Half-year report incorporating Appendix 4D

Santos Limited and its controlled entities.
For the period ended 30 June 2016, under Listing Rule 4.2.

Santos
We have the energy.

RESULTS FOR ANNOUNCEMENT TO THE MARKET

APPENDIX 4D FOR THE PERIOD ENDED 30 JUNE 2016

	2016 US$million	2015 US$million	Change %
Revenue from ordinary activities	1,205	1,277	(6)
Statutory Profit/(Loss) from ordinary activities after tax attributable to members	(1,104)	30	(3,780)
Net Profit/(Loss) for the period attributable to members	(1,104)	30	(3,780)

Interim Dividends	Amount per security US cents	Franked amount per security at 30% tax US cents
On 19 August 2016, the Directors resolved not to pay an interim dividend in relation to the half-year ended 30 June 2016.		
Ordinary securities	Nil	Nil

CONTENTS

Half-year Report 30 June 2016

ABOUT SANTOS

An Australian energy pioneer since 1954, Santos is one of the leading independent oil and gas producers in the Asia-Pacific region, supplying the energy needs of homes, businesses and major industries across Australia and Asia.

Underpinned by a portfolio of high-quality liquefied natural gas (LNG), pipeline gas and oil assets, Santos seeks to deliver long-term value to shareholders.

Santos' foundations are based on safe, sustainable operations and working together with our shareholders, host communities, governments and business partners.

With one of the largest exploration and production acreages in Australia and an extensive infrastructure position, Santos is committed to supplying domestic markets, unlocking resources and driving value and performance from its existing operations.

Santos' portfolio of LNG assets, Darwin LNG, PNG LNG and GLNG, are backed by long-term offtake agreements with high quality Asian buyers.

In South-East Asia, Santos' business continues to benefit from producing assets in Papua New Guinea, Vietnam and Indonesia, and through high impact exploration opportunities.

Natural gas will continue to play an important role in meeting the growing regional demand for energy. Santos, through its abundant gas resources, strong infrastructure position and LNG portfolio is well-positioned to benefit from this growing demand profile.

DIRECTORS' REPORT

The Directors present their report together with the consolidated financial report of the consolidated entity, being Santos Limited ("Santos" or "the Company") and its controlled entities, for the half-year ended 30 June 2016, and the auditor's review report thereon.

REVIEW AND RESULTS OF OPERATIONS

The consolidated entity has changed its reporting currency from Australian dollars to United States ("US") dollars, effective 1 January 2016. Consequently, unless otherwise stated, all references to dollars are to US dollars.

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 table	2016	2015	Variance
	mmboe	mmboe	%
Production volume	**31.1**	28.3	10
Sales volume	**40.9**	30.9	32
	US$million	US$million	
Product sales	**1,191**	1,261	(6)
EBITDAX[1]	**491**	800	(39)
Exploration and evaluation expensed	**(47)**	(152)	69
Depreciation and depletion	**(399)**	(376)	(6)
Net impairment loss	**(1,516)**	–	N/A
EBIT[1]	**(1,471)**	272	(641)
Net finance costs	**(131)**	(98)	(34)
Taxation benefit/(expense)	**498**	(144)	446
Net profit/(loss) for the period	**(1,104)**	30	(3,780)
Underlying profit/(loss) for the period[1]	**(5)**	25	(120)

1 EBITDAX (earnings before interest, tax, depreciation, depletion, exploration and evaluation and impairment), EBIT (earnings before interest and tax) and underlying profit/(loss) 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 4 for the reconciliation from net profit/(loss) to underlying profit/(loss) 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.

Production and Sales

Santos' record first half production in 2016 of 31.1 million barrels of oil equivalent (mmboe) was 10% higher than the corresponding period due primarily to the start-up of GLNG train 1 on 24 September 2015.

Both PNG LNG and Darwin LNG continued to perform strongly and oil production from Mutineer Exeter / Fletcher Finucane was higher than the previous half due to the Floating Production and Storage Offloading (FPSO) facility being back on line following maintenance for repairs. Partly offsetting this strong production profile was lower crude oil production from the Cooper Basin due to natural field decline and higher downtime as a result of heavy rain. Lower oil production was also recorded from Vietnam due to natural field decline and lower condensate production recorded from the Bayu Undan field also due to natural field decline.

Sales volumes rose 32% to 40.9 mmboe, reflecting the higher production outcome and third-party gas volumes from GLNG.

Sales revenue fell 6% to $1.2 billion for the half-year. The positive effect of higher sales volumes was offset by significantly lower crude oil prices. The average realised crude oil price for the half-year was US$42.79 per barrel, 29% lower than the corresponding period.

Santos continued to take positive steps in the first half to strengthen the Company's financial position in the lower oil price environment, including significant reductions to both capital and operating expenditure. First half capital expenditure (excluding capitalised interest) of $283 million was 58% lower than the prior half-year while upstream production costs per barrel of oil equivalent were 15% lower.

Review of Operations

Mr Kevin Gallagher joined Santos as Chief Executive Officer on 1 February 2016. Mr Gallagher is a senior executive with more than 25 years' experience in managing oil and gas operations in Australia, the USA and North and West Africa. Prior to joining Santos, Mr Gallagher was Chief Executive Officer of the engineering services group, Clough Limited.

On 1 April 2016, the Company announced a new Executive team and organisational structure. The restructure resulted in a move away from geographic-based business units to an asset-focused model with strong technical capabilities in our primary business of exploration, development and the production of oil and natural gas.

Santos' operations for the 2016 half-year are reported as four business units based on the different geographic regions of the Company's operations: Eastern Australia; Western Australia and Northern Territory; Asia Pacific and GLNG. From the 2016 full-year results, reporting will align to our new asset-based organisational structure.

Eastern Australia

Santos is a leading producer of natural gas, gas liquids and crude oil in eastern Australia. Gas is sold primarily to domestic retailers, industry and GLNG, while gas liquids and crude oil are sold in the domestic and export markets.

Eastern Australia Business Unit EBITDAX was $57 million, 72% lower than the first half of 2015 primarily due to lower sales revenue impacted by lower global oil prices.

Santos' share of Cooper Basin sales gas and ethane production of 31.5 petajoules (PJ) was in line with the corresponding period. Higher sales gas yield and lower downtime were offset by natural field decline. Santos' share of Cooper Basin condensate production was 0.5 million barrels (mmbbl), also in line with the corresponding period. Santos' share of gas production from the Denison, Scotia, Spring Gully and Combabula fields in Queensland and the Otway Basin, offshore Victoria, was 15 PJ, 9% higher than the corresponding period.

Santos' share of Cooper Basin oil production of 1.3 mmbbl was 6% lower than the corresponding period due to natural field decline and higher downtime due to heavy rain.

Western Australia and Northern Territory

Santos is one of the largest producers of domestic natural gas in Western Australia and is also a significant producer of gas liquids and crude oil. Santos also has an interest in the Bayu-Undan/Darwin LNG project.

Western Australia and Northern Territory Business Unit EBITDAX was $166 million, 9% higher than the first half of 2015.

Santos' Western Australia gas production of 26.0 PJ was in line with the corresponding period. Condensate production of 254,600 barrels was down 7% on the corresponding quarter due to natural field decline.

Santos' share of Western Australia oil production of 1.3 mmbbl was 83% higher than the corresponding period following extended maintenance of the Mutineer Exeter / Fletcher Finucane FPSO in 2015.

Darwin LNG continued to perform strongly, with high operating efficiency and excellent cost performance. Santos' net entitlement to gas production of 10.6 PJ was 8% higher than the corresponding period due to continued high availability and capacity utilisation.

Asia Pacific

Santos has a focussed position in South-East Asia with producing assets in three countries: Papua New Guinea, Indonesia and Vietnam, and exploration interests in these countries as well as Malaysia and Bangladesh.

Asia Pacific Business Unit EBITDAX was $259 million, 26% lower than the first half of 2015 mainly due to the impact of lower oil prices.

In Papua New Guinea, the PNG LNG project continued to perform well, with both trains consistently operating above nameplate capacity. Santos' share of gas and condensate production in the first half was 30.4 PJ and 0.7 mmbbl respectively.

Santos' net entitlement to oil production in Vietnam of 1.3 mmbbl was 10% lower than the corresponding period due to natural field decline and a planned 10-day maintenance period.

Santos' net entitlement to gas production in Indonesia of 11.9 PJ was in line with the corresponding period.

GLNG

GLNG produces natural gas from coal seam gas fields in south-western Queensland and converts it, along with third-party sourced gas, into liquefied natural gas (LNG) at the GLNG plant on Curtis Island, Queensland. Sanctioned in January 2011, the GLNG project (30% Santos interest) produced first LNG from train 1 on 24 September 2015 and first LNG from train 2 on 26 May 2016.

The LNG plant produced 1,958,000 tonnes of LNG during the first-half of 2016 and shipped 32 cargoes, taking the total to 39 cargoes since start-up in September 2015. Gross gas delivered to the LNG plant during the half was 119.9 PJ from GLNG's supply portfolio including GLNG indigenous production, Santos' portfolio and third-party purchased quantities. Santos' share of LNG domestic gas and sales gas to LNG production was 15.2 PJ.

The GLNG Business Unit results include domestic gas production and sales from the GLNG coal seam gas fields in south-western Queensland. Santos' share of GLNG domestic gas production was 2.7 PJ in the first half, in line with the corresponding period.

GLNG Business Unit EBITDAX was $46 million.

Following a review of key production assets, Santos recognised an impairment charge against the carrying value for GLNG of $1,050 million after tax in the 2016 half-year accounts. It was a non-cash charge that will not affect the Company's debt facilities.

Sustained low oil prices continue to constrain capital expenditure and impact GLNG. During the course of 2016 there has been a slower ramp-up of GLNG equity gas production and an increase in the price of third party gas. This caused Santos to adjust its upstream gas supply and third party gas pricing assumptions for GLNG. This will not affect GLNG's ability to meet its LNG off-take commitments.

Net Loss

The 2016 first half net loss was $1,104 million; compared with a net profit of $30 million in 2015. The decrease in profit is primarily due to the $1,050 million after-tax impairment of GLNG, as well as lower sales revenue from lower global oil prices.

Net loss includes items after tax of $1,099 million (before tax of $1,604 million), referred to in the reconciliation of net profit/(loss) to underlying profit/(loss) below.

Reconciliation of Net Profit/(Loss) to Underlying Profit/(Loss)[1]	**2016 US$million**			**2015 US$million**		
	Gross	**Tax**	**Net**	**Gross**	**Tax**	**Net**
Net profit/(loss) after tax attributable to equity holders of Santos Limited			**(1,104)**			30
Add/(deduct) the following:						
Impairment losses	1,516	(455)	**1,061**	–	–	–
Gains on sale of non-current assets	6	(2)	**4**	–	–	–
Insurance recovery on remediation and related costs for incidents	(9)	–	**(9)**	–	–	–
Foreign exchange losses/(gains)	29	(29)	**–**	(113)	100	(13)
Fair value adjustments on embedded derivatives and hedges	12	(4)	**8**	26	(8)	18
Onerous contract	26	(8)	**18**	–	–	–
Redundancy/restructure	24	(7)	**17**	11	(4)	7
Other one-off tax adjustment	–	–	**–**	–	(17)	(17)
	1,604	(505)	**1,099**	(76)	71	(5)
Underlying profit/(loss)[1]			**(5)**			25

1 Underlying profit/(loss) 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 2016 was $6,369 million.

On 19 August 2016, the Directors resolved not to pay an interim dividend in relation to the half-year ended 30 June 2016.

CASH FLOW

The net cash inflow from operating activities of $291 million was 30% lower than the first half of 2015. This decrease is principally attributable to lower sales revenue impacted by lower global oil prices. Net cash provided by investing activities of $20 million was $1,012 million higher than the first half of 2015 primarily due to the proceeds realised from the disposal of Kipper and a reduction in capital expenditure in response to lower global oil prices. Cash flows from financing activities were $380 million lower than the first half of 2015 predominantly due to there being no drawdowns on debt facilities during 2016.

OUTLOOK

Santos maintains production guidance in the range of 57 to 63 mmboe for 2016.

POST BALANCE DATE EVENTS

On 19 August 2016, the Directors of Santos Limited resolved not to pay an interim dividend in relation to the half-year ended 30 June 2016.

DIRECTORS

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

Surname	Other Names
Allen	Yasmin Anita
Coates	Peter Roland (Chairman)
Cowan[1]	Guy Michael
Dean[2]	Kenneth Alfred
Franklin	Roy Alexander
Gallagher[3]	Kevin Thomas (Managing Director and Chief Executive Officer)
Goh	Hock
Hearl[4]	Peter Roland
Hemstritch[5]	Jane Sharman
Martin	Gregory John Walton
Sheffield	Scott Douglas

1 *Mr Cowan was appointed a Director of Santos Limited by the Board on 10 May 2016 and will stand for election at the Company's next Annual General Meeting.*
2 *Mr Dean ceased to be a Director of Santos Limited on 4 May 2016 at the completion of the 2016 Annual General Meeting.*
3 *Mr Gallagher was appointed Managing Director of Santos Limited on 16 February 2016.*
4 *Mr Hearl was appointed a Director of Santos Limited by the Board on 10 May 2016 and will stand for election at the Company's next Annual General Meeting.*
5 *Ms Hemstitch ceased to be a Director of Santos Limited on 4 May 2016 at the completion of the 2016 Annual General Meeting.*

Each of the above named Directors held office during or 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.

ROUNDING

Australian Securities and Investments Commission Corporations (Rounding in Financial/Directors' Report) Instrument 2016/191 applies to the Company. Accordingly, amounts have been rounded off in accordance with that Instrument, unless otherwise indicated.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required by section 307C of the *Corporations Act 2001* (Cth) is set out on page 7 and forms part of this report.

This report is made out on 19 August 2016 in accordance with a resolution of the Directors.

Director

19 August 2016

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Auditor's Independence Declaration to the Directors of Santos Limited

As lead auditor for the review of Santos Limited for the half-year ended 30 June 2016, I declare 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 review; and

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

This declaration is in respect of Santos Limited and the entities it controlled during the financial period.

Ernst & Young

R J Curtin Partner	L A Carr Partner

Adelaide
19 August 2016

CONSOLIDATED INCOME STATEMENT
FOR SIX MONTHS ENDED 30 JUNE 2016

	Note	30 June 2016 US$million	(Restated) 30 June 2015 US$million
Product sales	2.2	**1,191**	1,261
Cost of sales	2.3	**(1,081)**	(882)
Gross profit		**110**	379
Other revenue		**14**	16
Other income		**74**	3
Impairment of non-current assets	3.4	**(1,516)**	–
Other expenses	2.3	**(158)**	(131)
Finance income	4.1	**6**	4
Finance costs	4.1	**(137)**	(102)
Share of net profit of joint ventures		**5**	5
(Loss)/profit before tax		**(1,602)**	174
Income tax benefit/(expense)		**506**	(145)
Royalty-related taxation (expense)/benefit		**(8)**	1
Total taxation benefit/(expense)		**498**	(144)
Net (loss)/profit for the period attributable to owners of Santos Limited		**(1,104)**	30
Earnings per share attributable to the equity holders of Santos Limited (¢)			
Basic (loss)/earnings per share		**(62.35)**	3.02
Diluted (loss)/earnings per share		**(62.35)**	2.99
Dividends per share (¢)			
Paid during the period	2.5	**4**	11
Declared in respect of the period	2.5	**–**	11

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 2016

	30 June 2016 US$million	(Restated) 30 June 2015 US$million
Net (loss)/profit for the period	**(1,104)**	30
Other comprehensive income, net of tax:		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Exchange gain/(loss) on translation of foreign operations	**12**	(107)
Tax effect	**–**	–
	12	(107)
Gain/(loss) on foreign currency loans designated as hedges of net investments in foreign operations	**113**	(264)
Tax effect	**(34)**	81
	79	(183)
Gain/(loss) on derivatives designated as cash flow hedges	**4**	(7)
Tax effect	**(1)**	2
	3	(5)
Net other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods	**94**	(295)
Items not to be reclassified to profit or loss in subsequent periods:		
Actuarial (loss)/gain on the defined benefit plan	**(1)**	9
Tax effect	**–**	(3)
	(1)	6
Net other comprehensive (loss)/income not being reclassified to profit or loss in subsequent periods	**(1)**	6
Other comprehensive income/(loss), net of tax	**93**	(289)
Total comprehensive loss attributable to owners of Santos Limited	**(1,011)**	(259)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2016

	Note	**30 June 2016 US$million**	(Restated) 31 December 2015 US$million
Current assets			
Cash and cash equivalents		**1,034**	839
Trade and other receivables		**434**	392
Prepayments		**45**	47
Inventories		**379**	360
Other financial assets		**1**	1
Tax receivable		**98**	85
Assets held for sale		**–**	401
Total current assets		**1,991**	2,125
Non-current assets			
Receivables		**4**	4
Prepayments		**27**	20
Investments in joint ventures		**64**	71
Other financial assets		**165**	158
Exploration and evaluation assets	3.1	**551**	520
Oil and gas assets	3.2	**10,989**	12,404
Other land, buildings, plant and equipment		**170**	181
Deferred tax assets		**1,062**	466
Total non-current assets		**13,032**	13,824
Total assets		**15,023**	15,949
Current liabilities			
Trade and other payables		**483**	618
Deferred income		**30**	7
Interest-bearing loans and borrowings		**190**	152
Current tax liabilities		**33**	8
Provisions		**137**	125
Other financial liabilities		**2**	2
Liabilities directly associated with assets held for sale		**–**	14
Total current liabilities		**875**	926
Non-current liabilities			
Deferred income		**97**	158
Interest-bearing loans and borrowings		**5,197**	5,246
Deferred tax liabilities		**204**	153
Provisions		**1,987**	1,736
Other financial liabilities		**294**	309
Total non-current liabilities		**7,779**	7,602
Total liabilities		**8,654**	8,528
Net assets		**6,369**	7,421
Equity			
Issued capital	4.2	**8,140**	8,119
Reserves		**(413)**	(699)
Retained (accumulated losses)/earnings		**(1,358)**	1
Equity attributable to owners of Santos Limited		**6,369**	7,421
Total equity		**6,369**	7,421

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 2016

	30 June 2016 US$million	(Restated) 30 June 2015 US$million
Cash flows from operating activities		
Receipts from customers	**1,278**	1,417
Interest received	**7**	3
Dividends received	**6**	6
Payments to suppliers and employees	**(824)**	(773)
Exploration and evaluation seismic and studies	**(35)**	(76)
Royalty and excise paid	**(16)**	(25)
Borrowing costs paid	**(105)**	(70)
Income taxes paid	**(24)**	(25)
Royalty-related taxes paid	**(10)**	(35)
Carbon costs paid	**–**	(14)
Other operating activities	**14**	8
Net cash provided by operating activities	**291**	416
Cash flows from investing activities		
Payments for:		
Exploration and evaluation assets	**(58)**	(196)
Oil and gas assets	**(314)**	(672)
Other land, buildings, plant and equipment	**(7)**	(6)
Acquisitions of exploration and evaluation assets	**–**	(98)
Borrowing costs paid	**(15)**	(56)
Proceeds on disposal of non-current assets	**411**	36
Other investing activities	**3**	–
Net cash provided by/(used in) investing activities	**20**	(992)
Cash flows from financing activities		
Dividends paid	**(43)**	(83)
Drawdown of borrowings	**–**	294
Repayments of borrowings	**(75)**	(34)
(Costs)/proceeds from issues of ordinary shares	**(3)**	82
Net cash (used in)/provided by financing activities	**(121)**	259
Net increase/(decrease) in cash and cash equivalents	**190**	(317)
Cash and cash equivalents at the beginning of the period	**839**	634
Effects of exchange rate changes on the balances of cash held in foreign currencies	**5**	(11)
Cash and cash equivalents at the end of the period	**1,034**	306

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 2016

	Equity attributable to owners of Santos Limited							
	Issued capital US$million	Translation reserve US$million	Hedging reserve US$million	Accumulated profits reserve US$million	Retained earnings US$million	Total equity US$million	Non-controlling interests US$million	Total equity US$million
Balance at 1 January 2015 (Restated)	5,762	(320)	(15)	–	2,278	7,705	(4)	7,701
Items of comprehensive income:								
Net profit for the period	–	–	–	–	30	30	–	30
Other comprehensive income/(loss) for the period	–	(290)	(5)	–	6	(289)	–	(289)
Total comprehensive income/(loss) for the period	–	(290)	(5)	–	36	(259)	–	(259)
Transactions with owners in their capacity as owners:								
Shares issued	111	–	–	–	–	111	–	111
Dividends to shareholders	–	–	–	–	(110)	(110)	–	(110)
Share-based payment transactions	–	–	–	–	9	9	–	9
Non-controlling interest exit from foreign operations	–	–	–	–	(4)	(4)	4	–
Balance at 30 June 2015 (Restated)	**5,873**	**(610)**	**(20)**	**–**	**2,209**	**7,452**	**–**	**7,452**
Balance at 1 July 2015 (Restated)	5,873	(610)	(20)	–	2,209	7,452	–	7,452
Transfer retained profits to accumulated profits reserve	–	–	–	121	(121)	–	–	–
Items of comprehensive income:								
Net loss for the period	–	–	–	–	(1,983)	(1,983)	–	(1,983)
Other comprehensive income/(loss) for the period	–	(198)	8	–	(3)	(193)	–	(193)
Total comprehensive income/(loss) for the period	–	(198)	8	–	(1,986)	(2,176)	–	(2,176)
Transactions with owners in their capacity as owners:								
Shares issued	2,246	–	–	–	–	2,246	–	2,246
Dividends to shareholders	–	–	–	–	(109)	(109)	–	(109)
Share-based payment transactions	–	–	–	–	8	8	–	8
Balance at 31 December 2015 (Restated)	**8,119**	**(808)**	**(12)**	**121**	**1**	**7,421**	**–**	**7,421**
Balance at 1 January 2016	8,119	(808)	(12)	121	1	7,421	–	7,421
Transfer retained profits to accumulated profits reserve	–	–	–	258	(258)	–	–	–
Items of comprehensive income:								
Net loss for the period	–	–	–	–	(1,104)	(1,104)	–	(1,104)
Other comprehensive income/(loss) for the period	–	91	3	–	(1)	93	–	93
Total comprehensive income/(loss) for the period	–	91	3	–	(1,105)	(1,011)	–	(1,011)
Transactions with owners in their capacity as owners:								
Shares issued	21	–	–	–	–	21	–	21
Dividends to shareholders	–	–	–	(66)	–	(66)	–	(66)
Share-based payment transactions	–	–	–	–	4	4	–	4
Balance at 30 June 2016	**8,140**	**(717)**	**(9)**	**313**	**(1,358)**	**6,369**	**–**	**6,369**

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

Section 1: Basis of Preparation

This section provides information about the basis of preparation of the half-year financial report.

1.1 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 2016 ("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 19 August 2016.

1.2 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 2015 and considered together with any public announcements made by the Company during the six months ended 30 June 2016, in accordance with the continuous disclosure obligations of the ASX listing rules.

Change in presentation currency

The Directors have elected to change the Group's presentation currency from Australian dollars to United States (US) dollars effective from 1 January 2016. The change in presentation currency is a voluntary change which is accounted for retrospectively. All other accounting policies are consistent with those adopted in the annual financial report for the year ended 31 December 2015. The financial report has been restated to US dollars using the procedures outlined below:

1. Income Statement and Statement of Cash Flows have been translated into US dollars using average foreign currency rates prevailing for the relevant period.
2. Assets and liabilities in the Statement of Financial Position have been translated into US dollars at the closing foreign currency rates on the relevant balance sheet dates.
3. The equity section of the Statement of Financial Position, including foreign currency translation reserve, retained earnings, share capital and the other reserves, has been translated into US dollars using historical rates.
4. Earnings per share and dividend disclosures have also been restated to US dollars to reflect the change in presentation currency.

1.3 Significant Accounting Judgements, Estimates and Assumptions

The significant accounting judgements, 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 2015.

Section 2: Financial Performance

This section focuses on the operating results and financial performance of the Group. It includes disclosures of segmental financial information and dividends.

2.1 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 ("CEO") for assessing performance and determining the allocation of resources within the Group.

The CEO monitors the operating results of the business units separately for the purposes of making decisions about allocating resources and assessing performance. Segment performance is measured based on the following:

- Earnings before interest, tax, depreciation, depletion, exploration and evaluation, impairment and gains/losses on sale of non-current assets and controlled entities ("EBITDAX"); and
- 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.

Changes in Group structure during 2016

The Group has announced, and is in the process of implementing, a revised operating and reporting structure. The new structure moves away from geographic-based segments to an asset-focussed business.

As the Group transitions to the revised structure, it is anticipated that segment information to be disclosed in the 31 December 2016 year-end financial report will also change to reflect asset-based reporting to the CEO.

2.1 Segment Information (Continued)	**Eastern Australia 2016 US$million**	Eastern Australia 2015 US$million	**WA & NT 2016 US$million**	WA & NT 2015 US$million	**Asia Pacific 2016 US$million**	Asia Pacific 2015 US$million	**GLNG 2016 US$million**	GLNG 2015 US$million	**Corporate, exploration, eliminations 2016 US$million**	Corporate, exploration, eliminations 2015 US$million	**Total 2016 US$million**	Total 2015 US$million
Revenue												
Sales to external customers	**451**	510	**209**	283	**339**	459	**192**	9	**–**	–	**1,191**	1,261
Inter-segment sales[1]	**35**	–	**–**	–	**–**	–	**3**	5	**(38)**	(5)	**–**	–
Other revenue from external customers	**9**	10	**–**	–	**2**	4	**2**	1	**1**	1	**14**	16
Total segment revenue	**495**	520	**209**	283	**341**	463	**197**	15	**(37)**	(4)	**1,205**	1,277
Costs												
Production costs	**(95)**	(116)	**(104)**	(120)	**(69)**	(73)	**(26)**	(8)	**21**	24	**(273)**	(293)
Other operating costs	**(112)**	(50)	**(2)**	(2)	**(24)**	(33)	**(32)**	(5)	**–**	–	**(170)**	(90)
Third-party product purchases	**(193)**	(181)	**–**	–	**–**	–	**(57)**	(6)	**–**	–	**(250)**	(187)
Inter-segment purchases[1]	**(3)**	–	**–**	–	**–**	–	**(35)**	(5)	**38**	5	**–**	–
Results												
EBITDAX	**57**	202	**166**	152	**259**	348	**46**	5	**(37)**	93	**491**	800
Depreciation and depletion	**(125)**	(157)	**(72)**	(76)	**(91)**	(108)	**(95)**	(19)	**(16)**	(16)	**(399)**	(376)
Less (gains)/losses on sale of non-current assets	**3**	–	**3**	–	**–**	–	**1**	–	**(1)**	–	**6**	–
EBITX	**(65)**	45	**97**	76	**168**	240	**(48)**	(14)	**(54)**	77	**98**	424
Add back gains/(losses) on sale of non-current assets	**(3)**	–	**(3)**	–	**–**	–	**(1)**	–	**1**	–	**(6)**	–
Exploration and evaluation expensed	**–**	–	**–**	–	**–**	–	**–**	–	**(47)**	(152)	**(47)**	(152)
Net impairment loss	**(16)**	–	**–**	–	**–**	–	**(1,500)**	–	**–**	–	**(1,516)**	–
EBIT	**(84)**	45	**94**	76	**168**	240	**(1,549)**	(14)	**(100)**	(75)	**(1,471)**	272
Net finance costs									**(131)**	(98)	**(131)**	(98)
Profit (loss)/profit before tax											**(1,602)**	174
Income tax benefit/(expense)									**506**	(145)	**506**	(145)
Royalty-related taxation expense/(benefit)	**(10)**	1	**(2)**	(6)	**–**	–	**–**	–	**4**	6	**(8)**	1
Net (loss)/profit for the period											**(1,104)**	30

[1] *Intersegment pricing is determined on an arm's length basis. Intersegment sales are eliminated on consolidation.*

2.2 Revenue

	30 June 2016 US$million	(Restated) 30 June 2015 US$million
Product sales:		
Gas, ethane and liquefied gas	**806**	728
Crude oil	**285**	389
Condensate and naphtha	**76**	103
Liquefied petroleum gas	**24**	41
Total product sales[1]	**1,191**	1,261

[1] Total product sales includes third party product sales of $278 million (2015: $206 million).

2.3 Expenses

	30 June 2016 US$million	(Restated) 30 June 2015 US$million
Cost of sales:		
Production costs:		
Production expenses	**232**	262
Production facilities operating leases	**41**	31
Total production costs	**273**	293
Other operating costs:		
LNG plant costs	**26**	10
Pipeline tariffs, processing tolls and other	**85**	44
Onerous pipeline contract	**26**	–
Royalty and excise	**19**	24
Shipping costs	**14**	12
Total other operating costs	**170**	90
Total cash cost of production	**443**	383
Depreciation and depletion costs:		
Depreciation of plant, equipment and buildings	**238**	219
Depletion of subsurface assets	**157**	156
Total depreciation and depletion	**395**	375
Third-party product purchases	**250**	187
Increase in product stock	**(7)**	(63)
Total cost of sales	**1,081**	882
Other expenses:		
Selling	**9**	9
General & administration	**57**	56
Depreciation	**4**	1
Foreign exchange losses/(gains)[2]	**29**	(113)
Losses from change in fair value of derivative financial assets designated as fair value through profit or loss	**1**	6
Fair value hedges, (gains)/losses:		
On the hedging instrument	**10**	30
On the hedged item attributable to the hedged risk	**1**	(10)
Exploration and evaluation expensed	**47**	152
Total other expenses	**158**	131

[2] Reclassification: foreign exchange losses/(gains) previously included the effects of foreign exchange on certain tax bases. Such amounts are now classified as tax gains/losses. Consequently a $29 million gain in 2016 resulting from the effect of foreign exchange on certain tax balances has been classified within tax expense, and a $94 million loss in 2015 has been re-classified from foreign exchange gains/(losses) to tax benefit/(expense).

2.4 Other Income

Other income includes $65 million (2015: nil) relating to the settlement of liquidated damages on a gas sales agreement.

2.5 Dividends

Dividends paid during the period to 30 June:	Dividend per share US ¢	Total US$million	Payment date
2016			
2015 Final dividend per ordinary share (A$0.05)	4	66	30 Mar 2016
2015			
2014 Final dividend per ordinary share (A$0.15)	11	110	25 Mar 2015

Franked dividends paid during the period were franked at the tax rate of 30%.

On 19 August 2016 the Directors resolved not to pay an interim dividend in relation to the half-year ended 30 June 2016.

Section 3: Capital Expenditure, Operating Assets and Restoration Obligations

This section includes information about the assets used by the Group to generate profits and revenue, specifically information relating to exploration and evaluation assets, oil and gas assets, and commitments for capital expenditure not yet recognised as a liability.

The life cycle of our assets is summarised as follows:

3.1 Exploration and Evaluation Assets

	Six months ended		
	30 June 2016 US$million	(Restated) 31 Dec 2015 US$million	(Restated) 30 June 2015 US$million
Balance at the beginning of the period	**520**	956	905
Acquisitions	**1**	26	69
Additions	**69**	60	151
Expensed	**(16)**	13	(101)
Disposals and recoupment	**–**	–	(27)
Net impairment losses	**(4)**	(498)	–
Transfer to oil and gas assets in development	**(1)**	–	–
Transfer to oil and gas assets in production	**(25)**	(1)	–
Exchange differences	**7**	(36)	(41)
Balance at the end of the period	**551**	520	956
Comprising:			
Acquisition costs	**186**	207	375
Successful exploration wells	**253**	233	527
Pending determination of success	**112**	80	54
	551	520	956

3.2 Oil and Gas Assets

	Six months ended		
	30 June 2016 US$million	(Restated) 31 Dec 2015 US$million	(Restated) 30 June 2015 US$million
Assets in development			
Balance at the beginning of the period	**1,037**	3,686	4,901
Additions	**58**	147	171
Transfer from exploration and evaluation assets	**1**	–	–
Transfer to oil and gas assets in production	**(946)**	(2,590)	(1,374)
Disposals	**(2)**	–	–
Net impairment losses	**–**	(23)	–
Assets classified as Held-for-sale	**–**	(169)	–
Exchange differences	**1**	(14)	(12)
Balance at the end of the period	**149**	1,037	3,686
Producing assets			
Balance at the beginning of the period	**11,367**	11,349	10,170
Acquisitions of oil and gas assets	**–**	–	1
Additions	**343**	462	464
Transfer from exploration and evaluation assets	**25**	1	–
Transfer from oil and gas assets in development	**946**	2,590	1,374
Disposals	**(2)**	(74)	–
Depreciation and depletion expense	**(381)**	(408)	(371)
Net impairment losses	**(1,512)**	(2,329)	–
Exchange differences	**54**	(224)	(289)
Balance at the end of the period	**10,840**	11,367	11,349
Total oil and gas assets	**10,989**	12,404	15,035
Comprising:			
Exploration and evaluation expenditure pending commercialisation	**338**	206	222
Other capitalised expenditure	**10,651**	12,198	14,813
	10,989	12,404	15,035

3.3 Capital Commitments

There have been no material additions or amendments to the capital commitments of the Group.

3.4 Impairment of Non-current Assets

Impairment expense recorded during the period is as follows:

	30 June 2016 US$million	(Restated) 30 June 2015 US$million
Exploration and evaluation assets	**4**	–
Oil and gas assets	**1,512**	–
Total impairment	**1,516**	–

The carrying amounts of the Group's oil and gas assets are reviewed at each reporting date to determine whether there is any indication of impairment. Where an indicator of impairment exists, a formal estimate of the recoverable amount is made.

The expected future cash flow estimation is based on a number of factors, variables and assumptions, the most important of which are estimates of reserves, future production profiles, commodity prices, costs and foreign exchange rates. In most cases, the present value of future cash flows is most sensitive to estimates of future oil price and discount rates.

Estimates of future commodity prices and forecasts of the foreign exchange rate for foreign currencies are unchanged from the previous reporting date.

Future prices (US$/bbl) used were:

2016	**2017**	**2018**	**2019**[1]	**2020**[1]	**2021**[1]
40.00	60.00	70.00	80.77	82.79	84.86

1. Based on US$75/bbl (2016 real) from 2019 escalated at 2.5%.

The future estimated foreign exchange rate applied is A$/US$0.70 in 2016 and 2017, and A$/US$0.75 in all subsequent years.

The discount rates applied to the future forecast cash flows are based on the Group's weighted average cost of capital, adjusted for risks where appropriate. The range of pre-tax discount rates that have been applied to non-current assets is between 9.0% and 17.4%.

In the event that future circumstances vary from these assumptions, the recoverable amount of the Group's oil and gas assets could change materially and result in impairment losses or the reversal of previous impairment losses.

Due to the interrelated nature of the assumptions, movements in any one variable can have an indirect impact on others and individual variables rarely change in isolation. Additionally, management can be expected to respond to some movements, to mitigate downsides and take advantage of upsides, as circumstances allow. Consequently, it is impracticable to estimate the indirect impact that a change in one assumption has on other variables and hence, on the likelihood, or extent, of impairments or reversals of impairments under different sets of assumptions in subsequent reporting periods.

GLNG

Sustained low oil prices continue to constrain capital expenditure and impact GLNG. During 2016 there has been a slower ramp-up of GLNG equity gas production and an increase in the price of third party gas and this has led to a change in upstream gas supply and third party gas pricing assumptions.

As a consequence, the GLNG asset carrying value has been written down and an impairment charge of $1,500 million before tax ($1,050 million post tax) has been recognised in the half-year ended 30 June 2016.

The recoverable amount of GLNG has been calculated using the value-in-use method. At 30 June 2016, GLNG's recoverable amount, before deduction of the carrying value of restoration liabilities, was $5,463 million.

Sensitivity

When modelled in isolation, it is estimated that an increase in discount rate of 0.50% will result in an additional impairment of approximately $340 million and a decrease in oil price of US$5/bbl in all years will result in an additional impairment of approximately $600 million.

As identified above, the impact of changes in key assumptions are significant on the determination of recoverable amount. Due to the number of factors that could impact any of these assumptions, as well as any actions taken to respond to adverse changes, actual future determinations of recoverable amount may vary from those stated above.

3.4 Impairment of Non-current Assets (continued)

Other

In addition to the above, the Group recognised a net impairment loss of $4 million relating to Gunnedah exploration and evaluation assets, and $12 million relating to the Minerva, Mereenie and Patricia Baleen oil and gas assets.

The impairment charges have arisen primarily as a consequence of the reduction or delay in future capital expenditure that diminishes or removes the path to commercialisation.

Section 4: Funding and Risk Management

Our business has exposure to capital, credit, liquidity and market risks. This section provides information relating to our management of, as well as our policies for measuring and managing, these risks.

4.1 Net Finance Costs

	30 June 2016 US$million	(Restated) 30 June 2015 US$million
Finance income:		
Interest income	**6**	4
Total finance income	**6**	4
Finance costs:		
Interest paid to third parties	**(131)**	(141)
Deduct borrowing costs capitalised	**15**	62
	(116)	(79)
Unwind of the effect of discounting on provisions	**(21)**	(23)
Total finance costs	**(137)**	(102)
Net finance costs	**(131)**	(98)

4.2 Issued Capital

	Six months ended					
	30 June 2016 Number of shares	31 December 2015 Number of shares	30 June 2015 Number of shares	**30 June 2016 US$million**	(Restated) 31 December 2015 US$million	(Restated) 30 June 2015 US$million
Movement in fully paid ordinary shares						
Balance at the beginning of the period	**1,766,210,639**	1,003,575,407	983,750,151	**8,119**	5,873	5,762
Placement	**–**	73,529,412	–	**–**	352	–
Rights issue, net of costs	**–**	654,198,741	–	**(2)**	1,781	–
Santos Dividend Reinvestment Plan ("DRP")	**8,205,002**	9,647,180	5,405,704	**23**	30	31
DRP underwriting agreement	**–**	23,689,684	14,270,511	**–**	78	80
Santos Employee Share1000 Plan	**–**	180,040	–	**–**	1	–
Santos Employee ShareMatch Plan	**–**	890,889	–	**–**	4	–
Shares issued on vesting of share acquisition rights	**390,063**	484,073	127,545	**–**	–	–
Santos Executive Share Plan	**–**	–	18,000	**–**	–	–
Santos Non-executive Director Shareholding Plan	**10,494**	15,213	3,496	**–**	–	–
Balance at the end of the period	**1,774,816,198**	1,766,210,639	1,003,575,407	**8,140**	8,119	5,873

4.3 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 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 currency risk arises from commercial transactions and valuations of assets and liabilities that are denominated in a currency that is not the entity's functional currency.

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.

The Group has certain investments in domestic and foreign operations whose net assets are exposed to foreign currency translation risk. Currency exposures arising from the net assets of these operations are managed primarily through borrowings denominated in the relevant foreign currency.

All foreign currency denominated borrowings of Australian dollar functional currency companies are either designated as a hedge of US dollar-denominated investments in foreign operations (2016: $1,632 million; 2015: $2,340 million), swapped using cross-currency swaps to US dollars and designated as a hedge of US dollar denominated investments in foreign operations (2016: $1,410 million; 2015: $1,410 million), or matched to US dollar denominated deposits (2016: $700 million, 2015: nil). 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 in the first half-year ended 2016.

Monetary items, including financial assets and liabilities, denominated in currencies other than the functional currency of an operation, are periodically restated and the associated gain or loss is taken to the income statement. The exception is foreign exchange gains or losses on foreign currency provisions for restoration at operating sites that are capitalised in oil and gas assets.

(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 have been entered into as fair value hedges of medium-term notes, long-term notes and subordinated debt. When transacted, these swaps had maturities ranging from 1 to 20 years, aligned with the maturity of the related notes.

The Group's interest rate swaps had a notional contract amount of $1,824 million (2015: $1,824 million) and a net fair value of $95 million (2015: $91 million). The net fair value amounts were recognised as fair value derivatives.

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 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.

4.3 Financial Risk Management (continued)

(b) Market risk (continued)

Cash flow hedge accounting (continued)

These contracts are in place to cover principal and interest payments on €950 million of the subordinated notes through to September 2017.

Subordinated notes totalling €50 million have been swapped to a fixed US dollar interest rate of 8.48% through to September 2017.

The Group has 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 $670 million of uncovered export credit agency supported loans through to the end of 2016.

The cross-currency and 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 initial 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:

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 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 at the foreign exchange spot rate prevailing at reporting date.

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 and credit spreads at the reporting date. The interest rates including credit spreads used to determine fair value were as follows:

	30 June 2016 %	31 Dec 2015 %
Derivatives	(0.1) – 4.1	(0.1) – 4.1
Loans and borrowings	(0.1) – 4.1	(0.1) – 4.1

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 a 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.

All of the Group's financial instruments were valued using the Level 2 valuation technique.

Section 5: Other

This section provides information that is not directly related to specific line items in the financial statements, including information about contingent liabilities, events after the end of the reporting period, and changes to accounting policies and disclosures.

5.1 Acquisition/Disposal of Controlled Entities

There were no acquisitions or disposals of controlled entities during the six months ended 30 June 2016.

5.2 Contingent Liabilities

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

5.3 Events After the End of the Reporting Period

On 19 August 2016, the Directors of Santos Limited resolved not to pay an interim dividend in relation to the half-year ended 30 June 2016.

5.4 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 2015 except for the change in presentation currency (refer note 1.2) and new standards, amendments to standards and interpretations effective from 1 January 2016.

The following standards, all consequential amendments and interpretations, applicable from 1 January 2016, have been adopted by the Group. These standards, amendments to standards and interpretations have not impacted on the accounting policies, financial position or performance of the Group, or on presentation or disclosure in the half-year financial report:

- AASB 2014-3 *Amendments to Australian Accounting Standards – Accounting for acquisitions of Interests in Joint Operations (AASB 1 & AASB 11)*
- AASB 2014-4 *Amendments to AASB 116 and AASB 138*
- AASB 2014-9 *Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements*
- AASB 2014-10 *Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
- AASB 2015-1 *Amendments to Australian Accounting Standards – Annual Improvements Cycle 2012 – 2014*
- AASB 2015-2 *Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101*
- AASB 2015-3 *Amendments to Australian Accounting Standards from the withdrawal of AASB 1031 Materiality*
- AASB 2015-9 *Amendments to Australian Accounting Standards – Scope and Application paragraphs*
- AASB 1057 *Application of Australian Accounting Standards*

DIRECTORS' DECLARATION

FOR THE SIX MONTHS ENDED 30 JUNE 2016

In accordance with a resolution of the Directors of Santos Limited ("the Company"), we state that:

In the opinion of the Directors of the Company:

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 2016 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* (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 19th day of August 2016

On behalf of the Board:

Director

Adelaide

Building a better
working world

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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 2016, 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, and other selected explanatory information, 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 2016 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 included in the Directors' Report.

LC:RM:SANTOS:492

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 2016 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

R J Curtin Partner	L A Carr Partner

Adelaide
19 August 2016

APPENDIX 4D

FOR THE SIX MONTHS ENDED 30 JUNE 2016

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

NTA BACKING

	30 June 2016	30 June 2015
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 2016.

DETAILS OF JOINT VENTURE AND ASSOCIATE ENTITIES

	Percent ownership interest held at the end of the period	
	30 June 2016	30 June 2015
	%	%
Joint venture entities		
Darwin LNG Pty Ltd	**11.5**	11.5
Easternwell Drilling Services Holdings Pty Ltd [1]	**–**	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

1 50% interest sold on 27 June 2016.