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Santos broadens international presence – 2005 Annual Report

Santos Limited is positioning itself to play an increasing role as a significant supplier to international energy markets, Managing Director, Mr John Ellice-Flint, says in the Company's 2005 Annual Report lodged with the ASX today.

"We have entered 2006 with a major step into the international energy marketplace by dispatching the first cargo of liquefied natural gas (LNG) from the Bayu-Undan (Santos 10.6% interest) processing facility in Darwin," Mr Ellice-Flint says in his Managing Director's review.

"Our confidence in Santos becoming a significant LNG exporter is underpinned by growing demand in major markets in South East Asia and the United States," he says.

"Buyers are also keen to ensure their energy supplies by diversifying their sources."

Looking at possible future LNG supplies, Mr Ellice-Flint cites the 2005 Caldita gas discovery (Santos 40%) in the Timor/Bonaparte region, offshore Northern Territory and about 200 kilometres from existing infrastructure for the producing Bayu-Undan gas and liquids project.

"It (Caldita) could potentially feed a second processing train at the LNG plant in Darwin," he says.

"Santos' most successful year"

Mr Ellice-Flint says 2005 was the most successful year in Santos' history, with record sales and profits, higher returns to shareholders, and excellent exploration and development results.

"We have continued to realise more of the goals laid down five years ago in our renewal plan. Our pursuit of a balanced portfolio of assets and activities has achieved positive results both here and abroad," he says.

"A defining feature of the year under review was historically high prices for crude oil. There are a number of market indicators that suggest oil prices could remain robust into the medium term.

“Supply from some traditional sources in the Middle East is slowing through dwindling reserves or production interruptions in places like Iraq and a number of other traditional suppliers.

“While the supply side is constrained, growth in demand for crude oil continues unabated, with China among the major drivers of increased petroleum consumption.

“Such a market outlook for natural gas and crude oil augurs well for Santos.

“We face the future with enthusiasm, confident in the knowledge that our exploration and development strategies are delivering sustainable growth for the Company, its shareholders and employees.”

“Period of considerable change” - Chairman

In his Chairman’s review, Mr Stephen Gerlach says the Company’s record-breaking 2005 financial performance was achieved during a period of further considerable change within Santos – “notably our broadening production base and the successful commissioning of new areas of operation.”

“That change will accelerate as Santos’ business continues to develop and it has been pleasing to see the production growth and very positive reserve replacement achieved during 2005,” Mr Gerlach says.

“The Board and the entire Santos team remain committed to building value for our shareholders.

“The performance of the past year has us well placed to deliver in 2006 and beyond.”

Record production in sight

Mr Ellice-Flint says in the Annual Report that, during 2006 Santos expects to eclipse its previous highest annual production of 57.3 million barrels of oil equivalent (mmboe), achieved in 2002.

“We came close to that peak in the past year as new developments boosted production to 56 mmboe. Mutineer-Exeter (6.5 mmboe), John Brookes (1.1 mmboe), Minerva (0.7 mmboe) made maiden contributions while Santos’ share of Bayu-Undan output lifted from 1.7 to 2.8 mmboe,” he says.

“We expect total annual production of oil and gas to top 60 mmboe.

“With further developments pending both here and overseas, I am confident we will go on to set further records.”

Aggressive 2006 exploration program

Mr Ellice-Flint says Santos' successful 2005 exploration program would be followed up in 2006 by one of the most aggressive programs in the Company's history.

"Santos' 2006 exploration program will see us drill a total of 310 wells – almost six wells a week – of which 25 will be wildcat exploration wells focusing on the Cooper Basin, Timor/Bonaparte region, Indonesia, Egypt and the United States," he says.

"The overall goal for our exploration program is to continue to produce the successes that have generated strong petroleum reserve replacement ratios and underpinned our new development activities."

2005 results

Santos' results for the year ended 31 December 2005 included:

- Record \$762 million net profit – more than double the previous year
- Sales revenue up 64% to record \$2.5 billion
- Annual production up 19% to 56.0 mmboe
- Operating cash flow up 142% to \$1.5 billion
- 15% increase in annual dividend to 38 cents per share

The Santos 2005 Annual Report was lodged today with the Australian Stock Exchange. The full report is available on the Santos website at www.santos.com.

Ends

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