HALF-YEAR REPORT INCORPORATING APPENDIX 4D

Santos Limited and its controlled entities
For the period ended 30 June 2013, under Listing Rule 4.2.

Santos
We have the energy.

Results for announcement to the market

Appendix 4D for the period ended 30 June 2013

$million				
Revenue from ordinary activities	Up	1%	to	1,531
Profit from ordinary activities after tax attributable to members	Up	3%	to	271
Net profit for the period attributable to members	Up	3%	to	271

Interim Dividends	Amount per security	Franked amount per security at 30% tax
Ordinary securities	15.0¢	15.0¢
Record date for determining entitlements to the dividend		28 August 2013
Comparison period ended is 30 June 2012		

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Half-year Report 30 June 2013

About Santos

An Australian energy pioneer since 1954, Santos (ASX:STO) is one of the country's leading gas producers, supplying Australian and Asian customers.

Santos has been providing Australia with natural gas for more than 40 years. The company today is one of the largest producers of natural gas to the Australian domestic market, supplying 15% of the nation's gas needs.

Santos has also developed major oil and liquids businesses in Australia and operates in all mainland Australian states and the Northern Territory.
From this base, Santos is pursuing a transformational liquefied natural gas (LNG) strategy with interests in four LNG projects.

These include the PNG LNG project in Papua New Guinea and the GLNG project in Queensland which are under construction and due to start up in 2014 and 2015 respectively. Also in Santos' LNG portfolio is Darwin LNG, which began production in 2006, and Bonaparte LNG, which is in the conceptual design phase.

Santos has production in four Asian countries and is further developing its Asian business through development projects and exploration investment.

A member of the S&P/ASX 20 Index, Santos has more than 3,300 employees working across its operations in Australia and Asia.

Directors' Report

The Directors present their report together with the consolidated financial report of the consolidated entity, being Santos Limited ("Company" or "Santos") and its controlled entities (collectively, the "Group"), for the half-year ended 30 June 2013 and the auditor's review report thereon.

1. Strategy

Santos' vision is to be a leading oil and gas exploration and production company in Australia and Asia. We have a simple and robust strategy to achieve this: drive performance in the base business, deliver a suite of LNG projects and pursue focussed growth opportunities in Asia.

2. Review and Results of Operations

A review of the operations and of the results of those operations of the consolidated entity during the half-year is as follows:

Summary of results

	2013	2012[2]	Variance
	mmboe	mmboe	%
Production volume	24.5	25.4	(4)
Sales volume	27.4	29.0	(6)
	$million	$million	
Product sales	1,510	1,496	1
EBITDAX[1]	844	877	(4)
Exploration and evaluation expensed	(44)	(86)	(49)
Depreciation and depletion	(366)	(372)	(2)
Net impairment reversal/(loss)	25	(23)	
EBIT[1]	459	396	16
Net finance income	4	46	(91)
Taxation expense	(192)	(180)	7
Net profit for the period	271	262	3
Underlying profit for the period[1]	251	283	(11)

1 *EBITDAX (earnings before interest, tax, depreciation, depletion, exploration and evaluation and impairment), EBIT (earnings before interest and tax) and underlying profit are non-IFRS measures that are presented to provide an understanding of the underlying performance of Santos' operations. Underlying profit excludes the impacts of asset acquisitions, disposals and impairments, as well as items that are subject to significant variability from one period to the next, including the effects of fair value adjustments and fluctuations in exchange rates. Please refer to page 5 for the reconciliation from net profit to underlying profit for the period. The non-IFRS financial information is unaudited however the numbers have been extracted from the financial statements which have been subject to review by the Company's auditor.*

2 *Certain amounts shown here do not correspond to the half-year consolidated financial statements at 30 June 2012 and reflect adjustments required from the implementation of new Accounting Standards, applicable to the Group from 1 January 2013.*

Production and sales

Santos' 2013 half-year production of 24.5 million barrels of oil equivalent (mmboe) was 4% lower than the corresponding period in 2012. The Fletcher Finucane oil project offshore Western Australia commenced production during the half, ahead of schedule and on budget, while higher oil production in Vietnam was offset by expected natural field decline in assets in Australia and Indonesia.

Sales volumes were 6% lower at 27.4 mmboe, reflecting lower production combined with lower overall third party product sales.

Sales revenue grew by 1% to a record $1,510 million, due to higher natural gas prices offset by lower A$ oil prices and lower volumes of third party product sales. The average gas price of A$5.52 per gigajoule was 11% higher while the average realised oil price was A$112.23 per barrel, 5% lower than the first half of 2012.

Eastern Australia

Eastern Australia Business Unit EBITDAX was $256 million, 18% lower than the first half of 2012, mainly due to lower gas sales and lower liquids prices and sales, partially offset by higher third-party crude oil sales.

Santos' share of Cooper Basin gas production of 28.1 petajoules (PJ) in the first half was 13% lower than the corresponding period, with improvements in field and plant downtime offset by natural field decline. Santos' share of condensate production was 0.5 million barrels (mmbbl), in line with 2012. Santos' share of gas production from the Surat/Bowen/Denison areas in Queensland and the Otway Basin offshore Victoria was 14.6 PJ, in line with 2012.

Santos' share of Cooper Basin oil production of 1.4 mmbbl was 7% lower than the corresponding period due to planned maintenance activities and natural field decline.

WA & NT

Western Australia and Northern Territory Business Unit EBITDAX was $393 million, 4% higher than the first half of 2012 due to higher LNG sales and crude oil liftings.

Santos' Western Australia gas and condensate production of 32.0 PJ and 315,800 barrels respectively, was in line with the first half of 2012.

Santos' share of WA oil production of 1.4 mmbbl was in line with the first half of 2012, with new production from the Fletcher Finucane project offset by expected natural field decline in mature assets and a scheduled maintenance shutdown of Mutineer Exeter. Fletcher Finucane commenced production on 20 May 2013 and is expected to provide a significant boost to Santos' WA crude oil production in the second half of 2013.

Santos' share of gas production from the Darwin LNG plant of 8.4 PJ was 38% higher than the first half of 2012 due to a scheduled maintenance shutdown of the asset in the corresponding period. Darwin LNG has performed strongly since the shutdown.

Santos' offshore exploration activities in Western Australia in 2013 have yielded gas discoveries at Bassett West in the Browse Basin, and Bianchi and Winchester in the Carnarvon Basin. These results follow success with the Crown well in the Browse Basin in late 2012. Follow-up work is underway on these discoveries to determine next steps in the exploration and appraisal program.

Asia Pacific

Asia Pacific Business Unit EBITDAX was $170 million, 2% lower than the first half of 2012, due to lower average realised crude prices from Chim Sáo and Oyong, and higher production costs and royalties for Chim Sáo, partially offset by higher sales volumes from Chim Sáo.

Santos' net entitlement to Chim Sáo oil production in Vietnam was up 10% to 1.4 mmbbl for the half-year. Building from the success in Vietnam, the Dua oil project was sanctioned in 2012 and involves a three-well subsea tie-back to Chim Sáo, and is expected to produce at a gross rate of 10,000 bopd. First oil is expected in the first half of 2014.

Santos' net entitlement gas production in Indonesia of 13.9 PJ was 6% lower than 2012, primarily due to lower customer demand. Development of the Peluang project was sanctioned in February 2013 and involves a tie-back to Maleo with first production expected in the first half of 2014.

In Papua New Guinea, the PNG LNG project (Santos 13.5% interest) is 90% complete and on track for first LNG in 2014. Operated by ExxonMobil, the project involves gas production and processing facilities in the Southern Highlands and Western Provinces of Papua New Guinea with capacity of 6.9 million tonnes of LNG per year.

GLNG

Sanctioned in January 2011, the GLNG project (Santos 30% interest) is over 60% complete and on track for first LNG in 2015. The project involves developing coal seam natural gas fields in the Bowen and Surat Basins in south-western Queensland, a 420 kilometre underground gas transmission pipeline and a two-train LNG plant on Curtis Island at Gladstone.

The project has an estimated gross capital cost of US$18.5 billion for the period from final investment decision until the end of 2015. This is based on foreign exchange rates which are consistent with the assumptions used at FID (A$/US$0.87 average over 2011-15).

GLNG Business Unit results include domestic gas production and sales from the GLNG coal seam natural gas fields in south-western Queensland. GLNG Business Unit EBITDAX was $7 million, 42% lower than the first half of 2012 due to lower product sales, partially offset by lower cost of sales.

Santos' share of GLNG gas production was 4.9 PJ, in line with the first half of 2012.

Net Profit

The 2013 first half net profit of $271 million is $9 million higher than in 2012. The increase is primarily due to higher sales revenue, driven by higher crude volumes and gas prices in the current period combined with impairment reversals and lower exploration and evaluation expenses, partially offset by higher cost of sales and lower finance income.

Net profit includes items after tax of $20 million (before tax of $42 million), referred to in the reconciliation of net profit to underlying profit below.

Reconciliation of Net Profit to Underlying Profit[1]

	2013 $million			2012 $million		
	Gross	**Tax**	**Net**	Gross	Tax	Net
Net profit after tax attributable to equity holders of Santos Limited			**271**			262
Add/(deduct) the following:						
Net gains on sales of non-current assets	(9)	3	**(6)**	(9)	3	(6)
Impairment (reversals)/losses	(25)	17	**(8)**	23	(1)	22
Foreign currency losses/(gains)	8	(2)	**6**	(3)	1	(2)
Fair value adjustments on embedded derivatives and hedges	(8)	2	**(6)**	1	–	1
Remediation (reversal)/costs for incidents, net of related insurance recoveries	(8)	2	**(6)**	8	(3)	5
Capital losses, investment allowance and other tax adjustments	–	–	–	–	1	1
	(42)	22	**(20)**	20	1	21
Underlying Profit[1]			**251**			283

1 *Underlying profit is a non-IFRS measure that is presented to provide an understanding of the underlying performance of Santos' operations. The measure excludes the impacts of asset acquisitions, disposals and impairments, as well as items that are subject to significant variability from one period to the next, including the effects of fair value adjustments and fluctuations in exchange rates. The non-IFRS financial information is unaudited however the gross numbers presented above have been extracted from the financial statements which have been subject to review by the Company's auditor.*

Equity Attributable to Equity Holders of Santos Limited / Dividends

Equity attributable to equity holders of Santos Limited at 30 June 2013 was $9,903 million.

On 16 August 2013, the Directors resolved that a fully franked interim dividend of 15 cents per fully paid ordinary share be paid on 30 September 2013 to shareholders registered in the books of the Company at the close of business on 28 August 2013.

The 2013 fully franked interim dividend of 15 cents per fully paid ordinary share is consistent with the 2012 interim dividend. It is the Board's intent to review capital management options as we approach PNG LNG production in 2014.

The Dividend Reinvestment Plan ("DRP") will be operational for the 2013 interim dividend. DRP shares will be issued at the arithmetic average of the daily volume weighted average market price (ASX – traded volumes only) over a period of seven business days commencing on the second business day after the dividend record date, less a 2.5% discount. The DRP will not be underwritten.

Cash Flow

The net cash inflow from operating activities of $629 million was 13% lower than the first half of 2012. This decrease is principally attributable to higher income tax payments, lower receipts from customers and interest received and the payment of carbon costs for the first time, partially offset by decreased payments to suppliers and employees. Net cash used in investing activities of $1,893 million was $510 million higher than the first half of 2012 primarily due to increased payments for non-current assets, partially offset by a decrease in proceeds from the disposal of non-current assets, net of income taxes paid. Cash flows from financing activities of $741 million were $490 million higher than the first half of 2012, mainly due to increased drawdown of borrowings and a decrease in proceeds from the issue of ordinary shares.

Outlook

Santos maintains production guidance in the range of 52 to 55 mmboe for 2013.

Post Balance Date Events

On 16 August 2013 the Directors of Santos Limited declared an interim dividend on ordinary shares in respect of the 2013 half-year period as outlined above. The financial effect of these dividends has not been brought to account in the half-year financial report for the six months ended 30 June 2013.

3. Directors

The names of Directors of the Company in office during or since the end of the half-year are:

Surname	Other Names
Borda	Kenneth Charles (Chairman)
Coates	Peter Roland
Dean	Kenneth Alfred
Franklin	Roy Alexander
Goh	Hock
Harding	Richard Michael
Hemstritch	Jane Sharman
Knox	David John Wissler (Managing Director)
Martin	Gregory John Walton

Each of the above named Directors held office during and since the end of the half-year. There were no other persons who acted as Directors at any time during the half-year and up to the date of this report.

4. Rounding

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

5. Auditor's Independence Declaration

A copy of the auditor's independence declaration as required by section 307C of the *Corporations Act 2001* is set out on page 8 and forms part of this report.

This report is made out on 16 August 2013 in accordance with a resolution of the Directors.

Director

Director

16 August 2013

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Auditor's Independence Declaration to the Directors of Santos Limited

In relation to our review of the financial report of Santos Limited for the half-year ended 30 June 2013, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

T S Hammond
Partner
Adelaide
16 August 2013

Consolidated Income Statement
for the six months ended 30 June 2013

	Note	**30 June 2013 $million**	30 June 2012 Restated* $million
Product sales	4	1,510	1,496
Cost of sales	5	(1,023)	(981)
Gross profit		487	515
Other revenue	4	21	25
Other income	4	12	10
Other expenses	5	(68)	(162)
Finance income	6	31	81
Finance expenses	6	(27)	(35)
Share of profit of joint ventures		7	8
Profit before tax		463	442
Income tax expense		(156)	(136)
Royalty-related taxation expense		(36)	(44)
Total taxation expense		(192)	(180)
Net profit for the period		271	262
Net profit attributable to:			
Owners of Santos Limited		271	262
Non-controlling interests		–	–
		271	262
Earnings per share attributable to the owners of Santos Limited (¢)			
Basic earnings per share		28.1	27.6
Diluted earnings per share		28.0	27.5
Dividends per ordinary share ($)			
Paid during the period	12	0.15	0.15
Declared in respect of the period	12	0.15	0.15

* *Certain amounts shown here do not correspond to the half-year consolidated financial statements at 30 June 2012 and reflect adjustments required from the implementation of new Accounting Standards, applicable to the Group from 1 January 2013, as detailed in note 2.*

 The consolidated income statement is to be read in conjunction with the notes to the half-year financial statements.

Consolidated Statement of Comprehensive Income
for the six months ended 30 June 2013

	30 June 2013 $million	30 June 2012 $million
Net profit for the period	271	262
Other comprehensive income, net of tax:		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Exchange gain on translation of foreign operations	547	57
Tax effect	4	–
	551	57
Loss on foreign currency loans designated as hedges of net investments in foreign operations	(307)	(29)
Tax effect	95	9
	(212)	(20)
(Loss)/gain on derivatives designated as cash flow hedges	(6)	25
Tax effect	1	(8)
	(5)	17
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	334	54
Items not to be reclassified to profit or loss in subsequent periods:		
Actuarial gain/(loss) on the defined benefit plan	12	(1)
Tax effect	(4)	–
	8	(1)
Net other comprehensive income not being reclassified to profit or loss in subsequent periods	8	(1)
Other comprehensive income, net of tax	342	53
Total comprehensive income, net of tax	613	315
Total comprehensive income attributable to:		
Owners of Santos Limited	613	315
Non-controlling interests	–	–
	613	315

Consolidated Statement of Financial Position
as at 30 June 2013

	Note	**30 June 2013 $million**	31 December 2012 Restated* $million
Current assets			
Cash and cash equivalents	7	1,631	2,147
Trade and other receivables		625	501
Prepayments		179	261
Inventories		387	317
Other financial assets		8	5
Tax receivable		42	6
Total current assets		2,872	3,237
Non-current assets			
Receivables		9	17
Prepayments		56	30
Investments in joint ventures		110	100
Other financial assets		188	255
Exploration and evaluation assets	8	1,737	1,510
Oil and gas assets	9	13,862	11,557
Other land, buildings, plant and equipment	10	258	259
Deferred tax assets		15	23
Total non-current assets		16,235	13,751
Total assets		19,107	16,988
Current liabilities			
Trade and other payables		1,111	951
Deferred income		39	48
Interest-bearing loans and borrowings		96	15
Current tax liabilities		3	88
Provisions		151	173
Other financial liabilities		4	4
Total current liabilities		1,404	1,279
Non-current liabilities			
Deferred income		39	45
Interest-bearing loans and borrowings		4,824	3,689
Deferred tax liabilities		1,157	939
Provisions		1,731	1,643
Other financial liabilities		52	39
Total non-current liabilities		7,803	6,355
Total liabilities		9,207	7,634
Net assets		9,900	9,354
Equity			
Issued capital	11	6,676	6,608
Reserves		(80)	(414)
Retained earnings		3,307	3,163
Equity attributable to owners of Santos Limited		9,903	9,357
Non-controlling interests		(3)	(3)
Total equity		9,900	9,354

* *Certain amounts shown here do not correspond to the annual consolidated financial statements as at 31 December 2012 and reflect adjustments required from the implementation of new Accounting Standards, applicable to the Group from 1 January 2013, as detailed in note 2.*

The consolidated statement of financial position is to be read in conjunction with the notes to the half-year financial statements.

Consolidated Statement of Cash Flows
for the six months ended 30 June 2013

	Note	**30 June 2013 $million**	30 June 2012 Restated* $million
Cash flows from operating activities			
Receipts from customers		1,551	1,597
Interest received		32	87
Overriding royalties received		6	4
Insurance proceeds received		1	1
Pipeline tariffs and other receipts		34	19
Dividends received		6	9
Income taxes refunded		24	131
Payments to suppliers and employees		(739)	(823)
Exploration and evaluation – seismic and studies		(43)	(66)
Royalty and excise paid		(40)	(37)
Borrowing costs paid		–	(29)
Carbon costs paid		(36)	–
Income taxes paid		(136)	(106)
Overriding royalty costs		(1)	(1)
Royalty-related taxation paid		(30)	(67)
Net cash provided by operating activities		629	719
Cash flows from investing activities			
Payments for:			
Exploration and evaluation assets		(187)	(69)
Oil and gas assets		(1,511)	(1,269)
Other land, buildings, plant and equipment		(28)	(25)
Acquisitions of oil and gas assets		(43)	(51)
Acquisitions of exploration and evaluation assets		(7)	–
Restoration		(17)	(22)
Proceeds from:			
Disposal of exploration and evaluation assets	4	–	53
Disposal of oil and gas assets	4	–	202
Disposal of controlled entities		–	2
Income taxes paid on disposal of non-current assets		(8)	(124)
Borrowing costs paid		(88)	(82)
Other investing activities		(4)	2
Net cash used in investing activities		(1,893)	(1,383)
Cash flows from financing activities			
Dividends paid		(78)	(78)
Drawdown of borrowings		832	269
Repayments of borrowings		(14)	(22)
Proceeds from issues of ordinary shares		1	82
Net cash provided by financing activities		741	251
Net decrease in cash and cash equivalents		(523)	(413)
Cash and cash equivalents at the beginning of the period		2,147	3,330
Effects of exchange rate changes on the balances of cash held in foreign currencies		7	(6)
Cash and cash equivalents at the end of the period	7	1,631	2,911

* *Certain amounts shown here do not correspond to the half-year consolidated financial statements at 30 June 2012 and reflect adjustments required from the implementation of new Accounting Standards, applicable to the Group from 1 January 2013, as detailed in note 2.*

 The consolidated statement of cash flows is to be read in conjunction with the notes to the half-year financial statements.

Consolidated Statement of Changes in Equity
for the six months ended 30 June 2013

	Equity attributable to owners of Santos Limited						
	Issued capital $million	Translation reserve $million	Hedging reserve $million	Retained earnings $million	Total equity $million	Non-controlling interests $million	Total equity $million
Balance at 1 January 2012 (restated)*	6,392	(339)	(14)	2,915	8,954	(2)	8,952
Net profit for the period	–	–	–	262	262	–	262
Other comprehensive income/(loss) for the period	–	37	17	(1)	53	–	53
Total comprehensive income for the period	–	37	17	261	315	–	315
Transactions with owners in their capacity as owners:							
Shares issued	147	–	–	–	147	–	147
Dividends to shareholders	–	–	–	(142)	(142)	–	(142)
Share-based payment transactions	–	–	–	7	7	–	7
Balance at 30 June 2012	6,539	(302)	3	3,041	9,281	(2)	9,279
Balance at 1 July 2012	6,539	(302)	3	3,041	9,281	(2)	9,279
Net profit for the period	–	–	–	257	257	(1)	256
Other comprehensive income/(loss) for the period	–	(106)	(9)	2	(113)	–	(113)
Total comprehensive income/(loss) for the period	–	(106)	(9)	259	144	(1)	143
Transactions with owners in their capacity as owners:							
Shares issued	69	–	–	–	69	–	69
Dividends to shareholders	–	–	–	(143)	(143)	–	(143)
Share-based payment transactions	–	–	–	6	6	–	6
Balance at 31 December 2012	6,608	(408)	(6)	3,163	9,357	(3)	9,354
Balance at 1 January 2013	6,608	(408)	(6)	3,163	9,357	(3)	9,354
Net profit for the period	–	–	–	271	271	–	271
Other comprehensive income/(loss) for the period	–	339	(5)	8	342	–	342
Total comprehensive income/(loss) for the period	–	339	(5)	279	613	–	613
Transactions with owners in their capacity as owners:							
Shares issued	68	–	–	–	68	–	68
Dividends to shareholders	–	–	–	(144)	(144)	–	(144)
Share-based payment transactions	–	–	–	9	9	–	9
Balance at 30 June 2013	6,676	(69)	(11)	3,307	9,903	(3)	9,900

* *Certain amounts shown here do not correspond to the annual consolidated financial statements as at 31 December 2011 and reflect adjustments required from the implementation of new Accounting Standards, applicable to the Group from 1 January 2013, as detailed in note 2.*

 The consolidated statement of changes in equity is to be read in conjunction with the notes to the half-year financial statements.

1. Corporate Information

Santos Limited ("the Company") is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange ("ASX"). The condensed consolidated financial report of the Company for the six months ended 30 June 2013 ("the half-year financial report") comprises the Company and its controlled entities ("the Group"). Santos Limited is the ultimate parent entity in the Group.

The half-year financial report was authorised for issue in accordance with a resolution of the Directors on 16 August 2013.

2. Basis of Preparation and Significant Accounting Policies

Basis of preparation

This general purpose half-year financial report has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

The half-year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the Group as the annual financial report.

It is recommended that the half-year financial report be read in conjunction with the annual financial report for the year ended 31 December 2012 and considered together with any public announcements made by the Company during the six months ended 30 June 2013, in accordance with the continuous disclosure obligations of the ASX listing rules.

Significant accounting policies

The accounting policies adopted in the preparation of the half-year financial report are consistent with those applied in the preparation of the Group's annual financial report for the year ended 31 December 2012, except for new standards and amendments effective from 1 January 2013.

The Group applies, for the first time, certain standards and amendments that require restatement of previous financial statements. These include AASB 10 *Consolidated Financial Statements*, AASB 11 *Joint Arrangements*, AASB 119 (Revised 2011) *Employee Benefits*, AASB 13 *Fair Value Measurement* and AASB 2011-9 *Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income*. As required by AASB 134, the nature and effect of those changes which have a significant impact on the half-year financial report are disclosed below. In addition, the application of AASB 12 *Disclosure of Interest in Other Entities* will result in additional disclosures in the annual consolidated financial statements.

AASB 11 Joint Arrangements and AASB 128 Investments in Associates and Joint Ventures

AASB 11 replaces AASB 131 *Interests in Joint Ventures* and removes the option to account for jointly-controlled entities using proportionate consolidation. Instead, jointly-controlled entities that meet the definition of a joint venture under AASB 11 must be accounted for using the equity method of accounting.

The application of this new standard impacted the financial position of the Group by replacing the proportionate consolidation of certain joint ventures with the equity method of accounting. AASB 11 is effective for annual periods beginning on or after 1 January 2013 and is applied retrospectively. The effect of AASB 11 is described in more detail in note 13, which includes quantification of the effect on the financial statements.

2. Basis of Preparation and Significant Accounting Policies

AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13

AASB 13 establishes a single source of guidance for fair value measurements and disclosures. The standard defines fair value, establishes a framework for measuring fair value and requires more extensive disclosures than the previous standards.

The disclosures required by AASB 13 are included in note 14.

AASB 2011-9 Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income

The amendments introduced by AASB 2011-9 require that items presented in other comprehensive income that could be reclassified to profit or loss at a future point in time be presented separately from items that will never be reclassified. The amendment affects presentation only and has no impact on the Group's financial position or performance for the half-year ended 30 June 2013.

Several other new standards and amendments apply for the first time in 2013. However, they do not impact the half-year financial report or the annual financial report of the Group.

Significant accounting judgements, estimates and assumptions

The significant accounting judgments, estimates and assumptions adopted in the half-year financial report are consistent with those applied in the preparation of the Group's annual financial report for the year ended 31 December 2012, except as noted below.

Royalty-related taxation

The annual financial report for the year ended 31 December 2012 included judgement in respect of the Group's assessment of the applicability of the decision of the Full Federal Court's decision in Esso Australia Resources Pty Ltd v Commissioner of Taxation ("Esso Case") to the projects subject to the Petroleum Resource Rent Tax ("PRRT") in which it holds an interest. The Australian Government issued an announcement on 14 December 2012 that stipulated that the result of the Esso Case was inconsistent with the policy intent of the PRRT regime and the way it has been administered and that it would introduce amendments to the legislation to remove the uncertainty on taxpayers' ability to deduct contract expenditures which are apportioned between projects.

Tax Laws Amendment (2013 Measures No 2) Bill 2013 commenced on 29 June 2013 and amends the Petroleum Resource Rent Tax Assessment Act (1987) to address the difficulties arising from the Esso Case. Consequently, the uncertainty surrounding the Group's assessment of the Esso Case has been resolved. Enactment of the legislation has had no impact on the amounts recorded in respect of the Group's royalty-related income tax expense, assets or liabilities in the half-year financial report.

3. Segment Information

The Group has identified its operating segments to be the four business units of Eastern Australia; Western Australia and Northern Territory ("WA & NT"); Asia Pacific; and Gladstone LNG ("GLNG"), based on the different geographical regions and the similarity of assets within those regions. This is the basis on which internal reports are provided to the Chief Executive Officer for assessing performance and determining the allocation of resources within the Group.

The Asia Pacific operating segment includes operations in Indonesia, Papua New Guinea, Vietnam, India and Bangladesh.

The Chief Executive Officer monitors the operating results of its business units separately for the purposes of making decisions about allocating resources and assessing performance. Segment performance is measured based on earnings before interest, tax, impairment, exploration and evaluation, and gains/losses on sale of non-current assets and controlled entities ("EBITX"). Corporate and exploration expenditure and inter-segment eliminations are included in the segment disclosure for reconciliation purposes.

The Group operates primarily in one business: the exploration for, development, production, transportation and marketing of, hydrocarbons. Revenue is derived primarily from the sale of gas and liquid hydrocarbons and the transportation of crude oil.

3. Segment Information (continued)	**Eastern Australia**		**WA & NT**		**Asia Pacific**		**GLNG**		**Corporate, exploration and eliminations**		**Total**	
	2013	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012
	$million	$million	**$million**	$million	**$million**	$million	**$million**	$million	**$million**	$million	**$million**	$million
Revenue												
Sales to external customers	705	745	541	503	241	225	23	23	–	–	1,510	1,496
Inter-segment sales	–	–	–	–	–	–	8	31	(8)	(31)	–	–
Other revenue from external customers	10	16	–	2	5	5	2	–	4	2	21	25
Total segment revenue	715	761	541	505	246	230	33	54	(4)	(29)	1,531	1,521
Results												
Earnings before interest, tax, exploration and evaluation, impairment and gains/(losses) on sale of non-current assets and controlled entities (“EBITX”)	82	127	275	265	117	118	(2)	3	(3)	(17)	469	496
Depreciation and depletion	174	185	109	104	53	57	9	9	21	17	366	372
Gains/(losses) on sale of non-current assets and controlled entities	–	–	9	9	–	(1)	–	–	–	1	9	9
Earnings before interest, tax, depreciation, depletion, exploration and evaluation and impairment (“EBITDAX”)	256	312	393	378	170	174	7	12	18	1	844	877
Depreciation and depletion	(174)	(185)	(109)	(104)	(53)	(57)	(9)	(9)	(21)	(17)	(366)	(372)
Exploration and evaluation expensed	–	–	–	–	–	–	–	–	(44)	(86)	(44)	(86)
Net impairment reversal/(loss)	13	–	–	(6)	12	(17)	–	–	–	–	25	(23)
Earnings before interest and tax (“EBIT”)	95	127	284	268	129	100	(2)	3	(47)	(102)	459	396
Net finance income									4	46	4	46
Profit before tax											463	442
Income tax expense									(156)	(136)	(156)	(136)
Royalty-related taxation expense	6	–	(42)	(44)	–	–	–	–	–	–	(36)	(44)
Net profit for the period											271	262

3. Segment Information (continued)	Eastern Australia 2013 $million	Eastern Australia 2012 $million	WA & NT 2013 $million	WA & NT 2012 $million	Asia Pacific 2013 $million	Asia Pacific 2012 $million	GLNG 2013 $million	GLNG 2012 $million	Corporate, exploration and eliminations 2013 $million	Corporate, exploration and eliminations 2012 $million	Total 2013 $million	Total 2012 $million
Amounts included in profit before tax that are unusual because of their nature, size or incidence:												
Gain on sale of exploration and evaluation assets	–	–	9	–	–	–	–	–	–	–	9	–
Gain on sale of oil and gas assets	–	–	–	9	–	–	–	–	–	–	–	9
Remediation reversal/(costs) for incidents, net of insurance recoveries	8	(8)	–	–	–	–	–	–	–	–	8	(8)

4. Revenue and Other Income	**30 June 2013 $million**	30 June 2012 $million
Product sales:		
Gas, ethane and liquefied gas	618	628
Crude oil	711	642
Condensate and naphtha	106	137
Liquefied petroleum gas	75	89
Total product sales*	1,510	1,496
Other revenue:		
Overriding royalties	3	4
Pipeline tariffs and processing tolls	7	10
Other	11	11
Total other revenue	21	25
Total revenue	1,531	1,521

* *Total product sales include third party product sales of $273 million (2012: $277 million).*

Other income:		
Insurance recoveries	1	1
Net gain on sale of exploration and evaluation assets	9	–
Net gain on sale of oil and gas assets	–	9
Net gain on sale of controlled entities	–	1
Net loss on sale of available-for-sale investment	–	(1)
Other	2	–
Total other income	12	10
Net gain on sale of non-current assets		
Proceeds on disposals	9	16
Book value of assets disposed	–	(11)
Book value of working capital disposed	–	4
Total net gain on sale of non-current assets	9	9
Comprising:		
Net gain on sale of exploration and evaluation assets	9	–
Net gain on sale of oil and gas assets	–	9
	9	9

4. Revenue and Other Income (continued)	**30 June 2013 $million**	30 June 2012 $million
Reconciliation to cash inflow from proceeds on disposal of non-current assets		
Proceeds after recoupment of current period exploration and evaluation expenditure	9	16
Amounts received in prior periods	(9)	–
Amounts to be received in the future	–	(16)
Amounts received from current period disposals	–	–
Amounts received from prior period disposals	–	255
Total proceeds on disposal of non-current assets	–	255
Comprising:		
Proceeds from disposal of exploration and evaluation assets	–	53
Proceeds from disposal of oil and gas assets	–	202
	–	255

5. Expenses

Cost of sales:		
Cash cost of production:		
Production costs:		
Production expenses	300	311
Production facilities operating leases	35	40
Total production costs	335	351
Other operating costs:		
Pipeline tariffs, processing tolls and other	57	50
Royalty and excise	35	34
Carbon costs	23	–
Total other operating costs	115	84
Total cash cost of production	450	435
Depreciation and depletion	364	369
Third party product purchases	263	237
Increase in product stock	(54)	(60)
Total cost of sales	1,023	981

5. Expenses (continued)	**30 June 2013 $million**	30 June 2012 $million
Other expenses:		
Selling	11	11
Corporate	36	41
Depreciation	2	3
Foreign exchange losses/(gains)*	8	(3)
Losses from change in fair value of derivative financial assets designated as at fair value through profit or loss	2	1
Fair value hedges, losses/(gains):		
On the hedging instrument	53	(28)
On the hedged item attributable to the hedged risk	(63)	28
Exploration and evaluation expensed	44	86
Net impairment (reversal)/ loss on oil and gas assets	(25)	23
Total other expenses	68	162

* *The foreign exchange losses for the six months ended 30 June 2013 include the following significant amounts in relation to foreign functional currency subsidiaries: $124 million loss (2012: $7 million) relating to the effects of foreign exchange on Australian dollar denominated tax bases and $124 million gain (2012: $7 million) on foreign functional currency intercompany loans.*

6. Net Finance Income		
Finance income:		
Interest income	31	81
Total finance income	31	81
Finance costs:		
Interest expense:		
Interest paid to third parties	(101)	(98)
Deduct borrowing costs capitalised	101	86
	–	(12)
Unwind of the effect of discounting on provisions	(27)	(23)
Total finance costs	(27)	(35)
Net finance income	4	46

7. Cash and Cash Equivalents	Six months ended 30 June 2013 $million	31 December 2012 $million	30 June 2012 $million
Cash at bank and in hand	496	261	261
Short-term deposits	1,135	1,886	2,650
	1,631	2,147	2,911

8. Exploration and Evaluation Assets			
Balance at the beginning of the period	1,510	1,441	1,386
Acquisitions of exploration and evaluation assets	8	67	1
Additions	262	117	93
Exploration and evaluation expensed	(11)	(22)	(19)
Disposals and recoupment	(1)	(1)	1
Net impairment losses	–	(1)	–
Transfer to oil and gas assets in development	(4)	(81)	–
Transfer to oil and gas assets in production	(35)	(9)	(21)
Exchange differences	8	(1)	–
Balance at the end of the period	1,737	1,510	1,441
Comprising:			
Acquisition costs	1,095	1,202	1,141
Successful exploration wells	487	272	251
Exploration and evaluation assets pending determination of success	155	36	49
	1,737	1,510	1,441

	Six months ended		
9. Oil and Gas Assets	**30 June 2013 $million**	31 December 2012 $million	30 June 2012 $million
Assets in development			
Balance at the beginning of the period	5,398	4,119	3,041
Acquisitions of oil and gas assets	30	–	22
Additions	1,330	1,330	1,022
Disposals	–	–	(11)
Transfer from exploration and evaluation assets	4	81	–
Transfer to oil and gas assets in production	(253)	–	–
Net impairment reversals	29	–	–
Exchange differences	708	(132)	45
Balance at the end of the period	7,246	5,398	4,119
Producing assets			
Balance at the beginning of the period	6,159	6,072	5,900
Acquisitions of oil and gas assets	–	28	2
Additions	375	566	507
Transfer from exploration and evaluation assets	35	9	21
Transfer from oil and gas assets in development	253	–	–
Disposals	–	(2)	–
Depreciation and depletion expense	(345)	(375)	(353)
Net impairment losses	(4)	(78)	(23)
Impairment of exploration and evaluation pending commercialisation	–	(4)	–
Exchange differences	143	(57)	18
Balance at the end of the period	6,616	6,159	6,072
Total oil and gas assets	13,862	11,557	10,191
Comprising:			
Exploration and evaluation expenditure pending commercialisation	65	26	55
Other capitalised expenditure	13,797	11,531	10,136
	13,862	11,557	10,191

10. Other Land, Buildings, Plant and Equipment			
Balance at the beginning of the period	259	229	231
Additions	20	43	19
Disposals	–	–	(3)
Depreciation	(21)	(12)	(19)
Exchange differences	–	(1)	1
Balance at the end of the period	258	259	229

11. Issued Capital	Six months ended 30 June 2013 Number of shares	31 December 2012 Number of shares	30 June 2012 Number of shares	30 June 2013 $million	31 December 2012 $million	30 June 2012 $million
Movement in fully paid ordinary shares						
Balance at the beginning of the period	961,184,172	954,934,006	944,469,750	6,608	6,539	6,392
Santos ESG Employee Incentive Plan	–	–	–	–	–	5
Santos Dividend Reinvestment Plan ("DRP")	5,265,483	5,584,932	4,689,506	67	62	64
DRP underwriting agreement	–	–	5,509,612	–	–	77
Santos Employee Share1000 Plan	13,528	135,608	6,400	–	2	–
Santos Employee ShareMatch Plan	56,319	445,290	46,566	1	5	1
Shares issued on vesting of Share Acquisition Rights	226,186	55,836	212,172	–	–	–
Santos Executive Share Plan	–	28,500	–	–	–	–
Balance at the end of the period	966,745,688	961,184,172	954,934,006	6,676	6,608	6,539

12. Dividends	Dividend per share $	Total $million	Franked/ unfranked	Payment date
Dividends paid during the period:				
2013				
2012 Final dividend per ordinary share	0.15	144	Franked	28 Mar 2013
2012				
2011 Final dividend per ordinary share	0.15	142	Franked	30 Mar 2012
Franked dividends paid during the period were franked at the tax rate of 30%.				
Dividends declared in respect of the current period:	0.15	145	Franked	30 Sep 2013

After the reporting date, the interim 2013 ordinary dividend of 15 cents per share was declared by the Directors. The financial effect of these dividends has not been brought to account in the half-year financial statements for the six months ended 30 June 2013 and will be recognised in subsequent financial reports.

13. Share of investments in joint ventures

Prior to transition to AASB 11, the Group's share of the assets, liabilities, revenue, income and expenses of its jointly controlled entities was proportionately consolidated in the consolidated financial statements. Upon adoption of AASB 11, the Group has determined its interests in certain of these jointly controlled entities to be joint ventures and is required to account for them using the equity method of accounting. The effect of applying AASB 11 from 1 January 2013 on previously reported balances is as follows:

	30 June 2012 As reported $million	AASB 11 Adjustment $million	30 June 2012 Restated $million
Income statement			
Product sales	1,493	3	1,496
Cost of sales	(968)	(13)	(981)
Gross profit	525	(10)	515
Other revenue	29	(4)	25
Other income	10	–	10
Other expenses	(165)	3	(162)
Finance income	81	–	81
Finance expenses	(35)	–	(35)
Share of profit of joint ventures	–	8	8
Profit before tax	445	(3)	442
Total taxation expense	(183)	3	(180)
Profit after tax	262	–	262

	31 Dec 2012 As reported $million	AASB 11 Adjustment $million	31 Dec 2012 Restated $million
Statement of financial position (extract)			
Cash and cash equivalents	2,151	(4)	2,147
Trade and other receivables	514	(13)	501
Prepayments	263	(2)	261
Inventories	321	(4)	317
Other financial assets (current)	3	2	5
Net investment in joint venture	–	100	100
Other financial assets (non-current)	254	1	255
Oil and gas assets	11,675	(118)	11,557
Other land, buildings, plant and equipment	268	(9)	259
Trade and other payables	(950)	(1)	(951)
Current tax liabilities	(121)	33	(88)
Deferred tax liabilities	(934)	(5)	(939)
Provisions (non-current)	(1,652)	9	(1,643)
Net impact on equity	9,365	(11)	9,354

There is no material impact on the half-year condensed consolidated statement of cash flows or on basic and diluted EPS.

14. Financial Risk Management

Exposure to foreign currency risk, interest rate risk, commodity price risk, credit risk and liquidity risk arises in the normal course of the Group's business. The Group's overall financial risk management strategy is to seek to ensure that the Group is able to fund its corporate objectives and meet its obligations to stakeholders. Derivative financial instruments may be used to hedge exposure to fluctuations in foreign exchange rates, interest rates and commodity prices.

The Group uses various methods to measure the types of financial risk to which it is exposed. These methods include Cash Flow at Risk analysis in the case of interest rate, foreign exchange and commodity price risk, and ageing analysis for credit risk.

Financial risk management is carried out by a central treasury department ("Treasury") which operates under Board-approved policies. The policies govern the framework and principles for overall risk management and covers specific financial risks, such as foreign exchange risk, interest rate risk and credit risk, approved derivative and non-derivative financial instruments, and liquidity management.

(a) Foreign currency risk

Foreign exchange risk arises from commercial transactions and valuations in assets and liabilities that are denominated in a currency that is not the entity's functional currency. The risk is measured using cash flow forecasting and Cash Flow at Risk analysis.

The Group is exposed to foreign currency risk principally through the sale of products denominated in US dollars, borrowings denominated in US dollars and Euros and foreign currency capital and operating expenditure. In order to economically hedge foreign currency risk, the Group from time to time enters into forward foreign exchange, foreign currency swap and foreign currency option contracts.

All foreign currency denominated borrowings of Australian dollar ("AUD") functional currency companies are either designated as a hedge of US dollar denominated investments in foreign operations or swapped using cross-currency swaps to US dollars and designated as a hedge of US dollar denominated investments in foreign operations. As a result, there were no net foreign currency gains or losses arising from translation of US dollar denominated borrowings recognised in the income statement for the half-year ended 30 June 2013.

(b) Market risk

Cash flow and fair value interest rate risk

The Group's interest rate risk arises from its borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk.

The Group adopts a policy of ensuring that the majority of its exposure to changes in interest rates on borrowings is on a floating rate basis. Interest rate swaps, denominated in Australian dollars and US dollars, have been entered into as fair value hedges of medium-term notes, long-term notes and subordinated debt, respectively. When transacted, these swaps had maturities ranging from 1 to 20 years, aligned with the maturity of the related notes. At 30 June 2013, the Group had interest rate swaps with a notional contract amount of $2,310 million.

The net fair value of swaps at 30 June 2013 was $164 million, comprising assets of $164 million and liabilities of nil. These amounts were recognised as fair value derivatives.

14. Financial Risk Management (continued)

(b) Market risk (continued)

Cash flow hedge accounting

The Group has issued €1,000 million subordinated notes with an average fixed interest rate of 8.25%.

In order to reduce the variability of the Australian dollar cash flows arising from the Euro principal and interest payments to September 2017, the Group entered into cross-currency interest rate swap contracts in March 2011, under which it has a right to receive interest at fixed Euro rates and pay interest at floating US dollar interest rates. These contracts are in place to cover all remaining principal and interest payments on €950 million of the subordinated notes. The Euro rates were fixed at 8.25% and the fixed US dollar margins range between 5.18% and 5.349%.

€50 million of the subordinated notes have been swapped to a fixed US dollar interest rate of 8.48% for seven years.

During 2013 the Group increased its borrowing under an export credit agency supported floating rate loan facility to US$670 million, which is payable in 2019.

In May 2013 the Group entered into US dollar interest rate swap contracts, under which it has a right to receive interest at floating US dollar rates and pay interest at fixed US dollar interest rates. These contracts are in place to cover coupon payments on the US$670 million drawn export credit agency supported loans through to the end of 2016.

The cross-currency interest rate swap contracts and US dollar interest rate swap contracts are recognised at fair value and all gains and losses attributable to the hedged risks are recognised in the hedge reserve and reclassified into the income statement when the interest expense is recognised.

(c) Fair values

The fair values of receivables, payables, interest-bearing liabilities and other financial assets and liabilities which are not subsequently measured at fair value approximate their carrying value.

The following summarises the significant methods and assumptions used in estimating the fair values of financial instruments:

Available-for-sale financial assets

The fair value of available-for-sale financial assets is determined by reference to their quoted bid price at the reporting date.

Derivatives

The fair value of interest rate swaps is calculated by discounting estimated future cash flows based on the terms of maturity of each contract and using market interest rates for a similar instrument at the reporting date. Where these cash flows are in a foreign currency, the present value is converted to Australian dollars at the foreign exchange spot rate prevailing at reporting date.

Financial liabilities

Fair value is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. Where these cash flows are in a foreign currency, the present value is converted to Australian dollars at the foreign exchange spot rate prevailing at reporting date.

14. Financial Risk Management (continued)

(c) Fair values (continued)

Interest rates used for determining fair value

The interest rates used to discount estimated future cash flows, where applicable, are based on the market yield curve at the reporting date. Credit default swap ("CDS") spreads are used as the applicable market rate for credit as at reporting date. Where an entity's CDS spread is not quoted, an average CDS spread of similar entities in the same sector with the same credit rating is used as a proxy.

The interest rates including credit spreads used to determine fair value were as follows:

	30 June 2013 %
Derivatives	0.2 – 4.7
Loans and borrowings	0.2 – 4.7

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets and liabilities;

Level 2: other techniques for which all inputs which have significant effect on the recorded fair value are observable, either directly or indirectly;

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The Group held the following financial instruments measured at fair value:

	Total $million	Level 1 $million	Level 2 $million	Level 3 $million
30 June 2013				
Assets measured at fair value				
Financial assets at fair value through profit and loss:				
Interest rate swap contracts	164	–	164	–
Embedded derivatives	5	–	5	–
Available-for-sale financial assets:				
Equity shares	10	10	–	–
Liabilities measured at fair value				
Financial liabilities at fair value through profit and loss:				
Cross-currency swap contracts	(13)	–	(13)	–
Long-term notes	(894)	–	(894)	–
Medium-term notes	(106)	–	(106)	–

During the six-month period ended 30 June 2013, there were no transfers between level 1 and level 2 fair value measurements, and no transfers into or out of level 3 fair value measurements.

15. Acquisition/Disposal of Controlled Entities

There were no acquisitions or disposals of controlled entities during the six months ended 30 June 2013.

Santos (UK) Limited was incorporated in the United Kingdom on 20 June 2013.

16. Capital Commitments

Capital commitments have decreased by $672 million compared to those disclosed in the most recent annual financial report, mainly due to capital expenditure by the GLNG and PNG LNG joint ventures during the 2013 half-year period.

17. Contingent Liabilities

There has been no material change to the contingent liabilities disclosed in the most recent annual financial report.

18. Events After the End of the Reporting Period

On 16 August 2013, the Directors of Santos Limited declared an interim dividend on ordinary shares in respect of the 2013 half-year period. The financial effect of these dividends has not been brought to account in the half-year financial statements for the six months ended 30 June 2013. Refer to note 12 for details.

Directors' Declaration
for the six months ended 30 June 2013

In accordance with a resolution of the Directors of Santos Limited, we state that:

In the opinion of the Directors of Santos Limited:

1. The financial statements and notes of the consolidated entity are in accordance with the *Corporations Act 2001 (Cth)*, including:

   (a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2013 and its performance for the half-year ended on that date; and

   (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations* 2001 *(Cth)*; and

2. There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Dated this 16th day of August 2013

On behalf of the Board:

Director

Director

Adelaide, South Australia

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To the members of Santos Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Santos Limited, which comprises the statement of financial position as at 30 June 2013, the income statement, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, other selected explanatory notes, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 30 June 2013 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001* . As the auditor of Santos Limited and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is referred to in the Directors' Report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Santos Limited is not in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2013 and of its performance for the half-year ended on that date; and

b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Ernst & Young

T S Hammond
Partner
Adelaide
16 August 2013

Appendix 4D

for the six months ended 30 June 2013

For '**Results for Announcement to the Market**' refer to page 1 of this Half-year Report

NTA backing

	30 June 2013	30 June 2012
Net tangible asset backing per ordinary security	N/A	N/A

Change in ownership of controlled entities

There were no acquisitions or disposals of controlled entities during the six months ended 30 June 2013.

Santos (UK) Limited was incorporated in the United Kingdom on 20 June 2013.

Dividend Reinvestment Plan

The Santos Dividend Reinvestment Plan is in operation. Shares are allocated at the arithmetic average of the daily volume weighted average market price (ASX – traded volumes only) of the Company's shares on the ASX over a period of seven business days commencing on the second business day after the Dividend Record Date. At this time, the Board has determined that a 2.5% discount will apply to the Dividend Reinvestment Plan. The last date for the receipt of an election notice to participate in the Dividend Reinvestment Plan is the record date, 28 August 2013.

Details of joint venture and associate entities

	Percent ownership interest held at the end of the period	
	30 June 2013 %	30 June 2012 %
Joint venture entities		
CJSC KNG Hydrocarbons	54.0	54.0
Darwin LNG Pty Ltd	11.5	11.5
Easternwell Drilling Services Holdings Pty Ltd	50.0	50.0
GLNG Operations Pty Ltd	30.0	30.0
GLNG Property Pty Ltd	30.0	30.0
Lohengrin Pty Ltd	50.0	50.0
Papua New Guinea Liquefied Natural Gas Global Company LDC	13.5	13.5