ASX/Media Release

Santos

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Santos' 2005 profit doubles

Financial highlights

- **Record $762 million net profit – more than double the previous year**
- **Underlying net profit up 107% to $639 million**
- **Sales revenue up 64% to $2.5 billion**
- **Production up 19% to 56 mmboe**
- **Operating cash flow up 141% to $1.5 billion**
- **Annual dividend increased by 15% to 38 cents per share**

Santos doubled net profit to a record $762 million in 2005 - up 115% from $355 million in 2004 and eclipsing the company's previous highest annual profit of $487 million achieved in 2000.

The 2005 profit milestone was driven by a 64% increase in sales revenue to a record $2,463 million, up from $1,501 million in 2004.

Annual production rose 19% to 56 million barrels of oil equivalent (mmboe), which was ahead of Santos' revised 2005 target of 55 mmboe.

The average realised gas price of $3.62 per gigajoule and oil price of $73.83 (US$54.76) per barrel were 10% and 42% higher than 2004 respectively.

Operating cash flow was up 141% to an all time high of $1,458 million.

In a separate release issued today, Santos also highlighted its growing reserves position. During 2005, the proven (1P) reserves replacement ratio from all sources was 218%, and the three year average increased to 165%.

After allowing for production, proven plus probable (2P) reserves rose by 131 mmboe to 774 mmboe, up from 643 mmboe a year earlier.

Dividend higher

Santos' final dividend has been increased to 20 cents per share fully franked, up from a final dividend of 18 cents previously. For the full year, the dividend has increased to 38 cents per share, 15% higher than the 2004 full year dividend of 33 cents.

The final dividend will be paid on 31 March 2006 to registered shareholders as at 6 March 2006.

Santos' Chairman, Mr Stephen Gerlach, said the dividend increase reflected the record annual result and a continuing positive outlook.

"Santos' record 2005 operating profit and cash flow underpin our ongoing investment and growth program, which is aimed at building a stronger business for the future. At the same time, the Board has confidence to again increase the annual dividend," Mr Gerlach said.

Production growth

Commenting on the 2005 results, Santos' Managing Director, Mr John Ellice-Flint, said the 19% increase in production reflected the ongoing contribution from Santos' long life, legacy assets such as the Cooper Basin oil and gas fields, together with the start-up of a number of new growth projects.

"The successful start-up of production from the Mutineer-Exeter oil development, ahead of schedule and below budget, was a significant achievement for Santos giving the company its first offshore operated project," he said.

"Also during the year, the John Brookes gas field commenced production and four other offshore development projects were progressed. Already two of these projects - Darwin LNG and Casino - are on stream, and the Oyong and Maleo projects are both expected to start up this year.

"This demonstrates that our growth strategies are working. Only eight years ago the percentage of revenue from outside our traditional Cooper Basin business was 23%. In the past year, 60% of our record $2.5 billion revenue has been generated by non-Cooper Basin operations."

Exploration success

Mr Ellice-Flint said Santos' active 2005 exploration program delivered rewarding results.

"In 2005 we drilled 22 wildcat exploration wells and recorded seven discoveries. This is a conversion rate of 32%, which is ahead of the industry average of between 10% and 15%, and builds on our 2004 result of 44%," he said.

"These discoveries include Henry in offshore Victoria which will be developed in the near term, plus Caldita in the Timor/Bonaparte Basin and Hiu Aman in Indonesia, both of which will be further appraised this year.

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"The high level of exploration activity is continuing in 2006 with Santos planning to drill 25 wildcat exploration wells at a cost of approximately $225 million."

Tipperary acquisition

A further highlight in 2005 was the acquisition of Tipperary Corporation for over $600 million, which delivered an approximate 72% revenue interest in the Fairview coal seam gas (CSG) field north of Roma in Queensland.

The Fairview field is a high quality CSG resource, and is well located in relation to Santos' existing infrastructure and the eastern Australian gas markets.

Since completing the acquisition in October 2005, the field performance has been further improved, driven by a combination of higher productivity and lower costs.

2006 outlook

Mr Ellice-Flint said the outlook continued to be positive for Santos in 2006 and beyond with further increases in total production forecast in an environment of continuing high oil prices.

"Production in 2006 is expected to grow to between 60 to 61 mmboe, and in 2007 is expected to further increase to between 62 and 63 mmboe," he said.

"Our strategy continues to focus on extending and enhancing existing core areas, building emerging areas and creating opportunities in potential new areas.

"During 2006 Santos intends to drill over 310 wells, including an exciting oil exploitation program in the Cooper Basin and a continued expansion of coal seam gas production at Fairview.

"Santos' longer term growth will be driven by opportunities such as LNG in the Timor/ Bonaparte Basin and in Indonesia with oil in East Java and LNG in the Kutei Basin. 2006 is shaping up as a watershed year for progressing projects in these areas."

Ends

Santos stock symbols: STO (Australian Stock Exchange), STOSY (NASDAQ ADR), Ref #82-34 (Securities Exchange Commission)