss but directly debited or credited to equity				
Current tax – credited directly to equity	**-**	-	**-**	-
Net deferred tax – debited directly to equity				
Revaluation of commodity hedges during the year	**5,347**	(5,347)	**5,347**	(5,347)
Commodity hedges closed out - to be brought to account in future periods	**3,196**	-	**3,196**	-
Foreign exchange hedges at balance date	**869**	-	**869**	-
Total Net deferred tax – debited directly to equity (Note 20)	**9,412**	(5,347)	**9,412**	(5,347)
	9,412	(5,347)	**9,412**	(5,347)

(d) Tax consolidation legislation

Stuart Petroleum Limited and its wholly-owned Australian controlled entities implemented tax consolidation from 15 August 2007. The accounting policy in relation to this legislation is set out in Note 1(j).

On adoption of the tax consolidation legislation, the entities in the tax consolidation group entered into a tax sharing agreement which, in the opinion of the directors, limits the joint and several liabilities of the wholly owned entities in the case of a default by the head entity-Stuart Petroleum Limited.

The entities have also entered into a tax funding agreement under which the wholly owned entities fully compensate Stuart Petroleum Limited for any current tax payable assumed and are compensated by Stuart Petroleum Limited for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to Stuart Petroleum Limited under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly owned entities' financial statements.

The amounts receivable / payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax installments. The funding amounts are recognised as current intercompany receivables or payables (see Note 10).

7. Current assets – Cash and cash equivalents

	CONSOLIDATED		PARENT ENTITY	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
Cash at bank and in hand	**85**	556	**79**	386
Monies held in escrow	**236**	166	**-**	-
Deposits - restricted	**-**	815	**-**	-
	321	1,367	**79**	386

As at 30 June 2008, 'Deposits' relate to a Letter of Credit provided to a drilling supplier for the Bazzard 1 well.

Monies held in escrow represents cash contributed towards a drilling consortium, that are yet to be spent.

(a) Risk exposure

The Group's exposure to interest rate risk is discussed in Note 36. The maximum exposure to credit risk at reporting date is the carrying amount of each class of cash and cash equivalent.

8. Current assets – Receivables

	CONSOLIDATED		PARENT ENTITY	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
Crude Oil sold – not settled	**4,876**	14,535	**4,876**	14,535

There were no receivables that were past due as at 30 June 2009 (2008 – Nil). No receivables have been impaired in either of the above years.

(a) Fair value, credit and commodity price risk.

Due to the short term nature of these receivables, their carrying amount is assumed to approximate their fair value.

Refer to Note 36 for further explanation on exposure to credit risk and commodity risk.

9. Current assets – Inventories

Casing – at net realisable value	**2,306**	-	**-**	-
Drilling materials – at cost	**33**	33	**33**	33
	2,339	33	**33**	33

The write-down of casing inventory to net realisable value recognised as an expense during the year ended 30 June 2009 amounted to $515,000 (2008 - $Nil). The expense has been included in 'exploration expense' in the income statement.

10. Current assets – Other

Prepayments and deposits	**78**	1,385	**78**	153
Sundry receivable including third party services recharges	**233**	27	**233**	27
Intercompany receivable	**-**	-	**33,084**	8,572
Provision for intercompany receivable impairment	**-**	-	**(25,695)**	(574)
	311	1,412	**7,700**	8,178

Prepayments and deposits in the prior year include a deposit of $1,232,000 for the Bazzard 1 well drilled in Vic P53 in September 2008 and October 2008.

11. Non-current assets – Investments accounted for using the equity method

Shares and loans to associates (Note 29)	**-**	118	**-**	-
	-	118	**-**	-

Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting and are carried at cost by the parent entity.

12. Non-current assets – Exploration and evaluation

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

Balance at beginning of the year	**11,795**	4,994	**3,163**	4,994
Add expenditure for the period	**33,953**	23,132	**3,996**	13,926
Less net transfer to development phase	**(13)**	(6,620)	**(13)**	(6,620)
Less expensed in the period	**(40,801)**	(9,711)	**(4,915)**	(9,137)
Balance at the end of the year	**4,934**	11,795	**2,231**	3,163

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.

13. Non-Current assets – Oil and gas assets

CONSOLIDATED	SUB SURFACE ASSETS $'000	PLANT AND EQUIPMENT $'000	CAPITAL WORK IN PROGRESS $'000	TOTAL $'000
AS AT 1 JULY 2007				
Cost or fair value	32,698	18,575	2,116	53,389
Less accumulated depreciation, depletion and impairment	(12,580)	(4,765)	-	(17,345)
Net book amount	20,118	13,810	2,116	36,044
YEAR ENDED 30 JUNE 2008				
Balance at beginning of the year	20,118	13,810	2,116	36,044
Add net transfer from exploration and evaluation phase	6,620	-	-	6,620
Add expenditure for the year	5,318	3,325	471	9,114
Add restoration obligations	(89)	(88)	-	(177)
Less WDV of disposals	-	-	-	-
Less impairment in the period	(2,690)	-	-	(2,690)
Less amortised during the year	(4,504)	(2,447)	-	(6,951)
Balance at the end of the year	24,773	14,600	2,587	41,960
AS AT 30 JUNE 2008				
Cost or fair value	44,544	21,812	2,587	68,943
Less accumulated depreciation, depletion and impairment	(19,771)	(7,212)	-	(26,983)
Net book amount	24,773	14,600	2,587	41,960
YEAR ENDED 30 JUNE 2009				
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**	**1,948**	**2,478**	**4,578**
Add restoration obligations	**(114)**	**6**	**-**	**(108)**
Less WDV of disposals	**-**	**(76)**	**-**	**(76)**
Less impairment in the period	**(7,960)**	**(155)**	**-**	**(8,115)**
Less amortised during the year	**(3,000)**	**(2,241)**	**-**	**(5,241)**
Balance at the end of the year	**13,864**	**14,082**	**5,065**	**33,011**
AS AT 30 JUNE 2009				
Cost or fair value	**44,595**	**23,690**	**5,065**	**73,350**
Less accumulated depreciation, depletion and impairment	**(30,731)**	**(9,608)**	**-**	**(40,339)**
Net book amount	**13,864**	**14,082**	**5,065**	**33,011**

13. Non-Current assets – Oil and gas assets - continued

PARENT ENTITY	SUB SURFACE ASSETS $'000	PLANT AND EQUIPMENT $'000	CAPITAL WORK IN PROGRESS $'000	TOTAL $'000
AS AT 1 JULY 2007				
Cost or fair value	32,698	18,575	2,116	53,389
Less accumulated depreciation, depletion and impairment	(12,580)	(4,765)	-	(17,345)
Net book amount	20,118	13,810	2,116	36,044
YEAR ENDED 30 JUNE 2008				
Balance at beginning of the year	20,118	13,810	2,116	36,044
Add net transfer from exploration and evaluation phase	6,620	-	-	6,620
Add expenditure for the year	5,318	3,241	471	9,030
Add restoration obligations	(89)	(88)	-	(177)
Less WDV of disposals	-	-	-	-
Less impairment in the period	(2,690)	-	-	(2,690)
Less amortised during the year	(4,504)	(2,447)	-	(6,951)
Balance at the end of the year	24,773	14,516	2,587	41,876
AS AT 30 JUNE 2008				
Cost or fair value	44,544	21,728	2,587	68,859
Less accumulated depreciation, depletion and impairment	(19,771)	(7,212)	-	(26,983)
Net book amount	24,773	14,516	2,587	41,876
YEAR ENDED 30 JUNE 2009				
Balance at beginning of the year	**24,773**	**14,516**	**2,587**	**41,876**
Add net transfer from exploration and evaluation phase	**13**	**-**	**-**	**13**
Add expenditure for the year	**152**	**1,813**	**-**	**1,965**
Add restoration obligations	**(114)**	**6**	**-**	**(108)**
Less WDV of disposals	**-**	**(76)**	**-**	**(76)**
Less disposal of assets to subsidiary	**-**	**-**	**(2,587)**	**(2,587)**
Less impairment in the period	**(7,960)**	**(155)**	**-**	**(8,115)**
Less amortised during the year	**(3,000)**	**(2,241)**	**-**	**(5,241)**
Balance at the end of the year	**13,864**	**13,863**	**-**	**27,727**
AS AT 30 JUNE 2009				
Cost or fair value	**44,595**	**23,471**	**-**	**68,066**
Less accumulated depreciation, depletion and impairment	**(30,731)**	**(9,608)**	**-**	**(40,339)**
Net book amount	**13,864**	**13,863**	**-**	**27,727**

At 30 June 2009 there are no non-current assets pledged as security.

14. Non-current assets – Other plant and equipment

	CONSOLIDATED		PARENT ENTITY	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
Plant and equipment – at cost	**1,225**	1,166	**1,225**	1,166
Less Accumulated depreciation	**(814)**	(646)	**(814)**	(646)
Total plant and equipment	**411**	520	**411**	520

Reconciliation of the carrying amounts of each class of property plant and equipment at the beginning and end of the current financial year are set out below.

OFFICE & COMPUTING EQUIPMENT				
Opening balance	**520**	558	**520**	558
Additions	**59**	148	**59**	148
Depreciation expense	**(168)**	(186)	**(168)**	(186)
Balance at end of year	**411**	520	**411**	520

15. Goodwill

CONSOLIDATED

AT 1 JULY 2008	$'000
Cost	-
Add Goodwill on acquisition of shares in Port Bonython Fuels Pty Ltd	2,332
Remeasurement of deferred purchase consideration	640
Balance at the end of the year	2,972

(a) Acquisition of a subsidiary

As of 30 June 2008 Stuart Petroleum Limited had a 50% investment in an associate company, Port Bonython Fuels Pty Ltd totalling $118,000. As of 16 September 2008 Stuart Petroleum Limited executed an agreement with AA Scott Pty Ltd (Scott) whereby it acquired an additional 35% equity interest in Port Bonython Fuels Pty Ltd. As a consequence, Port Bonython Fuels Pty Ltd became a subsidiary of Stuart Petroleum Limited.

The agreement provided that in recognition of the Company gaining control via the allotment of additional shares, the Company would make certain payments on behalf of Scott's which have been recognised as: 1) a current deferred share purchase consideration in the accounts of $750,000; and 2) a non-current deferred share purchase consideration of $1,891,000.

The consideration immediately payable by the Company and Scott's for the additional shares was the value ascribed to the work performed by the parties in developing the project. As a result the transaction resulted in recognition of an impairment of $719,000 to Stuart's share of the property.

Details of net assets acquired and goodwill are as follows:

	$'000
Purchase consideration	
Assets given up	1,678
Deferred consideration	2,641
Total purchase consideration	4,319

The assets and liabilities arising from the acquisition are as follows:

	FAIR VALUE $'000
Cash and cash equivalents	236
Capital work in progress	2,337
Payables	(236)
Net identifiable assets acquired	2,337
Less: non-controlling interest	(350)
Add: Goodwill	2,332
	4,319

15. Goodwill - continued

(b) Impairment tests for Goodwill

Goodwill was generated on acquisition of controlling interest in Port Bonython Fuels Pty Ltd and is attributable to the future profitability of the project. The additional goodwill since 31 December 2008 resulted from a revaluation of the deferred purchase consideration for purchase of the 84 shares purchased earlier in the year.

The recoverable amount of Goodwill is determined based on after tax value-in-use calculations using a range of discount rates between 4% and 12%. These calculations use cash flow projections based on financial projections covering the life of the project. Key assumptions used include sales volumes, sales margin, construction costs, the companies cost of capital and inflation. Based on the 30 June 2009 value in use model the goodwill carried is recoverable. Consequently no impairment of goodwill was required during the year.

(c) Deferred purchase consideration

CONSOLIDATED

AT 1 JULY 2008	$'000
Balance at the beginning of the year	-
Add obligation on acquisition of shares in Port Bonython Fuels Pty Ltd	2,641
Less expenditure attributable to deferred consideration incurred	(375)
Add revaluation of deferred obligation on purchase of shares in PBF	640
Balance at the end of the year	2,906
Current liability	1,033
Non-current liability	1,873
Total deferred purchase consideration disclosure	2,906

The deferred purchase consideration relates to future obligations on purchase of shares in Port Bonython Fuels Pty Ltd.

16. Current liabilities – Trade and other payables

	CONSOLIDATED		PARENT ENTITY	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Trade creditors	842	1,675	670	1,675
Joint venture participant cash advances	-	455	-	455
Royalty accruals	451	1,437	451	1,437
Downstream tolling of crude oil	582	631	582	631
Derivative Financial Instrument liability	-	1,560	-	1,560
Other, including exploration, development and production and administrative services	2,187	3,296	1,295	3,009
Goods and Services Tax	75	29	75	29
	4,137	9,083	3,073	8,796

Information on the Group's financial risk exposure is provided in Note 36.

17. Borrowings

	CONSOLIDATED		PARENT ENTITY	
BANK LOAN FACILITY - UNSECURED	**2009 $'000**	2008 $'000	**2009 $'000**	2008 $'000
Current liability				
Multi option facility	**11,250**	815	**11,250**	815
Trade receivable facility	**-**	3,445	**-**	3,445
TOTAL CURRENT BORROWINGS	**11,250**	4,260	**11,250**	4,260
Non-current liability				
Multi option facility	**-**	4,100	**-**	4,100
TOTAL NON-CURRENT BORROWINGS	**-**	4,100	**-**	4,100
MULTI OPTION FACILITY				
Unrestricted access was available at balance date to:	**14,500**	19,000	**14,500**	19,000
Comprising, at balance date:				
Facility drawn down	**11,250**	4,100	**11,250**	4,915
Letter of Credit	**-**	815	**-**	815
Bank guarantee – exploration well	**-**	7,306	**-**	7,306
Bank guarantee – production licences	**300**	250	**300**	250
Credit card facility	**75**	150	**75**	150
Unused	**2,875**	6,379	**2,875**	6,379
	14,500	19,000	**14,500**	19,000
TRADE RECEIVABLE / FOREIGN BILLS NEGOTIATED FACILITY				
Unrestricted access was available at balance date to:	**-**	US$5,492	**-**	US$5,492
Comprising, at balance date:				
Used	**-**	US$3,333	**-**	US$3,333
Unused	**-**	US$2,159	**-**	US$2,159
	-	US$5,492	**-**	US$5,492

In January 2007, the Group accepted an offer from the Commonwealth Bank of Australia to amend its existing Facility Agreement dated 11 February 2004. As a result the facility was converted to a multi option facility of $19 million plus a Liquidity Reserve Facility (Bills Discount Facility) of $1 million plus a Trade Receivable/ Foreign Bills Negotiated Facility of $US10 million. The term of the Facility was initially for two years expiring on 31 July 2008, annually extendable at the Bank's option. Whilst the facility is unsecured, it is subject to compliance with certain financial covenants and reporting obligations. As of 18 February 2008 the Commonwealth Bank of Australia advised that the availability period for the Multi Option facility and Liquidity Reserve Facility had been extended until 31 January 2010 and the Trade Receivable/ Foreign Bills Facility had not been renewed.

As of 30 June 2009 the Company was in the process of finalising an extension of its banking facility beyond 31 January 2010. At balance date the Group met all compliance requirements under the existing facility.

Set out below are the terms of the facility executed on 26 August 2009

Term	Expires 31 July 2010
Facilities Limit	$13,000,000, stepping down to $11,500,000 as at 31 July 2009 and $10,000,000 as of 30 September 2009
Interest rate	BBSY Bid rate plus 1.8%
Security/ Documentation	Direct charge over Worrior and Padulla production licences Charge over trade receivables

Current interest rate on the multi option facility is 3.95% (30 June 2008 - 8.16%).

Information about the Group's exposures to interest rate changes is provided in Note 36.

18. Derivative financial instruments

	CONSOLIDATED		PARENT ENTITY	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
CURRENT ASSETS				
Foreign currency contracts - cash flow hedges	**2,897**	-	**2,897**	-
	2,897	-	**2,897**	-
CURRENT LIABILITIES				
Commodity contracts - cash flow hedges	**-**	12,574	**-**	12,574
	-	12,574	**-**	12,574
NON-CURRENT LIABILITIES				
Commodity contracts - cash flow hedges	**-**	5,249	**-**	5,249
	-	5,249	**-**	5,249

(a) Instruments used by the Group

Foreign currency contracts – cash flow hedges

The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in equity. When the hedged cash flow occurs, amounts previously deferred in equity are released to the income statement.

During the year the Company put in place foreign currency zero cost collars covering US$20.3 million with a ceiling rate of US$0.72 and a floor rate of US$0.66. The zero cost collars had a knock-out feature which removed the floor if the exchange rate reached US$0.7640. In addition, the Company put in place foreign currency swaps covering US$20.3 million at a swap rate of US$0.6703. Of the foreign currency swaps, $10.9 million were closed out as of 30 June 2009.

At balance date the net fair value of contracts was an asset of $2,897,000 (2008 - $Nil). Included in sales there was a realised gain of $286,000 (2008 - $358,000).

Commodity contracts – cash flow hedges

The Group is exposed to commodity price fluctuations through the sale of crude oil denominated in US dollars. During the year the Group sold all of its commodity contracts and had no open oil options as at 30 June 2009.

At balance date the fair value of outstanding commodity contracts was Nil (2008 – liability of $17,823,000).

In the year ended 30 June 2009

- There was a gain from the decrease in fair value of the liability and increase in fair value of the asset of $32,579,000.
- Included in sales was a realised gain of $4,104,000.
- $13,336,000 was realised upon the close out of commodity hedges during the year. This amount was deferred to equity and is being released to sales revenue as the underlying hedged sales occur

(b) Credit risk exposure

The credit risk represents the potential financial loss if counter parties fail to perform as contracted. The credit risk on financial assets is indicated by the carrying amount on the statement of financial position. The credit risk on off-balance sheet derivatives is the cost of replacing the contract if the counter party were to default and is measured by their market value at balance date.

(c) Net fair value

The carrying value of all financial assets and liabilities including hedges approximates their fair values. At 30 June 2009, the Group had open derivative financial instrument contracts relating to future operating profit which if closed out at their market rates, would result in a profit of $2,897,000 (30 June 2008 loss of $17,823,000).

19. Provisions

	CONSOLIDATED		PARENT ENTITY	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
CURRENT				
Provision for long service leave	**84**	50	**84**	50
Provision for annual leave	**191**	175	**191**	175
Total current provisions	**275**	225	**275**	225
NON-CURRENT				
Provision for long service leave	**156**	119	**156**	119
Restoration and rehabilitation	**1,626**	1,602	**1,626**	1,602
Directors' retirement benefit	**388**	262	**388**	262
Other	**6**	11	**6**	11
Total non-current provisions	**2,176**	1,994	**2,176**	1,994

There were no payments during the year for either restoration or long service leave. The Group estimates the future cost of abandoning wells and removal of facilities and restoration of the landscape. In most cases, removal of facilities occurs many years into the future. This requires judgemental assessments regarding timing of restoration, the extent of reclamation activities required and need to mobilise contractors into the Cooper Basin to undertake the work and the costs of these activities. These judgements are not regarded as critical to the financial statements.

All current provisions are expected to be paid within 12 months of the end of the financial year.

CONSOLIDATED – 2009 NON-CURRENT PROVISIONS	**RESTORATION AND REHABILITATION $'000**	**OTHER $'000**
Carrying amount at start of year	**1,602**	**11**
Revaluation of restoration liability	**(109)**	**-**
Charged / (credited) to the income statement – unwinding of discount	**133**	**-**
Charged / (credited) to the income statement – escalated lease charge	**-**	**(5)**
Carrying amount at end of year	**1,626**	**6**

CONSOLIDATED – 2008 NON-CURRENT PROVISIONS	RESTORATION AND REHABILITATION $'000	OTHER $'000
Carrying amount at start of year	1,620	13
Revaluation of restoration liability	(176)	-
Charged / (credited) to the income statement – unwinding of discount	158	-
Charged / (credited) to the income statement – escalated lease charge	-	(2)
Carrying amount at end of year	1,602	11

20. Non-current liabilities – Deferred tax liabilities

	CONSOLIDATED		PARENT ENTITY	
DEFERRED TAX LIABILITY	**2009 $'000**	2008 $'000	**2009 $'000**	2008 $'000
THE BALANCE COMPRISES TEMPORARY TIMING DIFFERENCES ATTRIBUTABLE TO:				
Amounts recognised in equity:				
Cash flow hedges	**4,065**	-	**4,065**	-
Amounts recognised in profit and loss:				
Exploration, evaluation, oil and gas assets	**407**	5,640	**-**	3,050
Receivables	**881**	4,025	**881**	4,025
Inventories	**368**	-	**-**	-
Total deferred tax liability	**5,721**	9,665	**4,946**	7,075
Set-off of deferred tax asset to deferred tax liability	**(3,948)**	(6,042)	**(4,417)**	(6,042)
Net deferred tax liability	**1,773**	3,623	**529**	1,033
MOVEMENTS				
Opening balance at 1 July	**9,665**	4,075	**7,075**	4,075
Charged / (credited) to the income statement	**(8,009)**	5,590	**(6,194)**	3,000
Charged / (credited) to equity	**4,065**	-	**4,065**	-
Closing balance at 30 June	**5,721**	9,665	**4,946**	7,075

DEFERRED TAX ASSET				
The balance comprises temporary timing differences attributable to:				
Amounts recognised directly in equity:				
Cash flow hedges	**-**	5,347	**-**	5,347
Amounts recognised directly in profit and loss:				
Cash flow hedges closed out	**3,196**	-	**3,196**	-
Exploration, evaluation, oil and gas assets	**-**	-	**469**	-
Provisions	**735**	666	**735**	666
Accruals	**17**	29	**17**	29
Set-off of deferred tax liability to deferred tax asset	**-**	-	**-**	-
Set-off deferred tax asset to deferred tax liability	**(3,948)**	(6,042)	**(4,417)**	(6,042)
Net deferred tax assets	**-**	-	**-**	-
MOVEMENTS				
Opening balance at 1 July	**6,042**	1,144	**6,042**	1,144
Credited / (charged) to equity	**(5,347)**	4,820	**(5,347)**	4,820
Credited / (charged) to profit and loss (Note 6)	**3,253**	78	**3,722**	78
Set-off deferred tax asset to deferred tax liability	**(3,948)**	(6,042)	**(4,417)**	(6,042)
Closing balance at 30 June	**-**	-	**-**	-

21. Contributed Equity

(a) Share capital

	2009	2008
	$	$
Opening fully paid shares	10,078,520	10,064,520
Exercise of employee options	297,000	-
Employee share plan issue	16,000	14,000
Closing fully paid shares	10,391,520	10,078,520

	NUMBER	Number
(b) Movements in ordinary fully paid share capital		
Fully paid ordinary shares		
Balance at 1 July	62,668,870	62,653,050
Employee share plan – 16 employees at 847 shares per employee (2007: 14 employees at 1,130 shares per employee)	13,552	15,820
Exercise of employee options	400,000	-
Balance at 30 June	63,082,422	62,668,870
(c) Movement in options		
Balance at 1 July	4,950,000	4,850,000
Issue of $1.17 options 03/12/2011	-	50,000
Issue of $1.17 options 03/12/2012	-	50,000
Exercise of employee options	(400,000)	-
Lapse of employee options	(300,000)	-
Balance at 30 June	4,250,000	4,950,000
(d) Movement in rights		
Balance at beginning of period	0	-
Performance rights issued to Managing Director (G Guglielmo)	885,984	-
Performance rights issued to key management personnel	1,495,511	-
Performance rights issued to other employees	658,982	-
Performance rights lapsed (performance share price hurdle not met)	(1,013,490)	-
Total performance rights outstanding	2,026,987	-
Performance rights vested	0	-
Performance rights not vested	2,026,987	-
Total performance rights	2,026,987	-

There were no costs associated with the issue of shares listed above separately identified. All options and rights issued by the Company are to Directors and to existing and former staff. Details of options granted are set out in Note 34.

(e) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the company in proportion to the number and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

Ordinary shares have no par value and the company does not have a limited amount of authorised capital.

22. Reserves and retained profits

	CONSOLIDATED		PARENT ENTITY	
(a) Reserves	**2009 $'000**	2008 $'000	**2009 $'000**	2008 $'000
Hedging reserve - cash flow hedges	**9,484**	(12,476)	**9,484**	(12,476)
Share-based payments reserve	**2,609**	2,074	**2,609**	2,074
	12,093	(10,402)	**12,093**	(10,402)
Movements:				
Hedging reserve - cash flow hedges open				
Balance 1 July	**(12,476)**	(1,227)	**(12,476)**	(1,227)
Transfer to net (profit) / loss – gross	**(1,705)**	7,106	**(1,705)**	7,106
Deferred tax asset (Note 20)	**512**	(2,132)	**512**	(2,132)
Net additional hedges established in year - gross	**-**	(10,386)	**-**	(10,386)
Deferred tax asset (Note 20)	**-**	3,116	**-**	3,116
Revaluation – gross	**35,760**	(12,789)	**35,760**	(12,789)
Deferred tax asset (Note 20)	**(10,729)**	3,836	**(10,729)**	3,836
Hedges closed out during year	**(13,336)**	-	**(13,336)**	-
Deferred tax asset (Note 20)	**4,001**	-	**4,001**	-
Balance 30 June	**2,027**	(12,476)	**2,027**	(12,476)
Hedging reserve - cash flow hedges closed out early				
Balance 1 July	**-**	-	**-**	-
Hedges closed out during year	**13,336**	-	**13,336**	-
Deferred tax asset (Note 20)	**(4,001)**	-	**(4,001)**	-
Hedges closed out and brought to account in profit and loss	**(2,683)**	-	**(2,683)**	-
Tax effect	**805**	-	**805**	-
Balance 30 June	**7,457**	-	**7,457**	-
Total reserve – cash flow hedges	**9,484**	(12,476)	**9,484**	(12,476)
Share-based payment reserve				
Balance 1 July	**2,074**	1,692	**2,074**	1,692
Option / rights costs expensed	**279**	268	**279**	268
Option / rights costs included in labour costs capitalised in capital projects	**256**	114	**256**	114
Balance 30 June	**2,609**	2,074	**2,609**	2,074
(b) Retained Profits				
Retained profits / (Accumulated losses) at the beginning of the year	**33,559**	21,635	**33,387**	21,635
Dividends paid	**(1,261)**	(1,253)	**(1,261)**	(1,253)
Profit / (Loss) for the year	**(25,863)**	13,177	**(25,868)**	13,005
Accumulated profits at the end of the year	**6,435**	33,559	**6,258**	33,387

(c) Nature and purpose of reserves

(i) Hedging reserve – cash flow hedges

The hedging reserve is used to record gains or losses on a hedge instrument in a cash flow hedge that are recognised direct in equity, as described in Note 1(v). Amounts are recognised in profit and loss when the associated hedged transaction affects profit and loss.

(ii) Share–based payment reserve

The share-based payments reserve is used to recognise the fair value of options issued but not exercised.

23. Minority interest

	CONSOLIDATED		PARENT ENTITY	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
Share capital	**725**	-	**-**	-
Retained profits	**0**	-	**-**	-
	725	-	**-**	-

24. Dividends

	PARENT ENTITY	
	2009 $'000	2008 $'000
(a) Dividends on ordinary shares		
Fully franked dividend for the year ended 30 June 2008 of 2 cents (2007 - 2 cents) per share paid on 19 September 2008 (2007 - per share paid on 14 September 2007)	**1,261**	1,253
(b) Dividends not recognised at year end		
The directors have not recommended the payment of a dividend for 2009 (2008 - 2 cents).	**-**	1,261
(c) Franked dividends		
There are no franked dividends payable.		
Franking credits available for subsequent financial years based on a tax rate of 30%	**4,817**	5,329

The above amounts represent the balance of the franking account as at the end of the financial year, adjusted for the franking credits that will arise from the payment of the amount of the provision for income tax.

The impact on the franking account of the dividend recommended by the directors since year end but not recognised as a liability at year end is Nil (2008: $540,590).

A tax refund was received upon lodgement of the 2007/08 tax return. The refund has reduced the available franking credits by the amount of $2,358,862.

25. Key management personnel disclosures

(a) Directors

The following persons were directors of Stuart Petroleum Limited during the year:

(i) Chairman - non executive
JG Branson

(ii) Executive director
G Guglielmo

(iii) Non-executive director
DB Clarke

(b) Other key management personnel

The following persons also had authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, during the financial year:

Name	*Position*
R Frears	Exploration Manager
J McRae	Company Secretary and Commercial Manager
I MacDougall	Engineering and Production Manager
N Bird	Development and Supply Manager
A Ikin	Chief Financial Officer
M Mussared	Exploitation Manager

All of the above persons were also key management persons during the whole of the year ended 30 June 2009 except for R Frears who was on unpaid medical leave for the final 2.5 months of the year.

	CONSOLIDATED		PARENT ENTITY	
KEY MANAGEMENT PERSONNEL COMPENSATION	**2009 $'000**	2008 $'000	**2009 $'000**	2008 $'000
Short-term employment benefits	**1,838,230**	1,876,712	**1,838,230**	1,876,712
Long-term employment benefits	**61,029**	45,484	**61,029**	45,484
Post employment benefits	**287,927**	402,336	**287,927**	402,336
Share-based payments	**385,430**	326,466	**385,430**	326,466
	2,572,616	2,650,998	**2,572,616**	2,650,998

(c) Equity instrument disclosures relating to key management personnel

(i) Options and performance rights provided as remuneration and shares issued on exercise of such options and performance rights

Details of options and rights provided as remuneration and shares issued on the exercise of such options and rights, together with terms and conditions of the options, can be found in the Directors' Report section D of the remuneration report.

(ii) Option holdings

The number of options over ordinary shares in the Company held during the financial year by each director of Stuart Petroleum Limited and other key management personnel of the Group, including their personally related parties, are set out below. No options are vested and unexercised at the end of the year.

2009	BALANCE AT START OF YEAR	GRANTED DURING YEAR AS COMPENSATION	EXERCISED DURING YEAR	LAPSED DURING YEAR	BALANCE AT END OF YEAR	VESTED AND EXERCISABLE AT END OF YEAR
DIRECTORS OF STUART PETROLEUM LIMITED						
JG Branson	**750,000**	**-**	**-**	**-**	**750,000**	**750,000**
DB Clarke	**500,000**	**-**	**-**	**-**	**500,000**	**500,000**
G Guglielmo	**1,300,000**	**-**	**(300,000)**	**-**	**1,000,000**	**1,000,000**
OTHER KEY MANAGEMENT PERSONNEL OF THE GROUP						
R Frears	**250,000**	**-**	**-**	**-**	**250,000**	**250,000**
J McRae	**350,000**	**-**	**(100,000)**	**-**	**250,000**	**250,000**
I MacDougall	**350,000**	**-**	**-**	**(100,000)**	**250,000**	**250,000**
N Bird	**250,000**	**-**	**-**	**-**	**250,000**	**250,000**
A Ikin	**250,000**	**-**	**-**	**-**	**250,000**	**250,000**
M Mussared	**250,000**	**-**	**-**	**-**	**250,000**	**250,000**

2008	BALANCE AT START OF YEAR	GRANTED DURING YEAR AS COMPENSATION	EXERCISED DURING YEAR	LAPSED DURING YEAR	BALANCE AT END OF YEAR	VESTED AND EXERCISABLE AT END OF YEAR
DIRECTORS OF STUART PETROLEUM LIMITED						
JG Branson	750,000	-	-	-	750,000	500,000
DB Clarke	500,000	-	-	-	500,000	333,333
G Guglielmo	1,300,000	-	-	-	1,300,000	966,666
OTHER KEY MANAGEMENT PERSONNEL OF THE GROUP						
R Frears	250,000	-	-	-	250,000	166.666
J McRae	350,000	-	-	-	350,000	266.666
I MacDougall	350,000	-	-	-	350,000	266.666
N Bird	250,000	-	-	-	250,000	166.666
A Ikin	250,000	-	-	-	250,000	166.666
M Mussared	250,000	-	-	-	250,000	166.666

(c) Equity instrument disclosures relating to key management personnel - continued

(iii) Performance right holdings

The number of performance rights issued to each director of Stuart Petroleum Limited and other key management personnel of the Group, including their personally related parties, are set out below. No rights are vested and unexercised at the end of the year.

2009	BALANCE AT START OF YEAR	GRANTED DURING YEAR AS COMPENSATION	EXERCISED DURING YEAR	LAPSED DURING YEAR	BALANCE AT END OF YEAR	VESTED AND EXERCISABLE AT END OF YEAR
DIRECTORS OF STUART PETROLEUM LIMITED						
JG Branson	-	-	-	-	-	-
DB Clarke	-	-	-	-	-	-
G Guglielmo	-	885,984	-	(295,328)	590,656	-
OTHER KEY MANAGEMENT PERSONNEL OF THE GROUP						
R Frears	-	263,886	-	(87,962)	175,924	-
J McRae	-	250,444	-	(83,481)	166,963	-
I MacDougall	-	251,545	-	(83,848)	167,697	-
N Bird	-	227,176	-	(75,725)	151,451	-
A Ikin	-	250,915	-	(83,638)	167,277	-
M Mussared	-	251,545	-	(83,848)	167,697	-
TOTAL	-	2,381,495	-	(793,830)	1,587,665	-

(iv) Share holdings

The number of shares in the Company held during the financial year by each director of Stuart Petroleum Limited and other key management personnel of the Group, including their personally related parties, are set out below. Key management (with the exception of the Managing Director - G Guglielmo) were granted 847 shares during the year ended 30 June 2009 (2008: 1,130 shares), as participants in the Stuart Petroleum Employee Share Plan. There have been no other transactions with key management personnel.

2009	BALANCE AT START OF YEAR	RECEIVED DURING YEAR ON EXERCISE OF OPTIONS	OTHER CHANGES DURING YEAR	BALANCE AT END OF YEAR
DIRECTORS OF STUART PETROLEUM LIMITED				
JG Branson	1,000,000	-	-	1,000,000
DB Clarke	14,751,809	-	(166,699)	14,585,110
G Guglielmo	750,000	300,000	-	1,050,000
OTHER KEY MANAGEMENT PERSONNEL OF THE GROUP				
R Frears	510,000	-	847	510,847
J McRae	26,000	100,000	847	126,847
I MacDougall	27,000	-	847	27,847
A Ikin	42,000	-	847	42,847
M Mussared	7,000	-	847	7,847
N Bird	2,000	-	847	2,847

2008	BALANCE AT START OF YEAR	RECEIVED DURING YEAR ON EXERCISE OF OPTIONS	OTHER CHANGES DURING YEAR	BALANCE AT END OF YEAR
DIRECTORS OF STUART PETROLEUM LIMITED				
JG Branson	1,300,000	-	(300,000)	1,000,000
DB Clarke	14,751,809	-	-	14,751,809
G Guglielmo	700,000	-	50,000	750,000
OTHER KEY MANAGEMENT PERSONNEL OF THE GROUP				
R Frears	508,870	-	1,130	510,000
J McRae	24,870	-	1,130	26,000
I MacDougall	25,870	-	1,130	27,000
A Ikin	34,870	-	6,130	42,000
M Mussared	5,870	-	1,130	7,000
N Bird	870	-	1,130	2,000

26. Remuneration of Auditors

During the year the following fees were paid or payable for services provided by the auditor of the Group. No payments were made to related practices and non related audit firms.

	CONSOLIDATED		PARENT ENTITY	
(a) Assurance Services	**2009 $**	2008 $	**2009 $**	2008 $
Audit services PricewaterhouseCoopers Australian firm: Audit and review of financial reports and other audit work under the *Corporations Act 2001*	**148,850**	126,290	**148,850**	126,290
Total remuneration for assurance services	**148,850**	126,290	**148,850**	126,290
PricewaterhouseCoopers Australian firm: Tax compliance services including compilation of tax return and other business tax advice	**36,799**	48,801	**36,799**	48,801
TOTAL REMUNERATION	**185,649**	175,091	**185,649**	175,091

It is the Group's policy to employ PricewaterhouseCoopers on assignments additional to their statutory audit duties where PricewaterhouseCoopers' expertise and experience with the Group are important. These assignments are principally tax advice. Where appropriate the Group seeks competitive tenders for major consulting projects.

27. Commitments

	CONSOLIDATED		PARENT ENTITY	
(a) Contractual commitments	**2009 $'000**	2008 $'000	**2009 $'000**	2008 $'000
(i) Operating leases				
Due within one year	**134**	174	**134**	174
Due later than one year but not later than five years	**-**	134	**-**	134
Total commitments under operating leases	**134**	308	**134**	308
(b) Remuneration commitments Minimum commitments for the payment of salaries and other remuneration under long term employment contracts not recognised as liabilities, payable:				
Within one year	**649**	532	**649**	532
	649	532	**649**	532
(c) Minimum exploration commitments Minimum guaranteed exploration commitments for which no amounts have been provided in the financial report or capital commitments:				
Within one year	**34,767**	27,475	**310**	7,775
Later than one year but not later than five years	**11,395**	4,625	**11,395**	4,625
Later than five years	**-**	-	**-**	-
	46,162	32,100	**11,705**	12,400

The operating lease obligation relates to the Group's Head Office.

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. The minimum exploration commitment within one year includes $34.457 million for the dry hole cost of the Oliver 2 well.

It is the Group's intention to seek farm-in partners in respect of certain drilling prospects within its exploration licences under arrangements whereby the Group will retain control of those prospect areas but where the farm-ins contribute to most of the costs of drilling. The commitments set out above do not recognise recoverable amounts from joint venture partners where agreements have not been completed.

28. Contingent liabilities

The Group has lodged bank guarantees with the South Australian Department of Primary Resources for $250,000 and a cash guarantee for $50,000, required by the department in granting of Petroleum Production Licences.

On 10 July 2007 the solicitors of drilling services contractor engaged by the Group in 2004, notified Stuart Petroleum that it was seeking indemnity pursuant to its contract, with respect to a workers' compensation claim by an employee of a drilling Contractor also engaged by Stuart Petroleum. Stuart Petroleum agreed to settle the claim during the year and Stuart's share of the settlement liability was at the capped amount of $50,000 ($12,500 paid in prior years).

29. Related party transactions

(a) Transactions with related parties

The following transactions occurred with related parties:

SALES OF GOODS AND SERVICES	CONSOLIDATED 2009 $	CONSOLIDATED 2008 $	PARENT ENTITY 2009 $	PARENT ENTITY 2008 $
Sale of geophysical services to director related entity*	-	20,544	-	20,544
Tax consolidation legislation				
Tax losses assumed from wholly-owned tax consolidated entities	-	-	**10,765,898**	172,273

*The company provided geophysical services to a Director related entity on normal commercial terms. The amount invoiced and received was $20,544.

(b) Loans to / from related parties

LOANS TO SUBSIDIARIES	PARENT ENTITY 2009 $	PARENT ENTITY 2008 $
Beginning of the year	**7,998,746**	-
Loans advanced	**24,512,028**	8,571,990
Impairment of subsidiary	**(25,120,422)**	(574,244)
End of year	**7,390,352**	7,997,746

The 30 June 2009 impairment of receivable from related parties relates to the dry hole costs at Bazzard that are unlikely to be recovered.

30. Subsidiaries and associates

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in Note 1(b):

NAME OF SUBSIDIARY	COUNTRY OF INCORPORATION	CLASS OF SHARES	EQUITY HOLDING 2009 %	EQUITY HOLDING 2008 %	INVESTMENT BY STUART PETROLEUM LIMITED 2009 $	INVESTMENT BY STUART PETROLEUM LIMITED 2008 $
Stuart Petroleum Fuels Pty Ltd	Australia	Ordinary	100	100	2	2
Stuart Petroleum (Offshore) Pty Ltd	Australia	Ordinary	100	100	2	2
Stuart Renewable Energy Pty Ltd	Australia	Ordinary	100	100	2	2
Stuart Petroleum Cooper Basin Oil Pty Ltd	Australia	Ordinary	100	100	2	2
Stuart Petroleum Cooper Basin Gas Pty Ltd	Australia	Ordinary	100	100	2	2
Stuart Petroleum Custodian Pty Ltd	Australia	Ordinary	100	100	2	0
Port Bonython Fuels Pty Ltd[1]	Australia	Ordinary	85	-	4,959,000	-
NAME OF ASSOCIATE						
Port Bonython Fuels Pty Ltd	Australia	Ordinary	-	50	-	2

[1] Investment in Port Bonython Fuels Pty Ltd held by Stuart Petroleum Fuels Pty Ltd

(a) Movements in carrying amounts	PARENT ENTITY 2009 $'000	2008 $'000
Carrying amount at the beginning of the financial year	**118**	-
Investment in shares in associate		0
Loan to associate	**-**	118
Inclusion in consolidated group	**(118)**	
Share of profits after income tax	**-**	-
Dividends received / receivable	**-**	-
Carrying amount at the end of the financial year	**0**	118

The investment in shares in associate is 50% of the share capital of Port Bonython Fuels Pty Ltd which was registered in Australia on 18 December 2007. Port Bonython Fuels Pty Ltd issued a further 98 shares during the year of which 84 shares were acquired by Stuart Petroleum Fuels Pty Ltd. Following the share issue Stuart Petroleum Fuels Pty Ltd investment in Port Bonython Fuels Pty Ltd increased from 50% to 85%. At this time the Group consolidated this entity as it controlled its operation (refer to Note 15).

(b) Summarised financial information of associates

The Group's share of the results of its principal associates and its aggregated assets and liabilities are as follows.

As Port Bonython Fuels Pty Ltd has been consolidated for the year ended 30 June 2009, following acquisition to 85% of share capital, there are no balances for associates.

2008	OWNERSHIP INTEREST %	ASSETS $'000	LIABILITIES $'000	REVENUE $'000	PROFIT $'000
Port Bonython Fuels Pty Ltd	50	118	118	-	-
		118	118	-	-

31. Interests in joint ventures

a) The Group has interests in unincorporated joint ventures in the following exploration and production licences in the Cooper/ Eromanga basins in South Australia:

	INTEREST 2009	2008
PEL 90 Candra Block	75.0%	75.0%
PEL 90 Kiwi Block	75.0%	75.0%
PEL 90 Reg Sprigg West Unit	18.7%	18.7%
PEL 93	70.0%	70.0%
PEL 100	50.0%	50.0%
PEL 102	100.0%	100.0%
PEL 113 Dunoon High	66.7%	66.7%
PEL 113 Derrilyn Unit	35.0%	35.0%
PEL 113 Murteree High	65.0%	65.0%
PEL 113 Saintly Block	66.7%	66.7%
Vic P53 (Earning)	50.0%	50.0%
AC P33 (Earning)	50.0%	50.0%

See Page 11 of the Annual Report for details of production licences (PPLS).

b) The sales revenue received from the Group's share of petroleum products produced by the joint ventures was $27.806 million (2008 $56.887 million) and the contribution of joint venture business undertakings to profit from ordinary activities before impairment, interest and tax was $13.089 million (2008 $24.985 million).

c) The Group's share of assets and liabilities employed in the joint ventures are included in the statement of financial position under the following classifications:

	CONSOLIDATED	
	2009 $'000	2008 $'000
CURRENT ASSETS		
Receivables from JV parties	**33**	-
Bonds in respect of exploration areas	**-**	-
TOTAL CURRENT ASSETS	**33**	-
NON-CURRENT ASSETS		
Exploration and evaluation	**3,726**	10,562
Oil and gas assets	**21,500**	32,963
TOTAL NON-CURRENT ASSETS	**25,226**	43,525
TOTAL ASSETS	**25,259**	43,525
CURRENT LIABILITIES		
Payables	**2,338**	2,155
Payable to JV parties	**-**	455
TOTAL CURRENT LIABILITIES	**2,338**	2,610
NON–CURRENT LIABILITIES		
Provisions	**1,182**	1,139
TOTAL NON-CURRENT LIABILITIES	**1,182**	1,139
TOTAL LIABILITIES	**3,520**	3,749
NET INVESTMENTS IN JOINT VENTURES	**21,739**	39,776

d) The amount of capital expenditure, exploration commitments and contingent liabilities in respect of unincorporated joint ventures are:

	2009 $'000	2008 $'000
Minimum exploration commitments	**37,662**	21,200

32. Reconciliation of loss after income tax to net cash inflow from operating activities

	CONSOLIDATED		PARENT ENTITY	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
(LOSS) /PROFIT FROM ORDINARY ACTIVITIES AFTER INCOME TAX	**(25,863)**	13,177	**(25,868)**	13,005
Add / (deduct) non-cash items				
Depreciation	**2,409**	2,835	**2,409**	2,835
Provision for restoration and rehabilitation	**133**	158	**133**	158
Provision for employee entitlements	**208**	310	**208**	310
Amortisation of exploration and development	**3,000**	4,302	**3,000**	4,302
Non cash employee benefit expense – share-based payments	**397**	276	**397**	276
Loss / (Profit) on sale of non current assets	**(52)**	-	**(52)**	-
Write-down in capitalised exploration	**40,801**	9,711	**4,915**	9,137
Impairment / (Impairment reversal) of oil and gas assets	**8,834**	2,690	**8,834**	2,690
Impairment of investment in intercompany receivable	**-**	-	**25,121**	574
Increase / (decrease) in current tax payable	**2,514**	(3,914)	**2,514**	(3,914)
Increase / (decrease) in deferred tax liability	**(11,261)**	5,512	**(491)**	5,684
Hedge gain in equity	**10,652**	-	**10,652**	-
Changes in Assets and Liabilities:				
Decrease / (Increase) in receivables	**9,659**	(9,114)	**9,659**	(9,114)
(Decrease) / Increase in creditors and accruals	**(2,355)**	2,047	**(2,473)**	2,047
NET CASH GENERATED BY OPERATING ACTIVITIES	**39,076**	27,990	**38,958**	27,990

33. Earnings per share

	CONSOLIDATED	
	2009	2008
(a) Basic earnings per share (cents)	**(41.0)**	21.0
(b) Diluted earnings per share (cents)	**(41.0)**	19.5
Weighted average number of ordinary shares on issue used as the denominator in calculating basic earnings per share	**63,004,207**	62,666,616
Weighted average number of ordinary shares and potential ordinary shares as the denominator in calculating diluted earnings per share	**69,214,195**	67,574,150

Performance rights and Options granted under the Stuart Petroleum Limited Directors and Employees Share option plan are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share to the extent which they are dilutive. The options have not been included in the determination of basic earnings per share. Details relating to the options and performance rights are set out in Note 21.

34. Share-based payments

Performance Rights

Commencing in the 2008/09 year the "Directors and Executive Option Scheme" was replaced with the "Performance Rights Plan"(PRP). Under the PRP Plan performance rights are issued to all employees and executive directors based on their salary level. The exercise price of the right is set at 30 June with the hurdle Stuart Petroleum Ltd share price measured at 30 June the following year. The rights are granted under the plan for no consideration.

Assumptions used in computing the value of performance rights granted during the year ended 30 June 2009 were as follows:

TRANCHE	GRANT DATE	SHARE PRICE AT VALUATION DATE	AVERAGE PRICE VOLATILITY	AVERAGE RISK FREE INTEREST RATE
Performance rights granted to Managing Director				
Tranche 1	12 December 2008	$0.55	75%	3.98%
Tranche 2	12 December 2008	$0.55	61%	3.54%
Tranche 3	12 December 2008	$0.55	56%	3.76%
Performance rights granted to other employees including key management personnel				
Tranche 1	12 December 2008	$1.06	55%	6.56%
Tranche 2	12 December 2008	$1.06	48%	5.43%
Tranche 3	12 December 2008	$1.06	46%	5.43%

Rights granted under the plan carry no dividend or voting rights. The expensing of these rights is in accordance with AASB 2 *Share based payments*.

The terms and conditions of each grant of rights affecting remuneration in the previous, this or future reporting periods are as follows:

GRANT DATE	ENTITLEMENT MEASUREMENT DATE	MINIMUM PERFORMANCE HURDLE (SHARE PRICE) – 50% ENTITLEMENT	MAXIMUM PERFORMANCE HURDLE (SHARE PRICE) – 100% ENTITLEMENT	VALUE PER RIGHT AT GRANT DATE
12 December 2008	30 June 2009	$1.44	$1.56	39.5 cents
12 December 2008	30 June 2009	$1.44	$1.56	4.9 cents
12 December 2008	30 June 2010	$1.65	$1.95	39.9 cents
12 December 2008	30 June 2010	$1.65	$1.95	8.3 cents
12 December 2008	30 June 2011	$1.90	$2.44	40.0 cents
12 December 2008	30 June 2011	$1.90	$2.44	10.0 cents
WEIGHTED AVERAGE		**$1.63**	**$1.98**	**30.5 CENTS**

Details of performance rights over ordinary shares in the Company provided as remuneration to each executive director of Stuart Petroleum Limited and each of the key management personnel of the Company are set out below. The performance rights are granted for zero consideration. When exercisable, each performance right is convertible into one ordinary share of Stuart Petroleum Limited.

NAME	NUMBER OF RIGHTS GRANTED DURING THE YEAR		NUMBER OF RIGHTS VESTED DURING THE YEAR	
	2009	2008	**2009**	2008
DIRECTORS OF STUART PETROLEUM LIMITED				
G Guglielmo	**885,984**	-	**-**	-
OTHER KEY MANAGEMENT PERSONNEL OF THE COMPANY				
R Frears	**263,886**	-	**-**	-
J McRae	**250,444**	-	**-**	-
I MacDougall	**251,545**	-	**-**	-
N Bird	**227,176**	-	**-**	-
A Ikin	**250,915**	-	**-**	-
M Mussared	**251,545**	-	**-**	-

34. Share-based payments - continued

Performance Rights - continued

The assessed fair value at grant date of performance rights granted to the individuals is allocated equally over the period from grant date to vesting date, and the amount is included in the remuneration tables above. Fair values at grant date are determined using a Black–Scholes option pricing model that takes into account the exercise price, the term of the right, the share price at grant date and expected volatility of the underlying share, the expected dividend yield and the risk free rate for the term of the right.

Stuart Petroleum Limited's share price as at 30 June 2009 was below the minimum performance hurdle and the first tranche of rights (one third of the rights issued) lapsed on 30 June 2008. The number of performance rights which have lapsed is set out in the table below.

NAME	NUMBER OF RIGHTS GRANTED DURING THE YEAR	
	2009	2008
DIRECTORS OF STUART PETROLEUM LIMITED		
G Guglielmo	**295,328**	-
OTHER KEY MANAGEMENT PERSONNEL OF THE COMPANY		
R Frears	**87,962**	-
J McRae	**83,481**	-
I MacDougall	**83,848**	-
N Bird	**75,725**	-
A Ikin	**83,638**	-
M Mussared	**83,848**	-

Share options

In order to retain key management and staff, stock options were granted to directors, executives, and key staff with deferred vesting. The issue price is set from a benchmark of the weighted average share price for the 5 trading days prior to the invitation to participate in the scheme. The options are granted under the plan for no consideration. Options granted under the plan carry no dividend or voting rights.

The duration of the options is for 3 years and provides for the progressive vesting of the options maturing over 3 years from grant. The fair value of the options is established as at the date of grant in accordance with AASB 2. The vesting formula for determining expense recognition is as follows

- Year 1 – 100% of options vesting after year 1 plus 50% of options vesting after year 2 plus 33.3% of options vesting after year 3.
- Year 2 – 50% of options vesting after year 2 plus 33.3% of options vesting after year 3.
- Year 3 – 33.3% of options vesting after year 3.

Where the duration of the options is for two years, then after one year, one half of the options vest and the remaining half, vest after two years.

The terms and conditions of each grant of options affecting remuneration in the previous, this or future reporting periods are as follows:

GRANT DATE	EXPIRY DATE	EXERCISE PRICE	VALUE PER OPTION AT GRANT DATE	DATE EXERCISABLE
1 July 2003	3 May 2009	76 cents each	29 cents	Up until 3 May 2009
15 October 2003	2 October 2008	69 cents each	26 cents	Up until 2 October 2008
7 June 2004	2 February 2009	80 cents each	31 cents	Up until 2 February 2009
7 June 2004	1 March 2009	87 cents each	34 cents	Up until 1 March 2009
28 June 2004	9 June 2009	83 cents each	33 cents	Up until 9 June 2009
26 July 2005	26 July 2009	89 cents each	19 cents	26 July 2006
26 July 2005	26 July 2010	89 cents each	29 cents	26 July 2007
26 July 2005	26 July 2011	89 cents each	35 cents	26 July 2008
16 November 2005	16 November 2009	89 cents each	56 cents	16 November 2006
16 November 2005	16 November 2010	89 cents each	62 cents	16 November 2007
16 November 2005	16 November 2011	89 cents each	67 cents	16 November 2008
22 March 2006	22 March 2010	$1.30 each	15 cents	22 March 2007
22 March 2006	22 March 2011	$1.30 each	24 cents	22 March 2008
1 March 2006	1 March 2010	$1.36 each	16 cents	1 March 2007
1 March 2006	1 March 2011	$1.36 each	26 cents	1 March 2008
1 March 2006	1 March 2012	$1.36 each	34 cents	1 March 2009
14 March 2006	14 March 2010	$1.36 each	16 cents	14 March 2007
14 March 2006	14 March 2011	$1.36 each	26 cents	14 March 2008
14 March 2006	14 March 2012	$1.36 each	34 cents	14 March 2009
22 September 2006	22 September 2010	$1.32 each	29 cents	22 September 2007
22 September 2006	22 September 2011	$1.32 each	42 cents	22 September 2008
3 December 2007	3 December 2011	$1.17 each	28 cents	3 December 2008
3 December 2007	3 December 2012	$1.17 each	41 cents	3 December 2009

2009	BALANCE AT START OF YEAR	GRANTED DURING YEAR AS COMPENSATION	EXERCISED DURING YEAR	LAPSED DURING YEAR	BALANCE AT END OF YEAR	VESTED AND EXERCISABLE AT END OF YEAR
Total options	4,950,000	-	400,000	300,000	4,250,000	4,200,000

Fair value of equity instruments granted

The assessed fair value at grant date of instruments granted to the individuals is allocated equally over the period from grant date to vesting date, and the amount is included in the remuneration tables above. Fair value at grant date is determined using a Black – Scholes option pricing model that takes into account the exercise price, the term of the option, the share price at grant date and expected volatility of the underlying share, the expected dividend yield and the risk free rate for the term of the option.

There were no options granted during the year ended 30 June 2009.

Assumptions used in computing the fair value of options granted in during the year ended 30 June 2008 were an weighted average exercise price of $1.17, Grant date of 3 December 2007, expiry date of 3 December 2008 and 3 December 2009, share price at grant date of $1.17, expected price volatility of 55%, and a risk free interest rate of 6.18%.

Total expenses arising from share-based payment transactions recognised as part of Production costs and Selling and administrative expenses of options issued under the Performance right plan and the Directors and Employees Option Plan was $98,000 (2007 $268,000).

35. Segment information

Stuart Petroleum operates in one business (exploration and production) in one geographic segment (Cooper basin in South Australia). The Group has a number of growth projects, including the Port Bonython Fuel business and exploration in the Timor Sea, which if successful (will in future years) result in the establishment of new segments.

36. Financial Risk Management

a) Financial risk management and policies

The Group's activities expose it to a variety of financial risks, but principally commodity price, foreign currency, interest rate and credit risks. The Groups overall management of financial risk is aimed at ensuring net cash flows are sufficient to:

- meet its financial commitments as and when they fall due; and
- maintain its capacity to fund its growth strategies.

The Group uses derivative financial instruments such as zero cost oil price options to hedge its commodity risk exposures, as well support its borrowings under its Australian dollar denominated multi option facility. It also uses foreign currency hedges to manage foreign exchange risk. Derivatives are exclusively used for hedging purposes, i.e. not as trading or other speculative instruments.

The Group continually monitors and runs sensitivities of its forecast financial position. Hedging activity is undertaken when considered necessary to meet the above objectives. All hedging activities are approved by the Board. The performance of the hedging program is reported to the Board on a monthly basis.

The Group and the Parent entity hold the following instruments:

	CONSOLIDATED		PARENT ENTITY	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
Financial Assets				
Cash at bank	**321**	1,367	**79**	386
Receivables	**4,876**	14,535	**4,876**	14,535
Other financial assets	**311**	1,445	**7,700**	8,211
Derivative financial instruments	**2,897**	-	**2,897**	-
	8,405	17,347	**15,552**	23,132
Financial Liabilities				
Trade and other creditors	**4,137**	9,083	**3,073**	8,796
Borrowings	**11,250**	8,360	**11,250**	8,360
Derivative financial instruments	**-**	17,823	**-**	17,823
	15,387	35,266	**14,323**	35,266

b) Market risk

(i) Foreign exchange risk

The Group is exposed to foreign currency risk principally through the sale of crude oil denominated in US dollars. In order to hedge this foreign currency risk, the Group has from time to time entered into foreign exchange swaps and foreign currency option contracts.

Unless there are specific payments to be made in US dollars, sales proceeds are converted to Australian dollars at the earliest opportunity.

As at 30 June 2009 the group had US$16.3 million open foreign exchange contracts as set out below (2008: nil).

FORWARD SALES	USD MILLION	AUD MILLION	RATE
2009/10	1.55	2.3	US$0.6703
2010/11	2.50	3.7	
ZERO COST COLLARS			
2009/10	8.25	11.5	Option of US$0.72
2010/11	4.00	5.6	

The AU$ value of financial instruments denominated in US$ are as follows:

	CONSOLIDATED		PARENT ENTITY	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
Financial Assets				
Cash at bank	**4**	308	**4**	308
Receivables	**4,876**	14,535	**4,876**	14,535
Derivative financial instruments	**2,897**	-	**2,897**	-
	7,777	14,843	**7,777**	14,843
Financial Liabilities				
Trade and other creditors	**-**	1,972	**-**	1,972
Bank loan	**-**	3,445	**-**	3,445
Derivative financial instruments	**-**	17,823	**-**	17,823
	-	23,240	**-**	23,240

The following table summarises the Group/ Parent entity sensitivity of Group/ Parent entity financial instruments held at balance date to a 10% movement in the exchange rate of the Australian dollar to the US dollar with all other variables held constant.

Impact on post-tax profit	**2009 $'000**	2008 $'000	**2009 $'000**	2008 $'000
AUD/USD +10%	**(311)**	(600)	**(311)**	(600)
AUD/USD -10%	**379**	733	**379**	733
Impact on equity				
AUD/USD +10%	**1,391**	1,620	**1,391**	1,620
AUD/USD -10%	**(1,371)**	(1,979)	**(1,371)**	(1,979)

As of 22 July 2009 Stuart Petroleum closed out all remaining zero cost collars and the remaining 2009/2010 foreign exchange forward sales realising $2.20 million. The value of the hedges closed out as at 30 June 2009 was $2.366 million. The value of the hedges as at 30 June 2009 that were not closed out was $0.531 million.

36. Financial Risk Management - continued

b) Market risk - continued

(ii) Commodity price risk

The Group's commodity hedging program utilises financial instruments based on APPI Tapis oil prices, which is the benchmark for crude oil sold by the Group.

The Group has also delivered oil to the Cooper Basin Joint Venture as at balance date (and for which custody and title has transferred) which will be lifted from Port Bonython in future months. The price of the commodity which is based on the average price for a period either side of the date on which the product is ultimately delivered onto a ship at Port Bonython has yet to be determined.

The AU$ value of financial instruments exposed to oil price changes are summarised in the table below:

	CONSOLIDATED		PARENT ENTITY	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
Financial Assets				
Receivables	**4,876**	14,535	**4,876**	14,535
Financial Liability				
Financial instruments	**-**	(17,823)	**-**	(17,823)

The following table summarises the sensitivity of the fair value of financial instruments held at balance date to movements in the relevant forward commodity price, with all other variables held constant. The oil price has demonstrated a high level of volatility in recent years. Observed ranges of historic prices are not necessarily indicative of the future.

Impact on post-tax profit of valuation of debtors	**2009 $'000**	2008 $'000	**2009 $'000**	2008 $'000
Oil forward price +5%	**212**	470	**212**	470
Oil forward price -5%	**(212)**	(470)	**(212)**	(470)
Impact on equity of valuation of hedge instruments				
Oil forward price +10%	**-**	(3,857)	**-**	(3,857)
Oil forward price -10%	**-**	4,414	**-**	4,414

(iii) Interest rate risk

The Group's financial position is adversely affected by movements in interest rates that increase the cost of floating rate debt. The Group does not have any borrowings at fixed rates. The level of borrowing at any point of time is a function of working capital requirements.

As at the reporting date the Company and the Group had the following variable rate borrowings outstanding:

	30 JUNE 2009		30 JUNE 2008	
	WEIGHTED AVERAGE INTEREST RATE %	**BALANCE $'000**	Weighted average interest rate %	Balance $'000
Borrowings	**3.95%**	**11,250**	6.56%	8,360
Net exposure to cash flow interest rate risk		**11,250**		8,360

The following table summarises the sensitivity of the Group's borrowings to interest rate risk:

30 JUNE 2009	CARRYING AMOUNT $'000	INTEREST RATE RISK			
		-100 BPS		+100 BPS	
		PROFIT $'000	OTHER EQUITY $'000	PROFIT $'000	OTHER EQUITY $'000
FINANCIAL ASSETS					
Cash and cash equivalents	**321**	**(3)**	**-**	**3**	**-**
Receivables	**4,876**	**-**	**-**	**-**	**-**
Derivative financial instruments – cash flow hedges	**2,897**	**-**	**-**	**-**	**-**
FINANCIAL LIABILITIES					
Trade payables	**4,137**	**-**	**-**	**-**	**-**
Borrowings	**11,250**	**113**	**-**	**(113)**	**-**
TOTAL INCREASE / (DECREASE)		**110**	**-**	**(110)**	**-**

c) Credit risk

Credit risk is the risk that a contracting entity will not complete its obligations under a financial instrument that will result in a financial loss to the Group. The carrying amount of financial assets represents the maximum credit exposure as disclosed in Note 2 a) above.

The credit quality of customers is monitored on an ongoing basis. Receivable balances and the level of bank borrowings are monitored on a daily basis.

d) Liquidity risk

The liquidity position of the Group is managed to ensure sufficient liquid funds are available to meet our financial commitments in a timely basis. Details of the Group's credit facilities are detailed in Note 17.

The unsecured facility may be drawn at any time and is subject to Half Yearly Review and Annual Review.

The availability period under the Multi Option Facility is 31 January 2010. The nominated limit under the Multi Option Facility is $13.0 million, of which $0.375 million is allocated to bank guarantees and credit cards and the balance to the bank bill facility. As at 30 June the undrawn bill facility was $1.375 million. Refer to note 17 for details on post balance date refinancing.

Maturities of financial liabilities

The table below analyses the Group's and Parent's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cashflows including interest.

GROUP AS AT 30 JUNE 2009	6 - 12 MONTHS $'000	BETWEEN 1 AND 2 YEARS $'000	TOTAL CONTRACTUAL CASH FLOWS $'000	CARRYING AMOUNT (ASSETS) / LIABILITIES $'000
Non-derivatives				
Variable rate	**11,250**	**-**	**11,250**	**11,250**
Total non-derivatives	**11,250**	**-**	**11,250**	**11,250**
GROUP AS AT 30 JUNE 2008				
Non-derivatives				
Variable rate	815	7,545	8,360	8,360
Total non-derivatives	815	7,545	8,360	8,360

36. Financial Risk Management - continued

d) Liquidity risk - continued

The Group's exposure to the effective interest rates on each class of financial instrument is set out below:

CONSOLIDATED	**NOTE**	**WEIGHTED AVERAGE INTEREST RATE**	**FLOATING INTEREST RATE**	**FIXED INTEREST RATE**	**NON-INTEREST BEARING**	**TOTAL**
2009			**$'000**	**$'000**	**$'000**	**$'000**
Financial Assets						
Cash at bank	7	**0.89%**	**321**	**-**	**-**	**321**
Receivables	8	**-**	**-**	**-**	**4,876**	**4,876**
Other assets	10	**-**	**-**	**-**	**311**	**311**
			321	**-**	**5,187**	**5,508**
Financial Liabilities						
Trade and other creditors	16	**-**	**-**	**-**	**4,137**	**4,137**
Bank loan	17	**3.95%**	**11,250**	**-**	**-**	**11,250**
			11,250	**-**	**4,137**	**15,387**

CONSOLIDATED	NOTE	WEIGHTED AVERAGE INTEREST RATE	FLOATING INTEREST RATE	FIXED INTEREST RATE	NON-INTEREST BEARING	TOTAL
2008			$'000	$'000	$'000	$'000
Financial Assets						
Cash at bank	7	5.20%	552	815	-	1,367
Receivables	8	-	-	-	14,535	14,535
Other assets	10	-	-	-	1,412	1,412
			552	815	15,947	17,314
Financial Liabilities						
Trade and other creditors	16	-	-	-	9,083	9,083
Bank loan	17	6.56%	8,360	-	-	8,360
			8,360	-	9,083	17,443

PARENT ENTITY 2009	NOTE	WEIGHTED AVERAGE INTEREST RATE	FLOATING INTEREST RATE $'000	FIXED INTEREST RATE $'000	NON-INTEREST BEARING $'000	TOTAL $'000
Financial Assets						
Cash at bank	7	**1.20%**	**79**	**-**	**-**	**79**
Receivables	8	**-**	**-**	**-**	**4,876**	**4,876**
Other assets	10	**-**	**-**	**-**	**7,700**	**7,700**
			79	**-**	**12,576**	**12,655**
Financial Liabilities						
Trade and other creditors	16	**-**	**-**	**-**	**4,137**	**4,137**
Bank loan	17	**3.95%**	**11,250**	**-**	**-**	**11,250**
			11,250	**-**	**4,137**	**15,387**

PARENT ENTITY 2008	NOTE	WEIGHTED AVERAGE INTEREST RATE	FLOATING INTEREST RATE $'000	FIXED INTEREST RATE $'000	NON-INTEREST BEARING $'000	TOTAL $'000
Financial Assets						
Cash at bank	7	1.36%	386	-	-	386
Receivables	8	-	-	-	14,535	14,535
Other assets	10	-	-	-	11,131	11,131
			386	-	25,666	26,052
Financial Liabilities						
Trade and other creditors	16	-	-	-	8,796	8,796
Bank loan	17	6.56%	8,360	-	-	8,360
			8,360	-	8,796	17,156

e) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement and for disclosure purposes.

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. Stuart uses estimated discount cashflows to determine the fair value for financial instruments.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to their short-term nature. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

36. Financial Risk Management - continued

f) Capital risk management

The Group's and the parent entity's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistently with others in the industry, the Group and the parent entity monitor capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the balance sheet (including minority interest) plus net debt.

		CONSOLIDATED		PARENT ENTITY	
	NOTE	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Borrowings	17	**11,250**	8,360	**11,250**	8,360
Cash and cash equivalent assets	7	**(321)**	(1,367)	**(79)**	(386)
NET DEBT		**10,929**	6,993	**11,171**	7,974
Total equity		**29,645**	33,236	**28,743**	33,064
Net Debt		**10,929**	6,993	**11,171**	7,974
TOTAL CAPITAL		**40,574**	40,229	**39,914**	41,038
GEARING RATIO		**27%**	17%	**28%**	19%

37. 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 financial year and the date of this report, any matter or circumstance that has significantly affected or may significantly affect the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

On 22 July 2009, the Company announced that it had closed out part of its portfolio of foreign currency hedges realising $2.2 million. The sale has no impact on the financial results for the 2008/9 year.

On 27 July 2009, the Company announced it had entered into an option to farm into the Timor Sea exploration permit AC/P35. The permit is contiguous with AC/P33 which contains the Oliver- 1 an oil, condensate and gas discovery.

On 30 July 2009, the Company announced that it had acquired the 15% interest in Port Bonython Fuels that it did not own and that following the acquisition it held 100% of the equity interest in the Company and the fuels project. 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. This transaction will see minority interests eliminated and a gain on the acquisition recognised as a component of equity. The previous 16 September 2008 acquisition to gain control of Port Bonython Fuels Pty Ltd will continue to be accounted for under the existing AASB 3 *Business Combinations*. Under this standard any contingent consideration continues to be adjusted against goodwill until it is settled. Subsequent to this transaction the deferred purchase consideration is no longer payable. As a result it is expected that $2.86 million of the obligation of as at 30 June 2009 will be adjusted against goodwill in the next financial year.

On 17 August 2009, the Company announced that as a result of evaluation work undertaken, the audited mean recoverable oil and condensate resource at Oliver had increased from 19.3 million barrels to 32.6 million barrels.

On 26 August 2009, the Company executed a new facility agreement with the Commonwealth Bank of Australia, details of which are provided in Note 17 of the Financial Statements.

Directors' Declaration

In the Directors' opinion:

(a) the financial statements and notes set out on pages 38 to 84 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 Company's financial position as at 30 June 2009 and of its performance, as represented by the results of its operations, changes in equity and its cash flows, for the financial year ended on that date; and

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

The Directors have been given the declarations by the Managing Director and Chief Financial Officer required by section 295A of the *Corporations Act 2001*.

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

John Branson.

JG BRANSON
CHAIRMAN

Adelaide
27 August 2009

PRICEWATERHOUSECOOPERS

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

Report on the financial report

We have audited the accompanying financial report of Stuart Petroleum Limited (the company), which comprises the balance sheet as at 30 June 2009, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for both Stuart Petroleum Limited and the Stuart Petroleum Limited Group (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation and fair presentation of the 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 controls relevant to the preparation and fair presentation of the 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. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.
Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

PRICEWATERHOUSECOOPERS

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Independence

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

Auditor's opinion
In our opinion:

(a) the financial report of Stuart Petroleum Limited is in accordance with the *Corporations Act 2001*, including:
   (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2009 and of their performance for the year ended on that date; and
   (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*, and

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 8 to 18 of the directors' report for the year ended 30 June 2009. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion

In our opinion, the Remuneration Report of Stuart Petroleum Limited for the period ended 30 June 2009, complies with section 300A of the *Corporations Act 2001*.

PricewaterhouseCoopers

PricewaterhouseCoopers

AG Forman
Partner

Adelaide
27 August 2009

Shareholder Information

1. Distribution at 22 September 2009

	NUMBER OF HOLDERS		
SPREAD OF SHARES	**FULLY PAID SHARES**	**OPTIONS**	**RIGHTS**
0 - 1,000	426		
1,001 - 5,000	1,151		
5,001 - 10,000	575		1
10,001 - 100,000	688	5	9
100,001 AND OVER	57	9	7
TOTAL	2,897	14	17

Shareholders holding less than a marketable parcel of 781 shares ($0.64) – 180.

2. Voting Rights

All ordinary fully paid shares in the Company are entitled to one vote each. Options do not have any voting rights.

3. Substantial Shareholder

D. B. Clarke 14,585,110 shares (23.12%)

4. Taxation

The Company is taxed as a public company.

5. Statement of Quoted Securities

All of the Company's issued ordinary fully paid shares are listed on the Australian Stock Exchange Limited. None of the options issued by the Company are quoted.

6. Twenty Largest Shareholders (22 September 2009)

SHAREHOLDER	FULLY PAID SHARES	%
Perpetual Custodians Limited	10,165,110	16.11
David Brian Clarke	4,170,000	6.61
Ascot Media Investments Pty Ltd	2,848,852	4.52
JP Morgan Nominees Australia Ltd	1,422,252	2.25
Miller Anderson Pty Ltd <Longhorn Ridge Super A/c>	1,050,000	1.66
KAJ Nominees Pty Ltd	1,000,000	1.59
HSBC Custody Nominees (Australia) Limited	851,638	1.35
L J Thomson Pty Ltd	800,000	1.27
Vanez Holdings Pty Ltd	778,877	1.23
G D Hartnett	700,000	1.11
Ssoma Pty Ltd	700,000	1.11
Portfolio Custodian Limited	690,564	1.09
Reynolds (Nominees) Pty Ltd	626,000	0.99
M F Custodians Ltd	560,000	0.89
McNeil Nominees Pty Ltd	500,000	0.79
Uley Nominees Pty Ltd	500,000	0.79
Valley Forge Limited	382,371	0.61
R E & R J Keevers <Keevers Superannuation Fund>	307,990	0.49
Effie Holdings Properties Pty Ltd	300,000	0.48
Indigo Oil Pty Ltd	300,000	0.48
TOTAL	**28,653,654**	**45.42**

Note: The Managing Director, Mr. G. Guglielmo, controls 1,050,000 shares and 1,000,000 un-listed options in the Company as at 22 September 2009.

Corporate Calendar 2009/10

Key calendar dates for Stuart shareholders. Please note, dates are subject to review.

2009

October	**31**	First Quarter 2009/10 Report
November	**14**	Proxy returns close at 10.00am (ACST)
	16	Annual General Meeting – Commencing 10.00 am (ACST)
December	**31**	2009/10 Half-Year End

2010

January	**31**	Second Quarter 2009/10 Report
February	**28**	2009/10 Half Year Result
April	**30**	Third Quarter 2009/10 Report
June	**30**	2009/10 Year End
July	**31**	Fourth Quarter 2009/10 Report
August	**31**	2009/10 Year End Result and Dividend Announcement

Glossary

AIFRS	Australian equivalents to International Financial Reporting Standards
AC/P	Timor Sea – Territory of Ashmore & Cartier Islands Exploration Permit
BARREL OF OIL	42 US gallons or approximately 159 litres
BOPD	Barrels of oil per day
BBL	Barrel
BBSY	Bank bill swap bid rate
EBITDAX	Earnings before Interest, Tax, Depreciation and Amortisation and Exploration Expense
EPS	Earnings per Share
KBLS	1,000 barrels
MMBLS	1 million barrels
NPAT	Net Profit after Tax
PEL	South Australian Petroleum Exploration Licence
PPL	South Australian Petroleum Production Licence
PIRSA	South Australian Department of Primary Industries and Resources
1P	Proven
2P	Proven and Probable
QHSE	Quality, Health, Safety and Environment
RHS	Right Hand Scale
TRCFR	Total Recordable Case Frequency Rate
3D	Three Dimensional – as in seismic.
VIC P	Victorian Exploration Permit

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Selected Cooper Basin Photography: Andrew Weller, Sam Noonan

Stuart Petroleum Limited
ANNUAL REPORT 2009

CORPORATE VISION

To become an integrated energy company, creating value from growth opportunities to increase shareholder returns.

STRATEGY

- Explore, develop and produce oil within existing assets in the Timor Sea, Gippsland Basin and Cooper/Eromanga Basin.
- Develop product processing and refining capabilities.
- Acquire additional exploration, development and producing assets in onshore and offshore areas of Australia and internationally.

GUIDING PRINCIPLES/VALUES

- Provide industry leadership across the full range of Company activities.
- Continue to apply state of art/best practice technical resources to operations.
- Maintain the Company's standing for integrity and honesty in its extensive relationships.
- Ensure the purpose for all activities is clearly defined and communicated.
- Recruit and train staff to ensure expertise and talent is fully utilised for the benefit of the individual and Company.
- Empower and motivate the workforce.
- Apply the principles of teamwork to the working environment.
- Measure and account for activities and reward achievements.
- Continue the development of efficient work processes.
- Remain small in size but agile in performance.
- Apply technical, professional and business excellence to decision making.

Left:
Worrier oilfield
jet pumping unit -
Cooper Basin SA

Corporate **Directory**

Directors

Chairman:
John G Branson LLB, FAICD
Managing Director:
Giustino (Tino) Guglielmo B Eng (Mech), MAICD, MSPE
Non-executive Director:
David B Clarke B Sc

Company Secretary

John F McRae CPA

Registered Office and Head Office

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Phone: (08) 8410 0611
Fax: (08) 8410 0250
Email: info@stuartpetroleum.com.au

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Adelaide SA 5000

Website

www.stuartpetroleum.com.au

Share Registry

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Postal address:
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Adelaide SA 5001
Enquiries within Australia:
Ph: 1300 556 161
Enquiries outside Australia:
Ph: 61 3 9415 4000
Email: web.queries@computershare.com.au

Home Stock Exchange

Australian Securities Exchange Limited
Level 25, 91 King William Street
Adelaide SA 5000
ASX Code: STU

Auditor

PricewaterhouseCoopers
Level 14, 91 King William Street
Adelaide SA 5000

Solicitor

Johnson Winter & Slattery
Level 10, 211 Victoria Square
Adelaide SA 5000

Banker

Commonwealth Bank of Australia
100 King William Street
Adelaide SA 5000

STUART PETROLEUM LIMITED

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