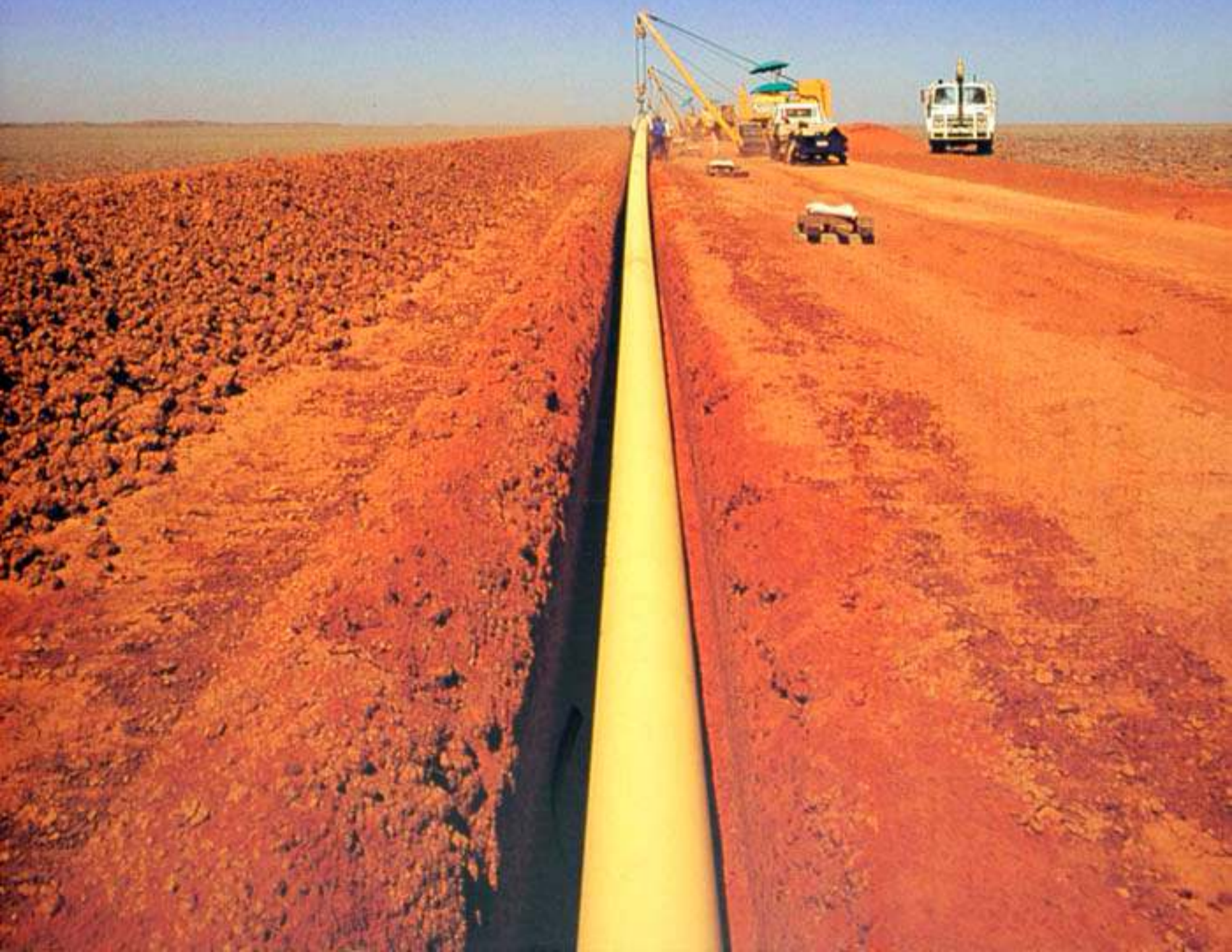


SANTOS

SANTOS 1992 ANNUAL REPORT



COMPANY INFORMATION

Santos Ltd ACN 007 550 923

Incorporated in Adelaide, South Australia
on 18 March 1954.

Quoted on the official lists of The Australian
Stock Exchange Ltd and also the New Zealand
Stock Exchange.

Santos American Depository Receipts issued
by Morgan Guaranty in USA are sponsored and
are quoted on the NASDAQ system in USA.

NOTICE OF MEETING

The Annual General Meeting of Santos Ltd will be
held in the Hyatt Regency Ballroom, Hyatt Regency
Adelaide, North Terrace, Adelaide, South Australia
on Friday, 30 April 1993 at 11.00 a.m.

SHAREHOLDERS' ENQUIRIES

Enquiries from shareholders and other interested
people should be directed to:

The Secretary
Santos Ltd
39 Grenfell Street
Adelaide
South Australia 5000

ABBREVIATIONS

This Report uses abbreviations and terms used in
the oil and gas industry. For your information these
abbreviations and their meanings are:

<i>bopd</i>	barrels of oil per day
<i>boe</i>	barrels of oil equivalent
<i>km</i>	kilometres
<i>LPG</i>	liquified petroleum gas
<i>pj</i>	petajoules

There is a page of Explanatory Notes on page 27.

OUR COVER

Laying the South-west Queensland-Moomba Gas
Pipeline. The construction of this 180 km pipeline
during 1992 completed the first phase of the
South-west Queensland Gas Project. A special
report on what the project means to Santos is
printed on page 17 of this report.

REPORT TO SHAREHOLDERS: Pages 3-23

CONTENTS

Chairman and Managing Director's Report to Shareholders:	
Year In Review	3
Regional Review	11
Directors	24
Licence Areas and Interests	26
Explanatory Notes	27
Ten Year Summary	28
Financial and Statutory information	29
Company Information	inside Back Cover

1992 HIGHLIGHTS

- Profit after tax before abnormal items was a record \$163.6 million. Net profit after tax and abnormals was \$112.7 million
- Earnings per share before abnormal items increased by 38.5% to 34.2 cents
- Dividends increased by 2 cents per share to 21 cents per share
- Production increased to 34.6 million boe
- Oil reserves increased to 54 million barrels and total reserves to 670 million boe at 1 January 1993
- New interests in the UK, Colombia and the Gulf of Mexico diversified the company's exploration portfolio.
- Assets were purchased for short and long term growth, including 19.9% of Sagasco, the upstream oil and gas assets and oil pipeline interests of The Australian Gas Light Company (on 1 January 1993), the outstanding shares in Latec Investments Ltd and Vamgas Ltd and Cooper Basin production and pipeline interests.

The Santos Board travelled to Moomba in November to hold one of its regular meetings and to inspect progress on the South-west Queensland Gas Project. Our photo shows some of the Board members inspecting welding and installation operations on the pipeline connecting Moomba with the new Gas Centre in Queensland.



CHAIRMAN AND MANAGING DIRECTOR'S REPORT TO SHAREHOLDERS

THE YEAR IN REVIEW



A feature of Santos' activities in 1992 was the conducting of seismic surveys over 68,000 km in the company's permits to identify drilling targets for 1993 and thereafter.

THE YEAR IN REVIEW

Santos achieved record financial results in 1992. The net profit after tax and before abnormal items of \$163.6 million was the highest recorded by Santos and 40.2% higher than the corresponding 1991 figure of \$116.7 million.

Key Results

\$ million	1991	1992
Profit and loss		
Sales revenue	655.9	689.8
Total Revenue	705.9	752.0
Earnings before interest and tax	295.7	333.8
Profit <i>after tax and before abnormal items</i>	116.7	163.6
Profit attributable to shareholders		
<i>after tax and abnormal items</i>	(110.9)	112.7
Earnings per share <i>cents</i>		
<i>before abnormal items</i>	24.7	34.2
<i>after abnormal items</i>	(24.0)	23.5
Dividend per share <i>cents fully franked</i>	19.0	21.0
Return on shareholders' equity %		
<i>before abnormal items</i>	9.7	13.3
<i>after abnormal items</i>	(9.5)	9.1
Balance sheet		
Total assets	2797.6	2838.6
Total liabilities	1582.5	1606.9
Total shareholders' equity	1215.1	1231.7
Net debt	755.0	802.2
Cash flow		
Cash flow provided by		
operating activities	289.5	409.3
- per share <i>cents</i>	62.7	85.5
Ratios		
Net debt/equity %	62.1	65.1
Interest cover <i>times</i>	3.6	5.7

Prices

Average Australian Dollar Price Received by Santos	1991	1992
Crude Oil <i>AS/barrel</i>	28.00	28.65
Naphtha <i>AS/barrel</i>	30.28	30.30
LPG <i>AS/tonne</i>	209.98	244.43
Sales Gas <i>AS/gigajoule</i>	2.04	2.12

The net profit attributable to shareholders of the company after tax and abnormal items was \$112.7 million. The 1992 abnormal items include unrealised foreign exchange losses on Santos' US dollar debt of \$23.4 million after tax, incurred as a result of the 9.3% depreciation in the value of the Australian dollar/US dollar exchange rate during the year, and a \$27.5 million after tax write-down of the value of oil and gas assets carried by the company's United States

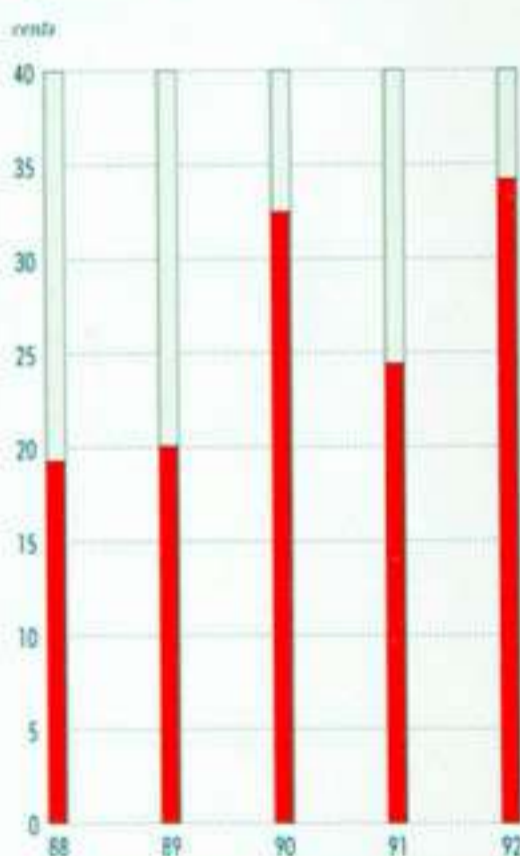
subsidiary following a downwards revision of that company's reserves.

Earnings per share, before abnormal items, in 1992 was 34.2 cents, a 38.5% increase on the preceding year, notwithstanding the expansion in the company's issued capital arising from the Dividend Reinvestment Plan.

Shareholders benefited from the company's strong performance in 1992 through dividends for the full year being increased by 2 cents per share to 21 cents per share, fully-franked. This represents a record total dividend payout of \$102.7 million, 16.0% higher than the comparable figure of \$88.5 million in 1991. The dividend is payable on 18 June 1993 to those shareholders registered in the books of the company on 25 May 1993.

Earnings per Share*

before abnormal



* calculated on weighted average no. of shares adjusted for bonus issues and bonus element of rights and other issues

Profit

The 1992 profit was earned from total revenue of \$752.0 million compared with \$705.9 million in 1991. Sales revenue was \$689.8 million, a 5.2% increase on the 1991 sales revenue of \$655.9 million. The rise in sales revenue was due to an increase in both sales volumes and Australian dollar prices for all products. Although international crude oil and naphtha prices in 1992 were, on average, lower than the previous

year, the unfavourable effect on sales revenue was offset by the lower exchange rate. The average Australian dollar/US dollar exchange rate during the year was \$0.732, compared with \$0.780 in 1991. Gas prices were higher, principally because of the annual adjustment to the Cooper Basin gas prices by 95% of the previous year's Consumer Price Index. Sales volume for the year was 34.5 million barrels of oil equivalent (boe), 1.5% higher than in 1991. Net interest expense was \$50.3 million, 30.3% below the corresponding figure of \$72.2 million for the previous year, largely reflecting the lower interest rates which prevailed during 1992.

Profit was favourably affected by the inclusion of processed gas stored in sub-surface reservoirs in the company's valuation of year-end inventory. This added \$3.1 million to profit after tax. The stored gas was not valued in previous years.

Depletion and depreciation charges increased by \$15.2 million above the level of 1991 largely as a result of a full year's production from the Skua oil field in the Timor Sea. Skua commenced operations in December 1991 and contributed sales revenue of \$65.8 million to Santos in 1992.

Unsuccessful exploration expenditure of \$7.4 million was written off at the conclusion of 1992. The write off relates to exploration in non-producing areas, primarily in Australia and South-East Asia.

The additional operating costs from new Skua production were also largely responsible for increasing the company's total operating costs in 1992. Operating costs directly associated with oil and gas production were \$128.4 million in 1992 compared with \$127.0 million. On a unit cost basis, operating costs in 1992 averaged \$3.71 for each barrel of oil equivalent produced, the same as for 1991.

Cash Flow

The company's cash generation was strong, achieving a record cash flow from operating activities of \$409.3 million. After expenditure on exploration and development, Santos had free cash flow of \$216.1 million in 1992, more than double the corresponding figure of \$85.5 million in the previous year.

This cash flow enabled Santos to increase dividends, invest \$168 million in oil and gas assets for longer term growth and to retire some debt. The assets purchased are discussed under the heading of Acquisitions on page 8. The cash flow remaining after

the payment of dividends and oil and gas asset acquisition was used with cash reserves to repay debt of \$76.5 million and repurchase Swiss franc bonds for \$19.3 million.

Santos' cash balance at year-end was \$111.2 million compared with \$187.6 million at the end of 1991. Debt net of cash at year-end was \$802.2 million compared with \$755.0 million at the end of 1991. The principal factor in the increase in net debt was the impact of the depreciation of the Australian dollar/US dollar exchange rate on the company's US dollar denominated debt. Had that depreciation not occurred, net debt at 31 December 1992 would have been approximately \$741 million.

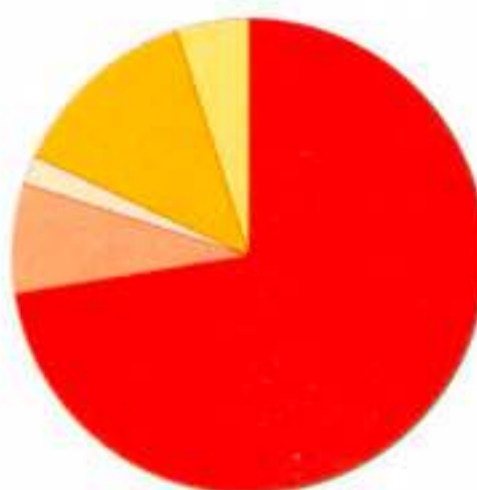
Santos' long-term credit rating was maintained by S & P-Australian Ratings during 1992 at A-.

Production

		1991	1992
Crude oil	million barrels	11.3	11.5
Condensate	million barrels	2.2	2.2
LPG	thousand tonnes	259.8	263.2
Sales gas	pp	108.4	109.5
Total	million boe	34.2	34.6

Production was 34.6 million boe, 1.2% higher than in 1991 with higher output of crude oil and sales gas being the major factors in the increase.

1992 Production by Region



Region	million boe
South Australia	75.1
Queensland	2.6
Northern Territory	0.8
North-west Australia	4.4
United States	1.7
Total	34.6

THE YEAR IN REVIEW

The higher crude oil production is attributable to the contribution from the Timor Sea where the company increased its share of oil production by 1.8 million barrels, more than offsetting the impact of lower crude oil output from Santos' other oil-producing regions.

Gas production increased for the first time in three years, arresting a decline in gas sales which began in 1990 when the Electricity Trust of South Australia commenced purchasing electricity from utilities in Victoria and New South Wales via an interstate power grid. The increase is entirely the result of higher Cooper Basin gas sales.

Santos' proved and probable hydrocarbon reserves on 1 January 1993, were 670 million boe, 7.5% higher than 12 months earlier. This figure includes proved

and probable reserves of 63 million boe added by the acquisition of the upstream oil and gas assets of The Australian Gas Light Company (AGL), effective 1 January 1993. These reserves have not been included in Santos' assets reported in the balance sheet as at 31 December 1992.

Even without the benefit of this addition, Santos recorded an increase in oil reserves in 1992. Depletion by production was more than replaced by the addition of 12.4 million barrels of oil during the year. The consequent increase in year-end oil reserves is principally attributable to the Cooper/Eromanga Basin operations where additional crude oil reserves of 10.4 million barrels were identified, largely as a result of successful development initiatives. This amounts to 163% of Santos' share of the region's oil production during 1992. Year-end oil reserves were also boosted by upgraded reserve estimates for the Timor Sea and Amadeus Basin.

Gas and gas liquids reserves fell by 19.8 million boe before the addition of reserves acquired from AGL. This 3.4% decline is largely attributable to the reduced gas exploration in the South Australian section of the Cooper Basin in 1992. The success of previous years' gas exploration in establishing reserves sufficient to supply 10-years' gas demand by South Australia meant that gas exploration in 1992 could be scaled back to that necessary to maintain the 10-year cover for the state.

Year-end reserves were affected adversely by the downwards revision of 1.8 million boe to the company's oil and gas reserves in the United States.

Exploration

1992 was a year of re-assessment. The objective was to identify prospective targets in all areas of operation for future drilling. An extensive seismic program comprising approximately 68,500 km of data was conducted in Santos' acreage during the year. This is by far the highest annual total in the company's history and equivalent to the total seismic data acquired over the previous three years. Two-thirds of the information acquired was from advanced three-dimensional seismic surveys.

The economics of all exploration permits were re-evaluated in the light of recent drilling results and technical analysis. As a consequence, Santos withdrew from or sold 11 permits, in whole or to a large part, during the year.

Drilling activity was decreased from 80 wells in 1991 to 41 wells in 1992. The decrease is attributable to

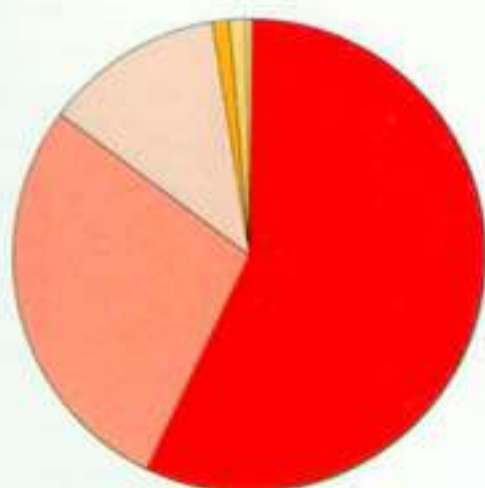
Reserves

		Proved and probable Reserves*			Total Santos Group
		1 January 1992	1 January 1993		
			Santos Group	Acquired from AGL 1/1/93	
Crude oil	million barrels	48	49	5	54
Condensate	million barrels	39	37	1	38
LPG	thousand tonnes	4895	4784	3	4787
Sales gas	pf	2593	2516	372	2888
Ethane	pf	316	309	-	309
Total	million boe	623	607	63	670

* refer to page 27 for definitions

Reserves by Region

1 January 1993



	million boe
■ South Australia	382
■ Queensland	188
■ Northern Territory	83
■ North-west Australia	8
■ United States	8
■ South-East Asia	1
	670

the impact of two factors: the reduction in the number of wells in Santos' offshore Australia acreage pending the re-assessment of exploration assets; and the lower level of gas exploration discussed on the previous page.

Santos spudded 23 oil exploration wells during the year, 6 of which were successful in flowing oil. Gas exploration involved the drilling of 18 wells, 11 of which flowed gas.

Santos is re-weighting its portfolio of exploration acreage to increase the company's potential to participate in significant commercial oil discoveries. This is a long-term and continuing exercise but considerable progress was made in 1992, with the company's portfolio at year-end having a greater spread of appropriate risk and reward opportunities than ever before. Exploration acreage was added in Colombia, the Gulf of Mexico and the Irish Sea.

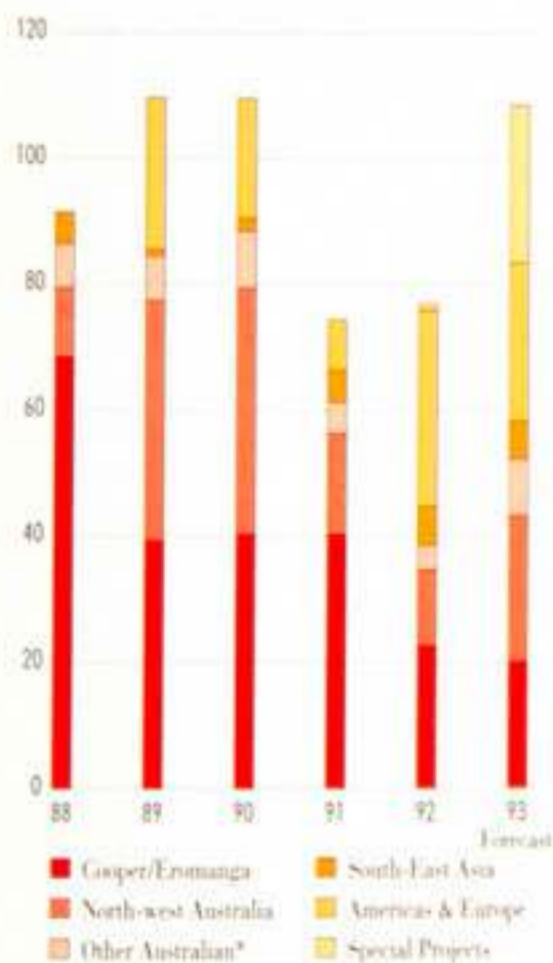
The 1993 exploration program includes:

- drilling of targets identified in the extensive seismic surveys undertaken in the company's offshore Australian and South-East Asian acreage in 1992.

Exploration Expenditure

\$ million 1988-1993

by area



* Other Australian includes exploration in Devonian, Surat Basins, Queensland, and Amudarya Basins, Northern Territory.

- ongoing exploration of Santos' onshore Australian acreage.
- drilling in the North Sea, United States of America and Colombia.
- and two special projects to assist the long-term development of new gas markets for the company's uncommitted gas.

Excluding these special projects, a total of 70 exploration wells with a budget of \$83 million are programmed for 1993 compared with the 41 wells drilled and exploration expenditure of \$77 million in 1992. The special projects are budgeted to add up to 14 wells and expenditure of \$25 million to the 1993 exploration program.

People

At the end of 1992, Santos employed 1,468 people. The health, safety, productivity and development of these employees underpins the company's operations and is the focus of Santos' human resource management.

The company's year-end employment was 0.4% lower than the level of a year earlier and the lowest in six years. The reduction in employees during 1992 was achieved through voluntary early retirement and the non-replacement of resigning and retiring staff. This reduction has facilitated a continuing improvement in productivity.

The company's safety record has also improved. The number of lost-time injuries was less than half that recorded in 1991, the third successive year in which Santos has recorded an improvement in its safety performance. The company's safety management program encompasses the employees of contractors working on Santos facilities. Lost-time injuries recorded for these workers in 1992 were 20% lower than in the previous year.

Since 1989, Santos has elected to self-insure for workers' compensation. The company's safety performance was audited by the WorkCover Corporation during the year as part of the review for the renewal of Santos' licence to self-insure. The review resulted in Santos being given the maximum licence extension of three years and a reduction of the administration levy paid to the WorkCover Corporation. Santos was also acknowledged by the audit as having the best performance of any company in South Australia that self-insures workers' compensation.

THE YEAR IN REVIEW

Environment

Santos conducts its operations in an environmentally responsible manner. Codes of conduct developed by the company, the training of employees and contractors and continuous field monitoring and review, ensure this policy is put into practice in Santos' day-to-day operations.

During 1992, Santos voluntarily commissioned a comprehensive external audit of the company's Cooper/Eromanga Basin operations. The audit, conducted by six independent environmental scientists, confirmed that Santos' practices and codes of conduct are appropriate for the environments in which the company operates. The audit also identified avenues for further development and refinement of the company's environmental management program. These are currently being evaluated and responses formulated for implementation in 1993.

The soundness of the company's environmental practices was also recognised by the Australian Minerals and Energy Environment Foundation, which awarded the company the inaugural 'Excellence Award' for outstanding environmental achievement during the year.

In August, a tanker approaching the Port Bonython jetty was involved in a collision which resulted in some 300 tonnes of the vessel's fuel being spilled into Spencer Gulf. Although Santos was not involved in the accident or spill, the company assisted in the dispersal and clean-up of the oil spill through the provision of personnel and equipment to the National Plan State Committee. At year-end, the spill and its management were the subject of an inquiry by a Committee of the Parliament of South Australia.

Acquisitions

Santos continually monitors the oil and gas industry for opportunities to develop the company's business through the acquisition of acreage or producing reserves. During the year the company acted on two major corporate development opportunities which emerged in the Australian onshore oil and gas industry.

Sagasco Holdings Ltd

In response to an announcement by the South Australian Government that it intended to dispose of its 57% shareholding in Sagasco, Santos announced on 3 September 1992 a takeover offer valued at \$560 million for all the issued shares of Sagasco.

Sagasco is a South Australian based company engaged in oil and gas exploration and production, principally in the Cooper/Eromanga Basins in South Australia and Queensland, and in the sale and distribution of reticulated gas and LPG in South Australia. Oil and gas exploration and production is the company's major business, and principally comprises interests of 13% in the Cooper Basin Unit, 11% in South Australian Block operations and 16.5% in the South-west Queensland Gas Project. All of these interests are operated by Santos. In addition, Sagasco holds minor gas production interests in the Perth and Otway Basins and a small portfolio of exploration interests.

The acquisition of Sagasco was designed to primarily add to and complement Santos' existing Cooper/Eromanga Basin interests.

Santos' decision to announce a takeover offer for Sagasco was made only after receipt of provisional advice from the Trade Practices Commission that it would not intervene.

Subsequently, the Commission altered its view and initiated legal proceedings to restrain the acquisition by Santos of any shares in or assets of Sagasco. The Commission failed to gain an interim injunction to this end, despite two appeals. However, it is proceeding with a claim for a permanent injunction. As a result of the legal uncertainty created by the Commission's action, on 17 November 1992, the Board of Santos reluctantly decided not to proceed with its takeover offers for Sagasco pending resolution of the proceedings.

As an interim measure, however, Santos acquired a 19.9% shareholding in Sagasco at a cost of some \$110 million and has had two Directors appointed to the Board of Sagasco.

It remains Santos' intention to acquire a controlling interest in Sagasco. To this end, Santos aims to obtain a favourable resolution as soon as possible to the legal proceedings instituted by the Commission.

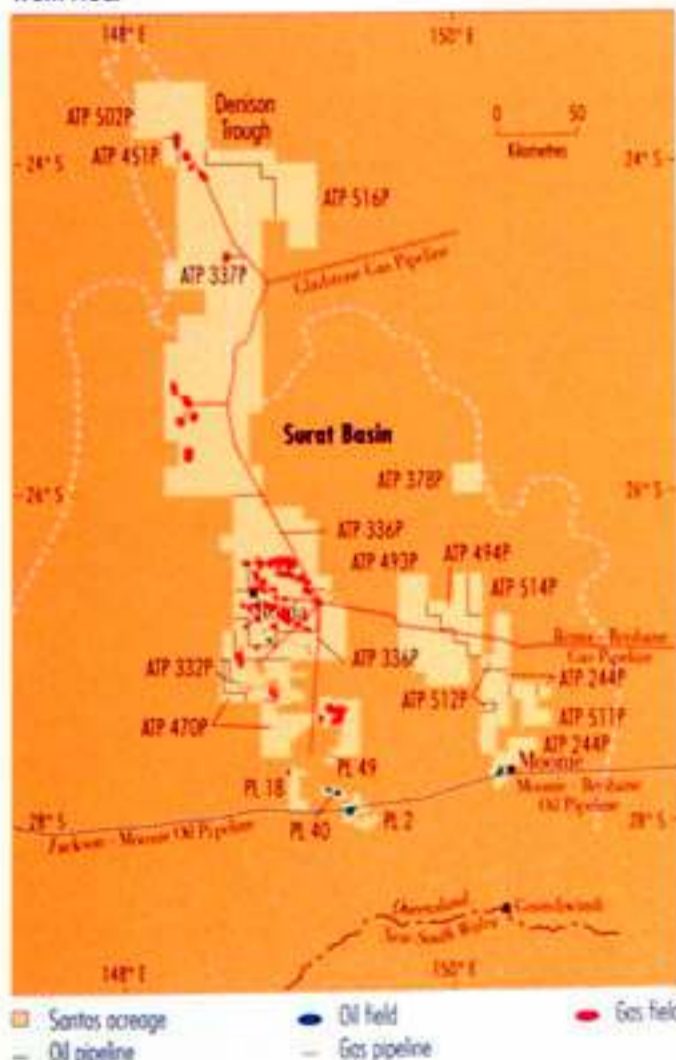
Santos Petroleum

Subsequent to the end of the year, Santos purchased the upstream oil and gas and oil pipeline interests of AGL. Those businesses are being managed as a separate business unit within the Santos group of companies, under the name Santos Petroleum

Management Pty Ltd (Santos Petroleum).

The acquisition has extended Santos' Australian onshore oil and gas operations by adding producing acreage in the Surat Basin and Denison Trough and consolidating the company's investment in the Amadeus Basin and Jackson-Moonie pipeline. In the Surat Basin, Santos Petroleum has a weighted average interest of 83% and operatorship of the Roma gas fields, which provide approximately one-third of Brisbane's gas demand. The Denison Trough Gas Project, in which Santos Petroleum holds a 50% interest, supplies gas to the Queensland Alumina Refinery at Gladstone under a 10-year agreement which commenced in December 1989. An option exists to extend this contract upon proving up of sufficient reserves. The Moonie oil field, which produced 0.2 million barrels of oil in 1992 is wholly owned by Santos Petroleum. This field, together with minor gas production interests also in the Surat Basin, will add to Santos' onshore production. In the Amadeus Basin, the company's share in the Mercenie oil and gas field has been increased from 21.3% to 64.5%. Oil production represents the major part of this business. Santos' interest in the Palm Valley gas field, which has substantial uncommitted reserves,

Acreage in the Surat Basin and Denison Trough acquired from AGL



has been increased by approximately 9.6% to 37.4%. Palm Valley and Mercenie have long-term contracts for the supply of gas within the Northern Territory. Santos' interest in the Jackson-Moonie oil pipeline, which transports oil from south-west Queensland to the Moonie-Brisbane oil pipeline, has been increased from 29% to 79%. The acquisition also provides Santos with full ownership of the Moonie-Brisbane pipeline.

The purchase includes a small portfolio of exploration interests and full ownership of the Bula oil field in Seram, Indonesia. Bula produced 0.4 million barrels of oil in 1992.

Santos Petroleum had reserves of approximately 63 million boe at the time of purchase. Production attributable to the interests acquired is forecast to be 3.7 million boe in 1993.

In the longer term, Santos believes it can add value to the assets acquired through application of the company's expertise in onshore oil and gas operations, particularly in field development. The Mercenie oil field may have potential for increased production through enhanced recovery technologies, while the Denison Trough has the potential for increased gas production arising from exploration success.

Acquisition of certain of the smaller interests is subject to standard Ministerial and Joint Venture consents. Funding for the acquisition was made by accessing a mixture of cash and debt. The effect of this was to reduce Santos' cash balance by \$52 million and increase debt by \$100 million and the company's gearing to 78.7% (as at 1 January 1993). It is expected all of the debt drawn for the acquisition will be repaid during the year from surplus cash flow.

Other Assets

The acquisitions of the outstanding shares in Vangas Ltd and Latec Investments Ltd were completed during 1992 by cash payments of \$50.6 million by the company. Vangas holds an average 8% interest in oil and gas exploration and production in the Cooper/Eromanga Basins. Latec has an average group interest of 21% and 25% respectively in the producing Mercenie oil and gas field and Palm Valley gas field in the Amadeus Basin. The acquisition of the outstanding shares in Vangas and Latec has given Santos full access to the significant cash flow these interests generate.

Santos added to its Cooper/Eromanga business with two other purchases during the year.

THE YEAR IN REVIEW

A 10% interest in each of the Patchawarra South-West, and Lake Hope Blocks in South Australia and the 50/40/10 Block in south-west Queensland was acquired from Australian Petroleum Development Pty Ltd, effective from May 1992. All of the blocks are currently producing and the acquisition added 0.2 million barrels of oil equivalent to 1992 production and 1.7 million boe to year-end reserves. Details of the acquisition, including payment, were still being finalised at year-end.

Santos increased its equity in the Jackson-Moonie Pipeline by 5.0% during 1992 through the purchase of an interest formerly held by Claremont Petroleum NL, for a cash payment of \$4.9 million.

Production

1993 Forecast
vs 1992 Actual
million boe



Corporate Outlook and Strategy

1993 promises to be an exciting year for Santos. Total production for the year is forecast to exceed 36.0 million boe. The increase in production is expected to come from increased Cooper Basin gas sales and the contribution from Santos Petroleum. The company is embarking on its most diversified drilling program yet and the process of re-weighting the company's exploration portfolio will continue. The South-west Queensland Gas Project will be commissioned. Santos will supply and sell gas to Queensland consumers for the first time through the Santos Petroleum assets.

Implementation of Santos' corporate strategy will continue during 1993. The strategy aims to expand Santos' business and improve profitability. In summary, the strategy has eight elements:

- the addition of new reserves by exploration and acquisition
- focusing on new ventures for oil and gas exploration in Australia and South-East Asia
- developing new opportunities for the company's uncommitted gas reserves
- the identification of growth opportunities in the USA and UK
- the maximisation of production from existing reserves
- the containment of costs
- reduction of the company's debt
- acquisition of a controlling interest in Sagasco.

The Directors are confident of Santos' capacity to satisfactorily achieve each element of the strategy and that the strategy will deliver further growth to Santos. The medium term outlook for the company remains good, underpinned by the strength and potential of the company's Cooper/Eromanga operations. The Cooper Basin's reserves of oil, gas and gas liquids are 20% higher today than 10 years ago. The application of new technology and thinking to the region is yielding new oil reserves and the oil production outlook is solid, reflecting the success of exploration and development in the region over many years. Gas and gas liquids production from the Cooper Basin should remain at least at present levels for the foreseeable future. The contracting of new customers would increase that production and the company is confident these customers will emerge, especially in Queensland, Australia's fastest growing State. Providing oil prices do not decline significantly, Santos' cash flow will enable the company to take advantage of developments in the Australian and international oil and gas industry in the coming years. The current levels of cash flow are more than sufficient for the company to meet its capital investment and dividend requirements. The surplus can be applied to strengthening the balance sheet and grasping opportunities for growth through purchase of producing interests or reserves.

Success in oil exploration and development would add further growth to the company. The Board and management are striving to add to Santos' growth through exploration success and by adding value to the producing assets which returned such a sound performance in 1992.

The company's financial and reserve results in 1992 and outlook for the future are, to a large part, due to the hard work and enterprise of the company's management and employees. On behalf of the Board we thank them for their contribution.

REGIONAL REVIEW



The Palm Valley gas plant in the Amadeus Basin. This region is the sole supplier of gas to the Northern Territory and has substantial uncommitted gas reserves. On 1 January 1993 Santos increased its share of the Amadeus Basin operations by acquiring interests formerly held by AGL.

SOUTH AUSTRALIA

South Australia is the most important source of production for Santos. The company produces crude oil, sales gas and gas liquids from the Cooper/ Eromanga Basins. Output of these products from the South Australian section of the Basins accounted for nearly three-quarters of the company's total production in 1992.

Regional Review

Production		1991	1992	1993
				<i>Forecast</i>
Crude oil	<i>million barrels</i>	4.8	3.9	3.9
Condensate	<i>million barrels</i>	2.2	2.2	1.9
LPG	<i>thousand tonnes</i>	259.8	263.2	239.0
Sales gas	<i>pj</i>	96.3	98.9	104.8
Total	<i>million boe</i>	25.6	25.1	25.7
Reserves				
Crude oil	<i>million barrels</i>	24.0	24.7	
Condensate	<i>million barrels</i>	25.4	23.9	
LPG	<i>thousand tonnes</i>	3458.0	3302.8	
Sales gas	<i>pj</i>	1647.7	1560.6	
Ethane	<i>pj</i>	233.0	222.4	
Total	<i>million boe</i>	400.5	381.6	

Production

South Australian production fell marginally in 1992. The decline is accounted for by a 0.9 million boe reduction in crude oil production, the impact of which was offset by a 0.5 million boe increase in the volume of sales gas and LPG output.

The Cooper Basin Producers entered into a new contract with the Pipelines Authority of South Australia in May 1992. The new contract provides for the Pipelines Authority of South Australia to purchase a minimum additional volume of 10 pj per annum from the Cooper Basin. Gas production increased by 2.7% as a result. The additional volume is being provided at a lower price than under the other existing Cooper Basin gas supply contracts. Although the contract is a four-year agreement, it contains termination provisions which may be exercised by either party at an earlier time.

The contract was negotiated with a view to restoring some of the gas sales lost when the Electricity Trust of South Australia interconnected its electricity grid with New South Wales and Victorian utilities in 1990. Gas demand from AGL was broadly in line with the level of 1991.

Condensate production and 421,000 barrels of crude oil production from South Australia was processed and sold as naphtha in 1992. Naphtha was sold at a premium to crude oil and condensate in South-East Asian markets, a trend which is expected to continue in 1993. Santos has contracted for all of its 1993 Cooper Basin condensate production and a portion of 1993 crude oil production to be sold as naphtha.

Crude Oil Reserves

Additional proved and probable crude oil reserves of 4.6 million barrels were identified in South Australia during the year. This more than replaced production, leaving year-end crude oil reserves slightly higher than the level at which they began the year.

All of the reserves have been added as a result of successful development of existing, producing fields. The foundation for this was the application of new technologies to the analysis of field performance data accumulated over the years in which these fields have been producing.

To improve the description of the existing fields in the region, advanced technology was introduced and applied to the process of information acquisition, interpretation and analysis.

Computerised modelling enhanced well and reservoir performance studies through more sophisticated and thorough studies than previously possible. This, together with development drilling, was responsible for estimates of total recovery from several producing fields being lifted, and the increase in the company's share of South Australian Cooper/Eromanga oil reserves.

Gas and Gas Liquids Reserves

Reserves of gas and gas liquids in South Australia declined by 20 million boe, reflecting the lower level of gas exploration and development undertaken during the year. Thirteen gas exploration wells were spudded in South Australia in 1992 compared with 33 in the previous year. The gas exploration program was successful, with 10 of the wells flowing gas and Santos' share of the additional gas reserves identified being 58pj, compared with the year's target of 42pj. Revisions to gas and gas liquids reserves amounted to an addition of 13.5 million boe.

Review and Adjustment

In February 1993, an agreement was reached between Santos and Crusader Resources NL (Crusader) which resolved the legal dispute between the companies concerning the participation factors used in the Cooper Basin and Downstream Joint Ventures.

Under the agreement, Crusader has accepted the application by Santos of the participation factors for the Unit and Downstream Joint Ventures previously determined by Santos to apply from 1 January 1987 in return for an adjustment of Crusader's Cooper Basin interests. Crusader's current interest of 30% in the Nappacoongee/Murteree Block and the consequential interests in the South Australian Unit and Downstream Joint Ventures will be transposed and re-allocated so that, in effect, Crusader will have a fixed interest of 4.75% in each of the blocks in PELs 5 & 6, including those in which Crusader did not previously hold an interest, and in the Unit and Downstream Joint Ventures. Correspondingly, in effect, Santos' current interest in Nappacoongee/Murteree will increase by 25.25% and its interests in the other blocks will be reduced by 4.75% from 1 January 1992.

Any changes to Santos' share of South Australian Cooper Basin reserves that flow from implementation of the agreement will be made to the 1993 year-end reserve estimate.

Crusader's interest will remain fixed at 4.75% and accordingly, will not be affected by any further review and adjustment to the participation factors. Santos is proceeding with the recalculation of the participation factors for all other parties in the Cooper Basin joint ventures as at 1 January 1987.

As a result of the agreement, Crusader has repaid approximately \$35 million to Santos to give effect to the 1 January 1987 participation factors and the arrangements for the fixed factor of 4.75% in the Unit, Downstream Joint Ventures and Blocks within PELs 5 & 6.

The agreement not only resolves all disputes between Santos and Crusader but represents a significant step in simplifying the South Australian Cooper Basin joint ventures. Santos is working towards further simplification of the joint ventures with the objective being to secure agreement for the introduction of fixed factors for all parties in the joint ventures.

1993 Outlook

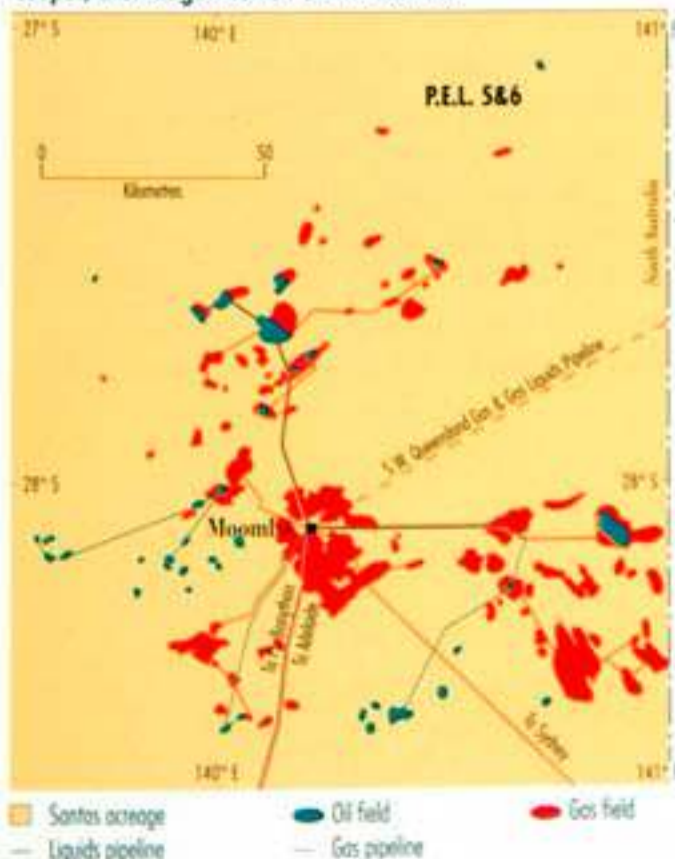
Santos is confident that more reserves estimates will be added by the application of advanced geoscientific and engineering technologies.

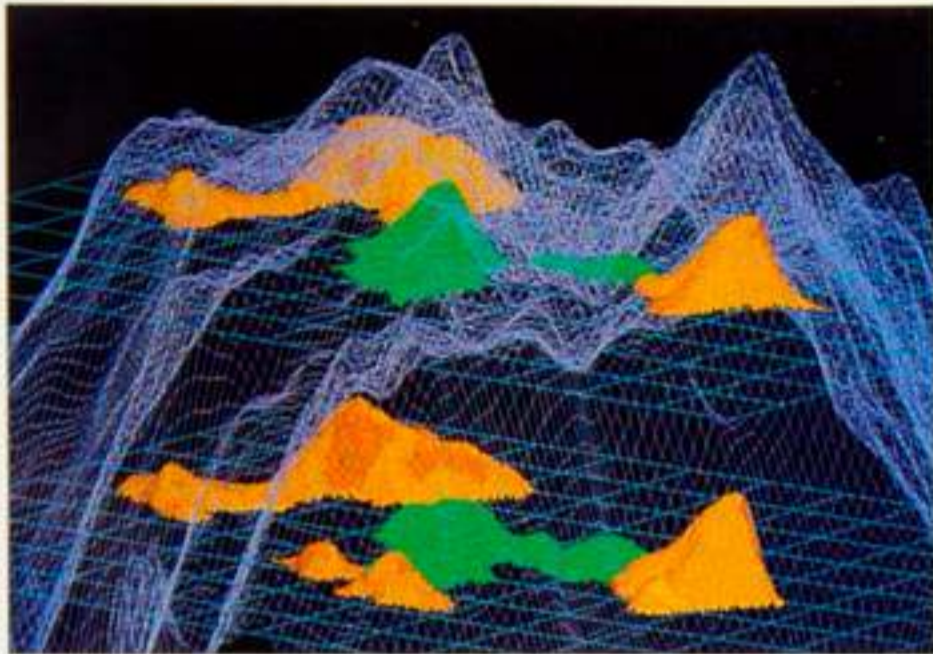
Three oil wells will be drilled on the Gidgealpa field with one testing the field extension suggested by the three-dimensional seismic survey conducted over the field in 1992. The survey was the first three-dimensional seismic survey in the Cooper Basin. Analysis of the information acquired is continuing, but preliminary mapping based on the survey has indicated a possible significant extension in field boundaries. The information obtained from the three-dimensional survey will also be used to improve reservoir management and recovery from the field. The sophisticated field performance studies and reservoir description that commenced with the introduction of computer workstations in 1992 will continue in 1993.

Reservoir engineering activities include plans for further development of high-volume artificial lift pumps, the drilling of the region's first horizontal well and the detailed reservoir characterisation of the region's largest oil field, Tirrawarra.

Santos believes the application of horizontal well technology will prove a cost-effective means of increasing production and reserve estimates from

Cooper/Eromanga Basins - South Australia





This image of the top of the Gidgealpa oil field was generated from data acquired in the three-dimensional seismic survey over the field in 1992. The green areas are some of the oil producing sands within the Namur formation of the field.

The orange areas are possible extensions to the oil producing sands suggested by the survey. Some of these extensions will be tested by drilling in 1993.

reservoirs with relatively thin oil zones, strong aquifers or gas caps. By entering the reservoir horizontally, the well accesses a greater section of the oil zone through a single well bore while suppressing encroachment of the gas above or the water below. A pilot horizontal well will be drilled on the Meranji field in 1993. Acquisition and interpretation of three-dimensional seismic surveys will be continued in South Australia in 1993.

Exploration

Oil exploration in the Cooper/Eromanga Basins in South Australia in 1993 will involve the drilling of three wells and a seismic survey covering 280 km. Analysis will be made of the three-dimensional seismic acquired in the Lake Hope block in 1992. Three-dimensional seismic information covering 138 square km was acquired over oil fields and adjacent prospective areas in the Block. Two-dimensional seismic has not been able to fully define the structure of the producing trends on which these fields lie. It is anticipated that the three-dimensional survey will yield new insights into the trapping of oil in the Lake Hope block and the identification of prospects for drilling in 1994.

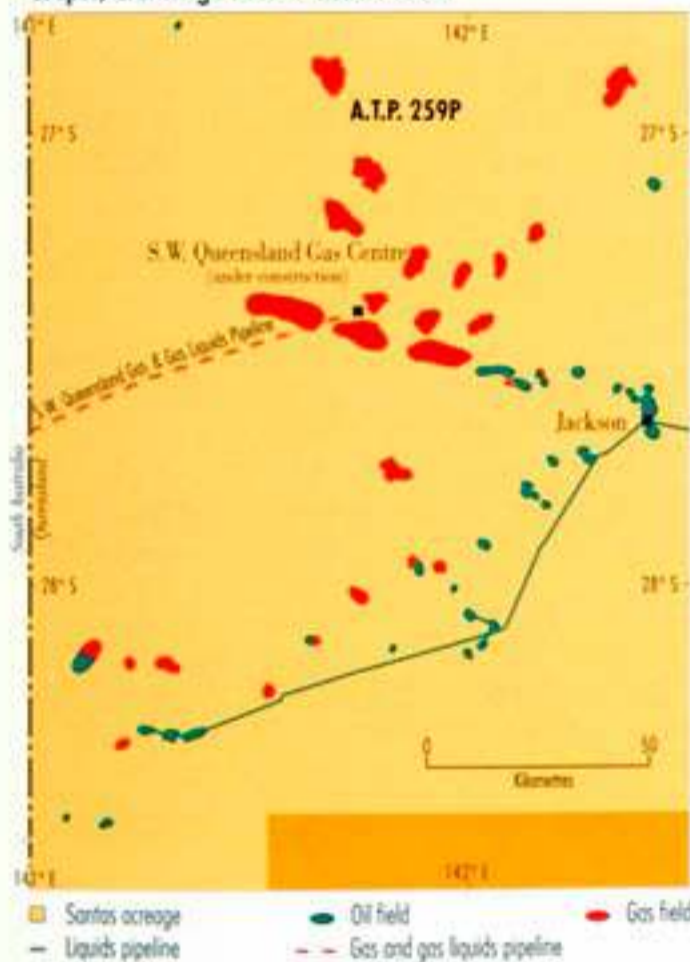
The 1993 gas exploration program comprises 12 wells and 1,070 km of seismic data acquisition, the purpose of which is to maintain the 10-year cover of South Australian gas demand required to extend contracts with Pipelines Authority of South Australia. Successful wells from this program will be rapidly brought on stream, obviating additional development drilling costs. Additionally, this program is anticipated to yield a significant volume of condensate and other gas liquids.

The assets acquired from AGL include exploration acreage in the onshore Otway Basin in South Australia and Victoria. A total of two gas wildcat wells are scheduled to be drilled in the South Australian permits PEL 39 and PEL 40 during 1993.

QUEENSLAND

Queensland is a region of growing importance to Santos. In south-west Queensland, the company operates oil exploration and production in the Cooper/Eromanga Basins. Oil production from south-west Queensland accounted for just over one-fifth of Santos' total oil production during the year. Production of oil from south-west Queensland in 1992 was 8.9% lower than the preceding year because of natural decline in production from mature oil fields. This decline is marginally better than forecast for the year. A relatively minor interest is held in the Surat Basin where Santos earned production from several licences. Santos' share of production from the Surat Basin in 1992 declined because of field depletion.

Cooper/Eromanga Basins - Queensland



Reserves

Exploration and development in south-west Queensland identified additional proved and probable oil and gas reserves of 11.8 million boe in 1992. New crude oil reserves accounted for 5.8 million barrels, more than double the region's oil production for the year. As a result, Santos' year-end crude oil reserves in south-west Queensland were 35.0% higher than in 1991.

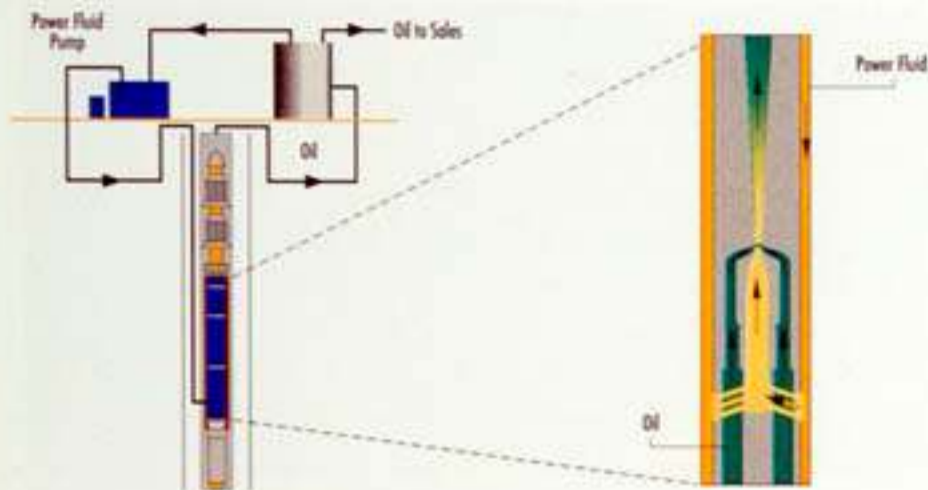
Regional Review

Production	1991	1992	1993 <i>Forecast</i>
South-west Queensland			
Crude oil <i>million barrels</i>	2.8	2.5	2.5
Surat/Denison			
Crude oil <i>million barrels</i>	-	-	0.2
Sales gas <i>pf</i>	0.5	0.3	13.4
LPG <i>thousand tonnes</i>	-	-	1.2
Total <i>million boe</i>	0.1	0.1	2.5
Total Queensland <i>million boe</i>	2.9	2.6	5.0

Reserves

South-west Queensland			
Crude oil <i>million barrels</i>	9.6	13.0	
Condensate <i>million barrels</i>	13.6	13.5	
LPG <i>thousand tonnes</i>	1437.4	1480.9	
Sales gas <i>pf</i>	636.7	662.4	
Ethane <i>pf</i>	83.2	87.0	
Total <i>million boe</i>	158.2	167.1	
Surat/Denison			
Crude oil <i>million barrels</i>	-	2.0	
LPG <i>thousand tonnes</i>	-	2.8	
Sales gas <i>pf</i>	1.6	111.7	
Total <i>million boe</i>	0.4	21.2	
Total Queensland <i>million boe</i>	158.6	188.3	

Exploration added 0.9 million barrels of crude oil. Five of the nine oil exploration wells spudded in south-west Queensland in 1992 flowed oil. New fields were discovered at Patroclus East and Genoa North. As in South Australia, Santos has applied high volume artificial lift technology in south-west Queensland to increase production and recovery estimates. This, together with the application of



Jet Pump

The jet pump is a particularly effective method of increasing production and recovery from wells in the Cooper/Eromanga Basins. The drop in pressure created by pumping a power fluid through a nozzle in the well has a suction effect, lifting oil into a pipe leading to the surface. The economic advantages of jet pumps lie in their simple modular construction which permits them to be moved from well to well or within wells to target different producing zones without need for a drill rig.

computer-aided field performance analysis, has also enabled more accurate estimates of field reserves to be made. Revisions to reserve estimates in south-west Queensland amounted to an increase of 4.9 million barrels, the major upgrades being made to the Naccowlah West, Jackson and Tickalara oil fields. Gas and gas liquids reserves in south-west Queensland increased by 5.9 million boe following detailed mapping, testing and model preparation for planning the initial development of the South-west Queensland Gas Project. This includes the reserves added by Munkah 3, the sole gas appraisal well drilled during the year, which flowed gas and gas liquids.

The impact of the purchase of AGL's upstream assets on Santos' Queensland reserves was to add 21 million boe of proved and probable oil and gas reserves in the Surat Basin and Denison Trough.

Exploration

Santos plans to spend \$20.3 million on exploration in Queensland in 1993 and drill up to 30 wells. Nine oil exploration wells are scheduled for south-west Queensland, testing prospects along the oil fairway which extends in the region from Naccowlah to Mooliampah.

A special exploration project involving up to 12 exploration and appraisal wells and seismic surveys of 740 km is programmed for south-west Queensland during the year. The gas exploration program will aim to establish the reserves for the development of new markets for the South-west Queensland Gas Project in the long term.

Seven gas exploration wells, as well as seismic data acquisition, are programmed for the Surat Basin in 1993. In the Denison Trough, two gas wells and 360 km of seismic data acquisition are budgeted for the year.

SOUTH-WEST QUEENSLAND GAS PROJECT

The South-west Queensland Gas Project will bring the region's gas and gas liquids reserves into production. The first construction phase of the project was finished during the year with the completion of the 180 km pipeline linking the site of the Queensland Gas Centre at Ballera with the Moomba processing plant. Construction of the Gas Centre, its associated flowlines and field development is underway and scheduled to be completed in the final quarter of 1993. The total cost of the project over the 10-year contract period is estimated to be \$150 million, Santos' share of this being \$86 million.

Development and supply of gas from south-west Queensland is being undertaken by a specially created joint venture, the South-west Queensland Gas Unit. Santos has a 57.2% interest in the Unit and is its operator. The Unit Agreement is simpler than the South Australia Cooper Basin Unit Agreement, providing a single, fixed participation factor for each interest holder and coverage of both development of existing resources and exploration of new resources.

Production of gas from south-west Queensland is scheduled to commence on 1 January 1994, under a 10-year contract with the Pipelines Authority of South Australia. The South-west Queensland Gas Producers have contracted to supply South Australia with approximately 30 petajoules of sales gas per annum, taking part of the market currently supplied from the South Australian section of the Cooper Basin. Santos has a slightly higher interest in the south-west Queensland joint venture (57.2% interest) than in the South Australian section of the Cooper Basin (average 56.3% interest in gas production). Therefore, the company will marginally increase its net share of the South Australian gas sales when production commences in 1994.

However, the major benefit the South-west Queensland Gas Project holds for Santos is the gas liquids production it will permit from the many liquids-rich fields in the region and the springboard the Project provides for development of new opportunities for gas sales in Queensland.

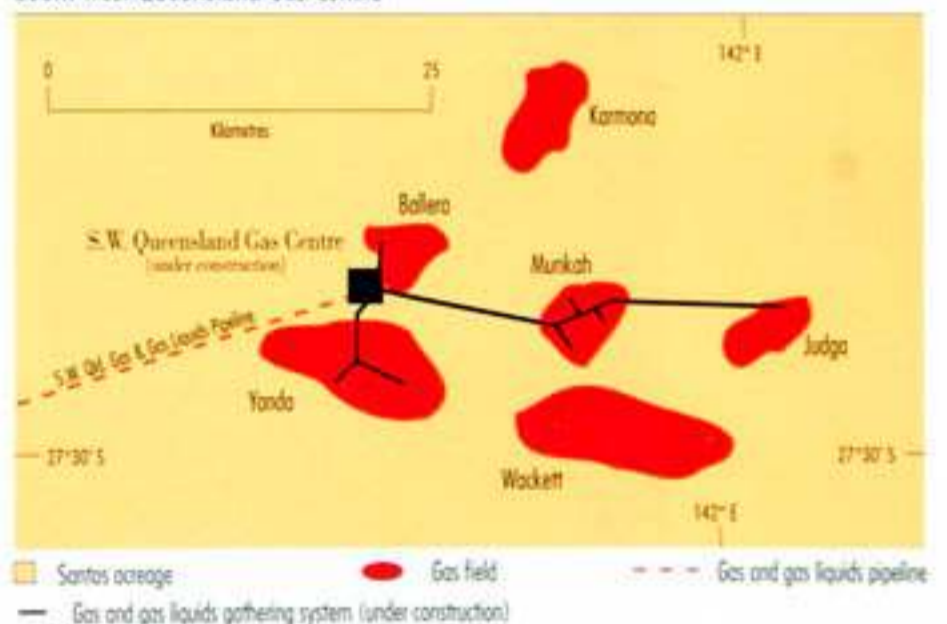
Santos anticipates the superior liquids yields of these fields, compared with those currently producing in South Australia, will enable the company's Australian condensate and LPG production in 1994 to be, respectively, 20% and 7% higher than that achieved in 1992 and that this higher production of liquids can be maintained at least to 1998.

South-west Queensland is expected to account for 16% of gas production, 22% of condensate production and 18% of LPG production in the Cooper/Eromanga Basins over the life of the 10-year contract with the Pipelines Authority of South Australia.

This contribution will expand further if opportunities for new gas sales are realised. Current proved and probable reserves of uncommitted gas in south-west Queensland are estimated, in gross terms, to be in the order of 900 pj. The region has been only lightly explored for gas and Santos is confident that exploration will add substantially to the reserves. The South-west Queensland Gas Unit will commence an exploration program in 1993 with the objective of adding 300 petajoules of sales gas reserves. This, together with existing uncommitted reserves, is expected to be sufficient to meet the needs of those gas consumers in prospect beyond the year 2010.

Several new long-term market opportunities for sales of south-west Queensland gas are being investigated by Santos, the most promising being the supply of gas to Queensland's capital, Brisbane, for domestic and industrial use and possibly power generation.

South-west Queensland Gas Centre



NORTH-WEST AUSTRALIA

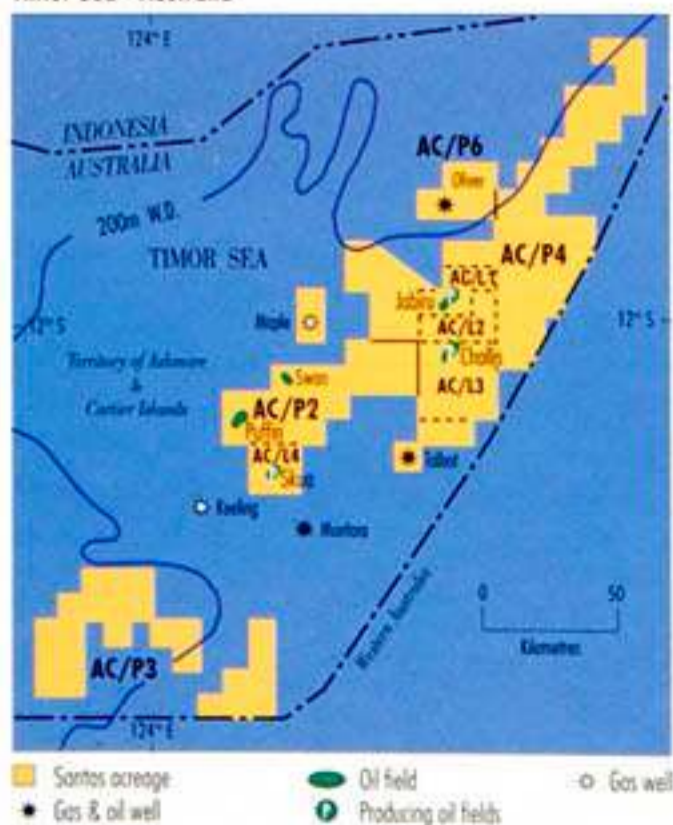
Santos' north-west Australia interests include exploration permits in two oil-producing regions, the Timor Sea and Carnarvon Basin, and frontier exploration acreage in the Timor Gap Zone of Co-operation. Santos has an interest in each of the three producing oil fields in the Timor Sea and these fields contributed more than one-third of the company's oil production in 1992.

Regional Review

Production	1991	1992	1993
			<i>Forecast</i>
Crude oil	<i>million barrels</i>		
Timor Sea	2.3	4.1	2.8
Carnarvon	0.6	0.3	—
Total	2.9	4.4	2.8
Reserves	<i>million barrels</i>		
Crude oil	<i>million barrels</i>		
Timor Sea	9.7	7.8	
Carnarvon	0.2	—	
Total	9.9	7.8	

Timor Sea oil production increased because of the contribution of the Skua oil field. Skua performed above expectations throughout 1992. Average production from the field was approximately 21,300 barrels of oil per day (bopd), 61.9% higher than the average of 13,160 bopd forecast when the field commenced operations. Santos has a 30.6% interest in Skua.

Timor Sea - Australia



The production from Skua more than offset the impact of lower output from the other two producing fields in the Timor Sea, Jabiru and Challis, which have entered decline. The company has a 10.3% interest in Jabiru and Challis, which produced at average rates of 25,600 bopd and 20,700 bopd respectively in 1992.

The decline in Carnarvon Basin output compared with 1991 reflects the depletion and shutting in of the Talisman oil field in July 1992.

Reserves

The strong performance of the Skua oil field meant that Santos was able to restrict its reserve decline in its north-west Australian acreage to 35% of production.

Performance studies conducted on Skua during the year resulted in estimates of initial proved and probable reserves in the field being upgraded from 11 million barrels of oil to 20 million barrels of oil. Cumulative production from the field to 31 December 1992 was approximately 8 million barrels of oil. Overall, the upgrade of Skua's reserves added 2.7 million barrels of oil to Santos' share of year-end reserve estimates. Similar studies resulted in downward revisions of 0.3 million barrels and 0.2 million barrels being made to the company's share of reserve estimates for the Jabiru and Challis fields respectively. Performance of all three fields is being monitored by the operator for verification of the new reserve estimates.

Exploration

Santos' exploration in north-west Australia during the year was almost entirely devoted to the acquisition of high-quality seismic data.

Only one, unsuccessful well was drilled in the Timor Sea in 1992. The well, Warb 1, was drilled early in the year and was the final well in the disappointing exploration of the Timor Sea permits AC/P10, AC/P11 and AC/P12. This acreage was subsequently surrendered, except for the Talbot oil field where the AC/P12 joint venture has applied for a Retention Lease. The Oliver gas and oil field in AC/P6 has been retained, the remainder of that permit being relinquished. Neither Oliver nor Talbot are presently considered economic.

The complex faulting found in the Timor Sea has presented an obstacle to successful exploration. The faulting distorts seismic images, with the result that a large percentage of wells drilled in the region are

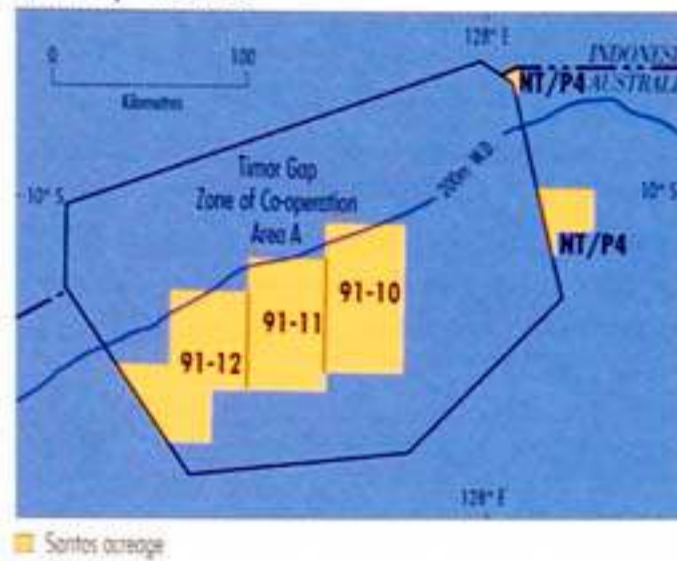
believed to have been invalidly located. An extensive seismic data acquisition program was undertaken in AC/P2, AC/P3 and AC/P4 during the year, to reduce the risk for future drilling by providing greater confidence in well location and target identification. The survey covered over 11,800 km using the most advanced two-and three-dimensional seismic technology available. This, coupled with the use of innovative processing techniques, is considered to have resulted in the acquisition of the most reliable data possible from the region.

In the Carnarvon Basin, a seismic survey of over 30,740 km, including 500 square km of three-dimensional seismic data, was acquired in the permits WA-1-P and WA-8-L. The survey was taken over the trend on which the Talisman oil field and the Legendre discovery lie.

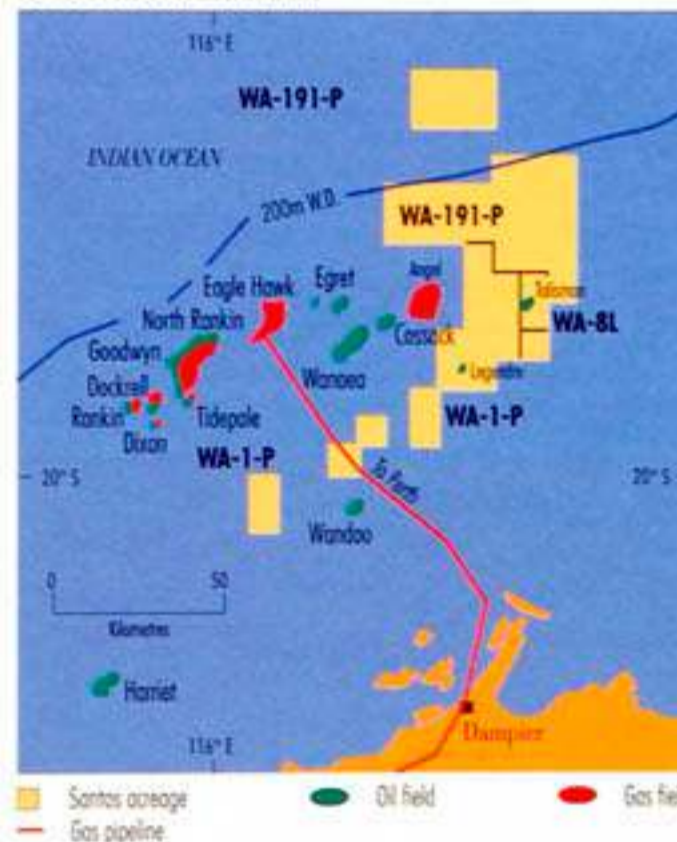
The acquisition of approximately 7,600 km of seismic in the Timor Gap during the year marked the beginning of Santos' exploration of its contract areas ZOCA 91-10 and ZOCA 91-11. The Timor Gap is regarded as high-risk, high-reward, frontier exploration acreage, having been only lightly explored 19 years ago.

The company's holdings in the Timor Gap have been expanded by the addition of a 50.2% interest in ZOCA 91-12 acquired with AGL's upstream assets. Santos shares a total commitment of 13 wells in its Timor Gap permits over the minimum contract term of three years. The first of these wells, Hydra 1, was spudded in ZOCA 91-11 in December and proved unsuccessful. The second well, Basilisk 1, in ZOCA 91-10, was spudded and abandoned in 1993 after encountering hydrocarbons which were insufficient to warrant testing. Although disappointing, the result is significant in proving that oil has been generated and trapped within the Timor Gap acreage. This has eliminated one of the areas of uncertainty about the region's prospectivity. The frontier nature of the Timor Gap and the sheer size of Santos' acreage in the region which covers over 10,400 square km, mean that the failure of the first two wells cannot be interpreted as indicative of the overall prospectivity of the company's Timor Gap acreage.

Timor Gap - Australia



Carnarvon Basin - Australia



1993 Outlook

In 1993, Santos will test targets identified by the extensive seismic survey of the company's north-west Australian acreage in the preceding year. The Timor Gap Zone of Co-operation will account for the majority of wells drilled by Santos in its north-west Australian acreage in 1993. Santos has budgeted to participate in up to seven wells in the Timor Gap during 1993. Two exploration wells are budgeted for the Timor Sea, one in each of AC/P2 and AC/P4. In the Carnarvon Basin, two wells are expected to be drilled in WA-1-P.

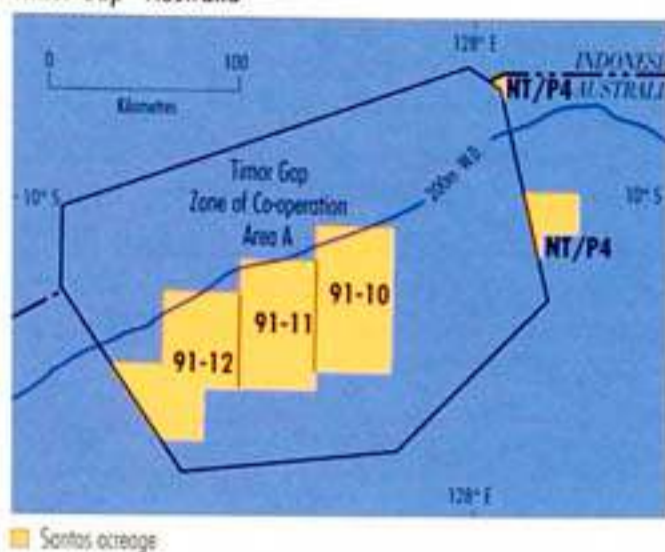
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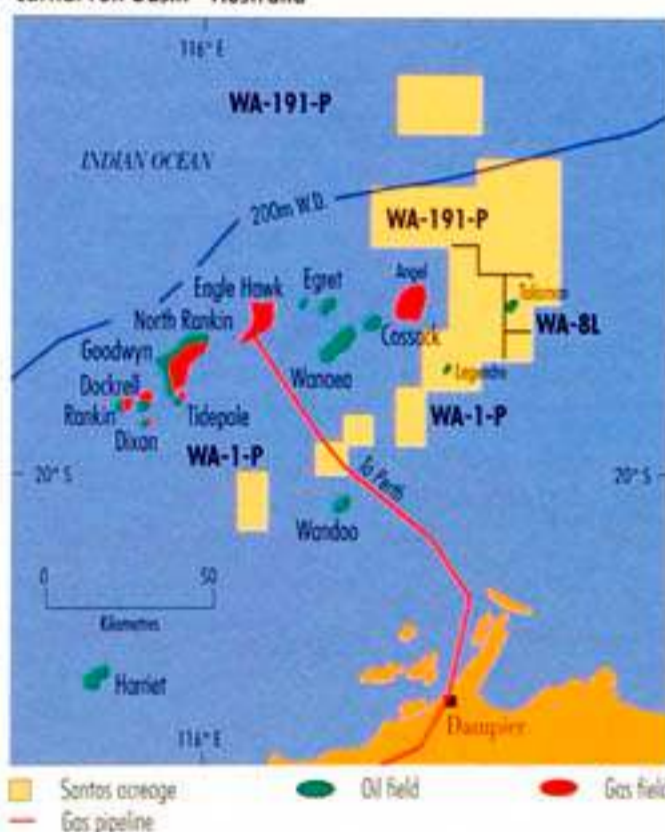
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Timor Gap - Australia



Carnarvon Basin - Australia



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NORTHERN TERRITORY

In the Northern Territory, Santos produces oil and gas from the Amadeus Basin. Although the Amadeus Basin accounted for just over 2% of the company's production in 1992, this share will double in 1993 through the acquisition of AGL's interest in the region's oil and gas operations. There is also the potential for substantial further increases in Santos' Northern Territory sales in the medium to long term, through the sale of uncommitted Amadeus Basin gas reserves and the development of the large offshore Petrel and Tern gas fields.

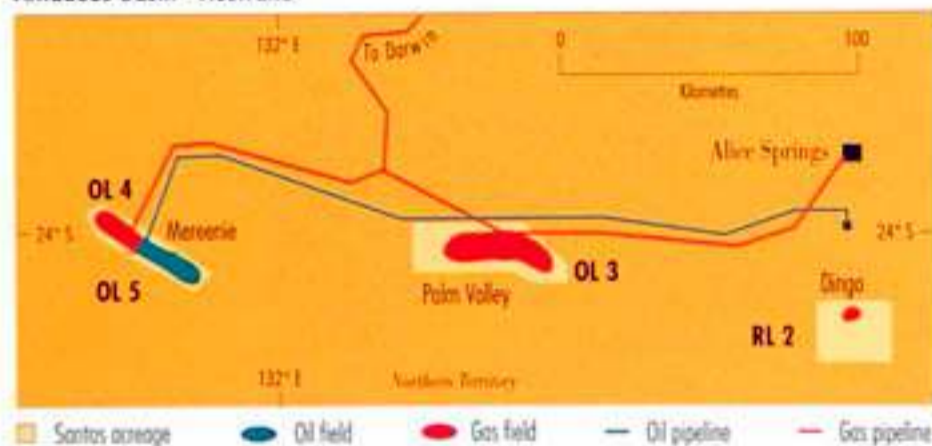
Regional Review

Production	1991	1992*	1993 <i>Forecast</i>	
Crude oil	million barrels	0.1	0.1	0.5
Gas	ppj	3.5	3.6	6.4
Total	million boe	0.7	0.8	1.7

Reserves	1991	1992*	
Crude oil	million barrels	0.6	3.2
Condensate	million barrels	0.2	0.7
Gas	ppj	262.1	517.5
Total	million boe	42.0	82.6

* The 1992 year-end reserves include 2.3 million barrels of crude oil and condensate and 262.1 of gas amounting to a total of 41 million boe acquired from AGL on 1 January 1993.

Amadeus Basin - Australia



Santos' share of the Amadeus Basin production increased by 7.0% in 1992. Oil production from the Amadeus Basin has been maintained as the result of the successful development program, employing fracture stimulation, conducted on the Mereenie field. The increase in gas production is the result of increased demand by the Northern Territory Power and Water Authority.

Bonaparte Basin - Australia



Reserves

Subsequent to year-end, crude oil reserves in the Mereenie field were revised upward by 4.2 million barrels as a result of the success of the oil development program conducted on the field. Santos' share of this increase was 0.9 million barrels before the addition of the 43.75% interest in Mereenie acquired from AGL on 1 January 1993. Santos' share of the revision, including the interest acquired from AGL, was 2.7 million barrels.

Estimates of gross gas reserves in the Amadeus Basin were 4% lower than at 1991 year-end, reflecting depletion by production and a downwards revision to the estimates for the Dingo field.

No reserves are carried for the Petrel and Tern gas fields which are thought to contain 3-5 trillion cubic feet of gas in place in which Santos has an average interest of 55%.

1993 Outlook

Santos believes there is the potential to add to existing Amadeus Basin reserve estimates through further field appraisal and development. Up to seven wells are planned for 1993 to address some of these opportunities.

In the Bonaparte Basin, Santos has budgeted for two gas wells in the offshore permits NT/P28 and WA-18-P as a special exploration project. The wells will appraise the Petrel and Tern gas fields with a view to proving up reserves sufficiently to justify development of these resources.

SOUTH-EAST ASIA

Santos holds exploration acreage in three countries in the South-East Asia region: Malaysia, Cambodia and Papua New Guinea. All of these holdings involve frontier exploration, which carries the potential for large oil discoveries. A minor production interest on the island of Seram, Indonesia, was acquired from AGL on 1 January 1993.

Santos holds a 15% interest in the Malaysian offshore permit PM14, which extends over most of the Penyu Basin. Exploration activity in the permit during the year was devoted to the acquisition and interpretation of 3,570 km of seismic data covering the Rhu discovery and adjacent prospects.

March 1993 will mark the commencement of the final year of Phase 1 of the permit's program. Two more commitment wells are required to be drilled this year. Santos expects to spud both of these in the first half of 1993.

Upon completion of Phase 1, the PM14 joint venture has the option of withdrawing from the permit or entering Phase 2 of the program, which requires the drilling of an additional two commitment wells. A decision on Santos' future involvement in PM14 will be made in light of the 1993 drilling results in the permit.

Cambodia

Santos has a 25% interest in the Cambodian offshore contract area CEB-IV. The area's production sharing contract requires two years of seismic acquisition with an option to drill a well in the third year.

During 1992, 1,218 km of seismic data was acquired in the Block. This information will be interpreted and analysed in 1993, together with a further 500 km seismic survey which will be undertaken during the

year to complete the seismic survey commitment. The result of this analysis will determine whether the option to drill in 1994 is taken up.

Regional Review

Production	1991	1992	1993 <i>Forecast</i>
Crude Oil <i>million barrels</i>			
Seram, Indonesia	-	-	0.3
Reserves			
Crude Oil <i>million barrels</i>			
Seram, Indonesia	-	1.3	

Papua New Guinea

In Papua New Guinea, Santos held a 45% interest in the PPL81 permit at year-end. Previous years' exploration of this permit yielded the Elevela and Ketu gas and condensate discoveries. This permit expired in February 1993. Santos has applied for and been offered a new licence covering the Western Block of the former PPL81 licence, which incorporates the Elevela and Ketu discoveries, and a separate licence over the Darai Block.

The licence offers provide for Santos to hold a 100% interest in the Western Block and a 45% interest in the Darai Block. Documentation to complete the award of these permits is proceeding.

Indonesia

Santos has full ownership of the Bula oil field in Seram, effective from 1 January 1993. Production from the field is in decline and is expected to be 0.3 million barrels in 1993. One exploration well is budgeted by Santos for this region in 1993.

Penyu Basin - Malaysia



■ Santos acreage ● Oil field ● Oil field discovery well

Cambodia



■ Santos acreage ● Oil field ● Gas field — Gas pipeline

AMERICAS & EUROPE

Santos conducts exploration and production in the Gulf Coast region of the United States and exploration in Colombia through its wholly owned subsidiaries, Weeks Exploration Company and Santos Colombia Exploration Inc. Weeks produces oil and gas from the onshore and offshore Gulf Coast region, accounting for 5% of the company's total production in 1992.

Regional Review

Production: USA		1991	1992	1993
				<i>Forecast</i>
Crude oil	<i>million barrels</i>	0.7	0.6	0.5
Sales gas	<i>pfj</i>	8.1	6.7	4.6
Total	<i>million boe</i>	2.1	1.7	1.2

Reserves: USA		1991	1992
Crude oil	<i>million barrels</i>	4.3	2.3
Sales gas	<i>pfj</i>	44.4	35.8
Total	<i>million boe</i>	11.9	8.5

United States of America



- Gulf of Mexico exploration blocks
- Counties in which permits are held with Santos Group interests
- ▲ Production in that county
- Oil well

Americas

Oil and gas production from the United States in 1992 declined by 15.1% compared with the previous year, principally because of field depletion. United States oil and gas reserves at year-end were 28.9% lower than at the beginning of the year. Most of the decline is due to a downgrading of reserve

estimates for Week's interests in the Gulf Coast region. The revision has been made on the results of the 1992 Gulf Coast drilling program, where both appraisal and development wells recorded disappointing results and production performance was poorer than expected.

Exploration

Early in the year, Santos broadened its American exploration portfolio through farm-in agreements which provide interests in oil exploration acreage in Colombia and the Gulf of Mexico. The purpose and effect of the farm-ins has been to re-weight the company's American portfolio through the addition of acreage capable of yielding significant oil discoveries. In February 1992, Santos Colombia Exploration finalised arrangements under which it would acquire interests in three blocks in the Llanos Basin, Colombia. Santos Colombia Exploration will earn a 50% interest in each of the Algarrobo, Cano Guirripo and Cano Caranal contract association areas.

Seismic information was acquired in the Algarrobo and Cano Guirripo contract areas during 1992 and analysed for the selection of drilling targets for the commitment wells.

In the Gulf of Mexico, Weeks farmed into a drilling program of six exploration wells to be drilled over 1992-3. This program originally covered six blocks but was amended after year-end by deleting two blocks located in deep water. The first two wells of this program were spudded in 1992. The first well was plugged and abandoned but the other, in the Ewing Bank 989 block, flowed oil and gas at 456 bopd and 3.25 million cubic feet of gas per day before mechanical difficulties forced abandonment and suspension of the well before the primary oil zone was tested. Further drilling will be required to test the structure.

Weeks spudded 12 wells in the Gulf Coast States in 1992. Three of these wells were completed as oil producers, one as a gas producer and the remainder plugged and abandoned.

1993 Outlook

Reversing the decline in the company's reserves of oil and gas in the Americas is a key priority in 1993, reflected in an expanded level of drilling. Two wells are programmed for the Colombian acreage, one in each of the Cano Guirripo and Algarrobo contract association areas. Three wells are planned for the Gulf of Mexico, including appraisal of

the Ewing Bank 989 discovery. This will complete the current Gulf of Mexico program. Weeks expects to drill 15 exploration wells in the Gulf Coast states, and Arkoma Basin, Oklahoma. It is also planned to acquire producing oil and gas reserves in the United States to offset the risk of exploration.

Europe

Santos' European interests comprise three exploration blocks in the United Kingdom sector of the North Sea and two blocks in the Irish Sea.

Exploration

Exploration was conducted in all of Santos' United Kingdom continental shelf blocks during the year. A three-dimensional seismic survey was conducted over the Pierce oil and gas field in the North Sea block 23/27 and the interpretation of the information provided by the survey will be used to address the question of future appraisal drilling and field development possibilities. Santos has a 3.75% interest in the 23/27 block and, as the field's economic feasibility has yet to be finally established, the company is not carrying any reserves for Pierce. Santos expanded its United Kingdom exploration interests by acquiring interests in two blocks in the Irish Sea. Subject to final government approval, Santos will have a 10% interest in exploration options over the Irish Sea Blocks 50/9 and 50/10. Santos also acted to increase its interest in the 22/27a Block subsequent to year-end through an assignment from Enterprise Oil, which when completed, would increase Santos' equity in the Block by 8% to 11.75%. Seismic data was also acquired in the 22/22c block in the North Sea and the 50/9 and 50/10 blocks. Santos has a 15% interest in 22/22c. Late in 1992, the company participated in bidding for exploration blocks on offer in the United Kingdom Continental Shelf 14th Round. Advice on the success of these bids is expected mid-year 1993.

United Kingdom



■ Santos acreage ■ Oil field ■ Gas field
— Oil pipeline — Gas pipeline

1993 Outlook

Santos expects to drill one well in the North Sea during 1993. The well, to be drilled in the 22/27a block, will test the section of the Banff oil field that is believed to extend into the permit. Exploration activity in the 22/22c and 23/27 blocks will consist of analysis and interpretation of the seismic acquired in 1992.

For and on behalf of the Board

S D M Wallis
Chairman

N R Adler
Managing Director

DIRECTORS

Stanley David Martin Wallis B Com, FCPA, ACIS, ACIM.

Age 53. Director since 8 February 1988 and Chairman since 9 May 1989; and also Chairman of Santos Finance Ltd, Managing Director of Amcor Ltd, and Director of Australian Foundation Investment Company Ltd, AMP Society Principal Board and Spicers Paper Ltd.

John Allan Uhrig AO, BSC, FAIM.

Age 64. Director since 3 December 1991 and Deputy Chairman since 19 May 1992. Chairman of CRA Ltd, Amdel Ltd, Westpac Banking Corporation Group and The Australian Minerals and Energy Environment Foundation. Director of AMP Society Principal Board. Until 1985 was the Managing Director of Simpson Holdings Ltd.

Norman Ross Adler B Com, MBA.

Age 48. Managing Director since 7 November 1984 and also Chairman of other Santos Ltd subsidiary companies. Director of the Australian Institute of Petroleum Ltd, QCT Resources Ltd Group and Commonwealth Bank of Australia. Member of the Corporations and Securities Panel, Business Council of Australia, MFP Development Corporation Board and Australian Formula One Grand Prix Board.

Edmund Arthur Burton LLB.

Age 72. Director since 3 August 1982.

Mr Burton is a lawyer. Director of National Deposit Insurance Corporation Ltd and Arab Australia Ltd.

Neil Rex Clark AO, B Com, FAIB, FCPA.

Age 63. Director since 2 October 1990 and a member of the Audit Committee of the Board. Chairman of Foster's Brewing Group Ltd and Sun Alliance Insurance Group Australia. Director of Boral Ltd, Mayne Nickless Ltd and Graduate School of Management Ltd. Member of IBM Asia Pacific Ltd Advisory Board. Former Managing Director of National Australia Bank Ltd.

Stephen Gerlach LLB.

Age 47. Director since 5 September 1989 and a member of the Audit Committee of the Board. Mr Gerlach is a Company Director, Corporate Advisor and former Managing Partner and now consultant to the Adelaide legal firm, Finlaysons. Director of AMP Australia Board, Independent Holdings Ltd, G & R Wills & Co Ltd and Arrow Ltd.

James Joseph Kennedy CBE, FCA, CPA, ASIA, FAMI.

Age 58. Director since 2 February 1988. Mr Kennedy is a Chartered Accountant. Director of Australian Stock Exchange Ltd, Pacific Dunlop Ltd, Commonwealth Bank of Australia, QCT Resources Ltd and GWA International Ltd. Chairman of Queensland Investment Corporation and Non-Executive Chairman on the Queensland Board of Advice of Sedgwick Ltd.

Richard Chapman Hope Mason OBE.

Age 68. Director since 2 September 1986. Chairman of The Australian Gas Light Company Group and Elgas Ltd. Director of Renison Goldfields Consolidated Ltd. Appointee of Sangas Development Ltd, holder of the B Class shares. Former Director and Chief General Manager of Ampol Ltd.

Keith Woodward Peterson FCPA, FCIS.

Age 70. Director since 4 October 1983 and Chairman of the Audit Committee of the Board. Executive Director of Uniquist Ltd Group. Senator of the University of Queensland 1986-1992. Managing Director of Queensland Alumina Ltd between 1974 and March 1987.

Robert Strauss MBE, CPA, FCA, FCPA, FCIS.

Age 67. Director since 4 October 1983. Mr Strauss is a Chartered Accountant. Executive Chairman of Bridge Oil Ltd Group. Chairman of John Kaldor Fabricmaker Ltd Group, Deputy Chairman of Aredor-Guinea SA and Director of Dominion Mining Ltd and Gibson Holdings Inc. Chairman of the Council of the Australian Simon University.

Ian Ernest Webber AO, BE, ATS, FCIT, FAIM.

Age 57. Director since 16 February 1993. Chairman of Mayne Nickless Ltd Group (including Optus Pty Ltd), United Australian Automotive Industries Ltd and Deputy Chairman of State Bank of South Australia. Director of Amcor Ltd, Pacific Dunlop Ltd and Scizzo Automotive Research Ltd. Chairman ASEA Brown Boveri Advisory Board and National Institute of Labour Studies. Former Managing Director and Deputy Chairman of Chrysler Australia Ltd and Managing Director of Mitsubishi Motors Australia Ltd.



left to right
J A Uhrig
S D M Wallis
N R Adler



left to right
R C H Mason
N R Clark
E A Burton
I E Webber



left to right
Robert Strauss
K W Peterson
S Gerloch
not pictured
J J Kennedy

LICENCE AREAS & INTERESTS

SOUTH AUSTRALIA

	Interest
# PEL's 5 & 6	
Clifton	60.00
Haddon	61.25
Koonchera	60.00
Patchawarra Central	42.50
Patchawarra East	34.82
Merrimelia-Innamincka	80.00
Patchawarra South West	55.00
Lake Hope	60.00
Murta	59.00
Moomba	60.00
Nappacoongee-Murteree	42.00
Toolachee	60.00
Tinga Tingana	59.00
* PEL 39	30.00
* PEL 40	35.00

Subject to adjustment pursuant to agreement with Crusader Resources N.L.

QUEENSLAND

* ATP 336 (Roma)	85.00
* ATP 378P (Burunga)	67.50
ATP 403P	100.00
* ATP 470P (Redcap)	10.00
* ATP 471P (Myall)	27.78
* ATP 471P (Rocky Creek East)	20.00
* ATP 336P (Waldegrave)	42.50
* ATP 470P, 471P (Weribone)	5.91
* ATP 493P	100.00
* ATP 514P	100.00
* ATP 494P	100.00
* ATP 511P	100.00
* ATP 512P	100.00
* ATP 516P	100.00
* ATP 534P	100.00
* ATP 332P	12.50
* ATP 244P	
* Blocks A and E	30.00
* Blocks B and C	40.00
* Block D	20.00
* PL 2 (Alton Remainder)	100.00
* PL 2 (Alton Farmout)	51.00
* PL 1 (Moonie)	100.00
* PL 1 (Cabawin Exclusion)	100.00
* PL 1 (Cabawin)	50.00
* PL 2 (Kooroon)	52.50
* PL's 4, 5 & 11 (Barcoo)	42.58
* PL 5 (Drillsearch)	21.25
* PL 5 (Mascotte)	42.50
* PL 12 (Trinidad)	92.50
* PL 17 (Bennett Exclusion Zone)	100.00
* PL 17 (Bennett)	60.00
* PL 18 (Rocky Creek)	25.00

* ATP 337P (Denison Trough)	50.00
* ATP 502P (Denison Trough)	50.00
* ATP 451P (Denison Trough)	50.00
* ATP 336 (Kalina)	76.50
ATP 259P	
50/40/10	60.00
Naccowlah	48.00
Total 66	70.00
Wareena	59.20
Innamincka	65.00
Aquitaine "A"	52.50
Aquitaine "B"	55.00
ATP 488P	
Alkina	60.00
Aquitaine "C"	47.80

VICTORIA

VIC/P22	25.00
* PEP 100	35.00
* PEP 119	60.00
* PEP 126	50.00

TIMOR SEA

ZOCA 91-10	25.00
ZOCA 91-11	15.00
* ZOCA 91-12	50.22

WESTERN AUSTRALIA

WA-18P	70.00
WA-191P	27.37
WA-1P	22.56
WA-8L	27.37
WA-222P	47.49

NORTHERN TERRITORY

NT/RL1	65.00
AC/P2	30.75
AC/L4 (Skua)	30.59
AC/P3	15.00
AC/P4	11.50
AC/L1 (Jabiru)	10.31
AC/L2 (Challis)	10.31
AC/L3 (Cassini)	10.31
# AC/P6	38.00
** AC/P12	33.33
NT/P4	100.00
NT/P28	47.49
* NT/RL2	52.93
* OL's 4 & 5	65.00
* OL 3	37.35

Withdrawing from the Permit except Oliver location.

** Withdrawing from the Permit except Talbot location.

UNITED KINGDOM

	Interest
# P114 (22/27a)	3.75
P114 (23/27)	3.75
P747 (22/22c)	15.00

The Santos Group is acquiring a further 8% share in this Permit.

PAPUA NEW GUINEA

PPL 81	45.00
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This permit is being surrendered conditional upon grant of PPL's 157 and 158.

UNITED STATES OF AMERICA

	Working Interest Average
Southern Louisiana Tertiary	37.15
Mississippi Smackover	45.15
East Texas Cretaceous	16.08
South Texas Wilcox	44.11
Lobo Trend - Texas	95.19
Plio/Pleistocene	
- Offshore Louisiana	38.89
Miocene Trend - Offshore Texas	40.62
Paleozoic Trend - Texas	30.97
Anadarko Basin - Oklahoma	11.38
Arkoma Basin - Oklahoma	64.63
Arkoma Basin - Arkansas	64.00
Total Average	44.38

MALAYSIA

PM14	
Contributing interest	20.00
Participating interest	15.00

Interest

CAMBODIA

Exploration Block No. IV	25.00
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COLOMBIA

Algarrobo, Cano Guirripo, Cano Caranal Association Contract Areas	50.00
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INDONESIA

* Seram	2.50
* Bula	100.00

Santos is also participating in production licences at levels of interest different from those in the surrounding exploration permits.

* Certain of these interests are subject to standard joint venture and Ministerial approval.

EXPLANATORY NOTES

Petajoules and Gigajoules

Joules are a metric measurement of energy and the measurement by which Santos sells its gas. A gigajoule is one billion (1,000,000,000) joules or 1 kilojoule x 10⁶. A petajoule is equal to one million gigajoules or 1 kilojoule x 10¹². The equivalent imperial measure to joules is British Thermal Units (BTU). One kilojoule = 0.9478 BTU.

Proved and Probable Reserves

Until oil and gas are actually recovered from the ground, measurements of the quantity that can be ultimately recovered, the reserves, can only be made by estimation. Reserves estimates rely on seismic surveys and the drilling of wells which may be hundreds of metres apart, to provide information on the oil and gas reservoirs which lie several kilometres below the earth's surface. As the information provided by these sources is limited, reserve estimates are classified according to the confidence with which the estimate can be made.

Proved reserves are defined by the Australian Stock Exchange as those reserves that, to a high degree of certainty, are recoverable, at commercial rates, under presently anticipated production methods, operating conditions, prices and costs. Probable reserves are defined by the Australian Stock Exchange as those reserves that may be reasonably assumed to exist because of geophysical or geological indications and drilling done in regions which contain proven reserves.

Cooper Basin Unit Joint Venture

The exploration rights to the Cooper Basin region of South Australia were originally held by Santos alone. Other companies gained interests in parts ('blocks') of the region by funding exploration. Each of these blocks was a new, separate joint venture.

Gas sales commenced to Adelaide in 1969 from one block. By the early 1970's a number of additional gas fields capable of supplying gas had been discovered in several other blocks and a sales contract for the supply of gas to New South Wales had been concluded. The South Australian Cooper Basin Unit was created to amalgamate the gas reserves of these blocks and provide for their development under a single joint venture ('The Unit').

The interest of the various companies in the Unit are reviewed and adjusted periodically to reflect estimates of reserves in each block.

Barrels of Oil and Barrels of Oil Equivalent

Oil is sold by the barrel, a practice which dates back to the industry's origins in the United States of America when oil was stored in barrels of 42 US gallons. A barrel is equivalent to 159 litres or 35 'imperial' gallons.

Hydrocarbon products including natural gas, LPG and condensate can be measured by volume, energy content or weight. The liquids products of condensate and LPG are usually measured in barrels and tonnes respectively.

Although there are different conventions for measuring hydrocarbon products, it is possible to compare quantities of each by converting these measurement units into a common unit based on their energy content. This common unit is called a barrel of oil equivalent (boe). A boe is the amount of energy a barrel of oil generates when burned. The energy content of different hydrocarbons can be compared in terms of how many boe's a particular quantity of hydrocarbon product contains. The quantity required to generate one boe varies between hydrocarbon products and the following are the conversion factors Santos uses for each of its products.

Crude Oil:	1 barrel = 1 boe
Sales Gas:	1 petajoule = 171.937 boe x 10 ⁹
Condensate/Naphtha:	1 barrel = 0.935 boe
LPG:	1 tonne = 8.458 boe
Ethane:	1 petajoule = 171.937 boe x 10 ⁹

Seismic Surveys and Three Dimensional Seismic

Seismic surveys are used to gain an understanding of rock formations beneath the earth's surface.

Oil and gas are believed to be the remains of decomposed plant and animal matter buried hundreds of millions of years ago and trapped beneath the earth's surface. By conducting a seismic survey, oil and gas explorers are able to obtain indications of whether the rock formations would be capable of trapping oil and gas and the depth of the formations. Three-dimensional seismic is a relatively new technique which enables the compilation of three-dimensional images of rock formations compared with the two-dimensional image provided by conventional seismic. The greater accuracy of three-dimensional seismic and the better image it provides of rock formations allows more accurate targeting of wells.

10 YEAR SUMMARY

	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992
PROFIT AND LOSS* (\$million)										
Sales revenue	147.0	287.5	506.5	400.4	530.7	436.1	560.6	709.5	655.9	689.8
Total operating revenue	161.4	315.9	578.2	483.3	589.2	465.6	603.0	812.9	705.9	752.0
Crude oil price (A\$/bbl)	36.35	34.30	37.55	25.70	29.61	19.26	23.44	30.72	28.00	28.65
<i>Operating profit before abnormal items</i>										
Operating profit before tax	74.3	95.2	232.7	164.4	199.3	122.9	146.6	254.8	223.5	283.5
Income tax on operating profit	25.6	24.1	95.9	82.3	102.9	53.8	61.7	112.0	106.8	119.9
Operating profit after tax	48.7	71.1	136.8	82.1	96.4	69.1	84.9	142.8	116.7	163.6
<i>Abnormal items</i>										
Abnormal items	-	-	(46.2)	(27.2)	18.1	(77.3)	55.7	18.5	(284.9)	(65.9)
Income tax benefit/(expense) on abnormal items	-	-	-	27.3	7.6	16.1	(21.8)	-	60.0	15.0
Abnormal items after tax	-	-	(46.2)	0.1	25.7	(61.2)	33.9	18.5	(224.9)	(50.9)
<i>Operating profit/(loss) after tax and abnormal items</i>	48.7	71.1	90.6	82.2	122.1	7.9	118.8	161.3	(108.2)	112.7
Outside equity interest in operating profit/(loss)	-	-	-	-	5.0	5.7	1.7	5.3	2.7	-
<i>Profit/(loss) attributable to shareholders</i>	48.7	71.1	90.6	82.2	117.1	2.2	117.1	156.0	(110.9)	112.7
BALANCE SHEET (\$million)										
Total shareholders' equity	127.8	335.9	466.0	597.3	860.3	1,106.8	1,123.8	1,380.2	1,215.1	1,231.7
Total assets	805.2	1,416.4	1,924.9	1,883.6	2,378.7	2,849.0	2,931.6	2,962.5	2,797.6	2,838.6
Net debt	403.6	648.7	717.1	593.7	864.7	919.3	1,116.1	772.4	755.0	802.2
EXPLORATION										
Wells drilled	46	92	82	48	97	120	133	119	80	41
Expenditure (\$million)	36.2	75.5	71.7	43.2	55.6	90.9	109.2	109.2	74.0	76.7
Reserves (MMBOE)	340	388	422	412	552	623	671	646	623	670#
Production (MMBOE)	15.6	19.4	24.9	25.5	30.6	30.6	35.6	36.0	34.2	34.6
CAPITAL EXPENDITURE (\$million)										
Field developments	9.6	26.1	29.3	14.9	13.6	20.1	54.9	77.2	51.9	33.2
Buildings, plant and equipment	214.7	114.3	61.9	21.9	63.4	40.4	59.7	60.9	69.1	75.6
SHARE INFORMATION										
Share issues	-	1 for 4 rights	1 for 4 rights	-	1 for 10 rights/ Exploration purchase/ Executive share plan	1 for 10 bonus/ 1 for 4 rights/ Private placement	Executive share plan	1 for 10 rights/ Dividend reinvestment plan/ Executive share plan	Dividend reinvestment plan/ Executive share plan	Dividend reinvestment plan/ Executive share plan
Number of issued shares at year end ('000)	153,348	191,994	240,000	240,000	273,786	403,302	404,322	450,418	472,952	498,623
Weighted average number of shares ('000)**	213,983	231,186	248,557	274,219	300,271	328,789	413,143	423,253	461,420	478,994
Dividends per share (¢)	12.0	15.0	20.0	16.0	19.0	19.0	19.0	19.0	19.0	21.0
Dividends (\$million)	18.4	24.8	38.4	38.4	55.7	68.9	76.0	85.5	88.5	102.7
RATIOS AND STATISTICS										
Earnings per share**										
- before abnormal items (¢)	22.8	30.8	55.0	29.9	30.4	19.8	20.1	32.5	24.7	34.2
- after abnormal items (¢)	22.8	30.8	36.5	30.0	39.0	0.7	28.3	36.9	(24.0)	23.5
Return on total income (%)	30.2	22.5	23.7	17.0	16.4	14.8	14.1	17.6	16.5	21.8
Return on shareholders' funds (%)	38.1	21.7	29.4	13.7	12.0	6.4	8.0	10.6	9.7	13.3
Net debt/equity (%)	315.8	193.1	153.9	99.4	100.5	83.1	99.3	55.9	62.1	65.1
Interest cover (times)	4.3	2.2	3.0	2.8	3.3	2.4	1.9	2.9	3.6	5.7
GENERAL										
Number of shareholders	17,986	23,052	24,665	26,653	25,267	27,113	26,499	26,251	29,706	35,492
Market capitalisation (\$million)	1,218.8	1,069.6	1,271.5	984.7	1,094.4	1,335.1	1,639.3	1,779.8	1,399.2	1,288.5

* Comparative figures have, where applicable, been adjusted to place them on a comparable basis with current year figures.

** Based on weighted average number of shares on issue adjusted for bonus issues and the bonus component of rights and other share issues.

Includes 63 MMBOEs acquired from The Australian Gas Light Company effective 1 January 1993.

FINANCIAL STATEMENTS

as at 31 December 1992

Contents

Directors' Statutory Report	30
Profit and Loss Accounts	32
Balance Sheets	33
Statements of Cash Flows	34
Notes to the Accounts	35
Statement by Directors	55
Auditors' Report	55
Stock Exchange and Shareholder Information	56

DIRECTORS' STATUTORY REPORT

This report by the Directors of Santos Ltd ("the Company") is made pursuant to Division 6 of Part 3.6 of the Corporations Law for the year ended 31 December 1992 and is accompanied by the Financial Statements for the period and by other information, which are to be read as part of the report:

1 Directors and Directors' Shareholdings

The names of Directors of the Company in office at the date of this report and details of shares held by each of those Directors in the share capital in the Company or in any related body corporate as recorded in the Register of Directors' Shareholdings are:

Surname	Other Names	Shareholdings in Santos Ltd
Wallis	Stanley David Martin (Chairman)	13,025
Uhrig	John Allan (Deputy Chairman)	-
Adler	Norman Ross (Managing Director)	760,000*
Burton	Edmund Arthur	6,702
Clark	Neil Rex	-
Gerlach	Stephen	3,345
Kennedy	James Joseph	3,345
Mason	Richard Chapman Hope	-
Peterson	Keith Woodward	1,840
Strauss	Robert	7,033
Webber	Ian Ernest	-

All shareholdings shown above are held beneficially.

Except where otherwise indicated, all shareholdings are of fully paid ordinary shares of 25 cents each.

*Includes 610,000 partly paid Executive Share Plan Shares.

No Director holds shares in any related body corporate, other than in trust for the Company.

Details of the qualifications, experience, other directorships and special responsibilities of each Director are set out on page 24 of this Annual Report.

Mr William Faulding Scammell retired as a Director of the Company during the year and Mr Ian Ernest Webber was appointed a Director of the Company on 16 February, 1993.

2 Principal Activities

The principal activities of the economic entity constituted by the Company and the entities it controlled from time to time during the year ("economic entity") were gas and petroleum exploration, and the production, treatment and marketing of natural gas, crude oil, condensate, naphtha and liquid petroleum gas. No significant change in the nature of these activities has occurred during the year.

3 Consolidated Result

The net amount of Consolidated Profit for the year ended 31 December 1992 after providing for income tax and abnormal items was \$112.7 million.

4 Dividends

In respect of the year ended 31 December 1992:-

- the Directors on 16 March 1993 declared a fully franked final dividend of 11 cents per fully paid share to be paid on 18 June 1993 to members registered in the books of the Company as at close of business on 25 May 1993. This final dividend amounts to approximately \$54.5 million; and
- a fully franked interim dividend of \$48.2 million (10 cents per share) was paid to members in November 1992.

A fully franked final dividend of \$46.97 million on the 1991 results (10 cents per share) was paid in June 1992. Indication of this dividend payment was disclosed in the 1991 Annual Report.

5 Review of Operations

A review of the operations and results of those operations of the economic entity during the financial year is contained in the Report to Shareholders forming part of this Annual Report ("Report to Shareholders").

6 State of Affairs

No significant change in the state of affairs of the economic entity occurred during the financial year that is not otherwise disclosed in this report, the Report to Shareholders or in the Consolidated Accounts save and except that:

- during the year, by reason of takeover offers for shares in Vamgas Ltd and Latec Investments Ltd, these companies became wholly owned subsidiaries; and
- during the year the Company acquired 42 million shares in SAGASCO Holdings Ltd equivalent to approximately 19.9% of the issued capital of that company.

7 Subsequent Events

Other than as stated elsewhere in this report or in the Report to Shareholders there has not arisen in the interval between the end of the financial year and the date of this report any matter or circumstance that has significantly affected or may significantly affect the operations of the economic entity, the results of those operations, or the state of affairs of the economic entity in subsequent financial years.

On 5 January 1993 the Company announced that it had acquired the upstream oil and gas assets and oil pipeline interests of The Australian Gas Light Company for \$177.5 million, before adjustments for working capital and non-current liabilities. The acquisition was effective from 1 January 1993 and the final price is subject to adjustment based on completion accounts as at 31 December 1992. The Company paid a provisional consideration of \$152.1 million and will assume estimated external borrowings of \$17.8 million. Acquisition of certain of the smaller interests is subject to standard Ministerial and Joint Venture consents.

On 24 February 1993 the Company announced that agreement had been reached with Crusader Resources N.L. ("Crusader") which resolved the legal dispute between those companies concerning the participation factors used in the Cooper Basin and Downstream Joint Ventures. The agreement will result in Crusader holding, in effect, a 4.75% fixed interest in each block in PELs 5 and 6 and in the Unit and Downstream Joint Ventures. Pursuant to the agreement the Company has received approximately \$35 million from Crusader. The agreement is not expected to have any material adverse impact on the Company's prior or current year results.

8 Future Developments

Certain likely developments in the operations of the economic entity and the expected results of these operations subsequent to the financial year ended 31 December 1992 are referred to in the Report to Shareholders and it is the present intention of the Company, subject to the Company not being restrained from so doing, and subject to the provisions of the Corporations Law, to acquire further shares in or assets of SAGASCO Holdings Ltd and accordingly the Company proposes to defend and make appropriate counter claims against the Trade Practices Commission in relation to the permanent injunction being sought by the Trade Practices Commission to restrain the Company from acquiring shares in or assets of SAGASCO Holdings Ltd. In the opinion of the Directors it would prejudice the interests of the Company if further information which may be required by Section 305(11) of the Corporations Law be included in the Report was so included and that information has been excluded in accordance with Section 306 of the Corporations Law.

9 Directors' Interests

- (a) Directors have declared interests in contracts or proposed contracts with the Company by virtue of their association with the companies specified in the statement setting out particulars of the qualifications, experience and special responsibilities of each Director on page 24 of this Annual Report. Some of these companies have transactions with the Company in the ordinary course of business.
- (b) There are no particulars of Directors' interests declared in contracts which require to be reported under Section 307(1)(c) of the Corporations Law which are not otherwise disclosed in this report.

10 Directors' Benefits

Since the end of the previous financial year no Director of the Company has received or become entitled to receive a benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors shown in the Consolidated Accounts or the fixed salary of a full time employee of the Company or an entity that the Company controlled or a body corporate that was related to the Company at a relevant time) by reason of a contract made by the Company or a body corporate (that was related to the Company when the contract was made or when the Director received or became entitled to receive the benefits) with the Director or with a firm of which he is a member or with an entity in which he has a substantial financial interest except that:

- (a) Mr S Gerlach was up to 31 December 1992 a member of the legal firm of Finlaysons and thereafter a consultant to Finlaysons, which firm was paid fees for legal services during the period 1 January 1992 to the date of this report rendered to the economic entity in the ordinary course of business;
- (b) Mr W F Scammell was following his retirement during the year paid a retirement benefit pursuant to an agreement entered into with members' approval at the 1989 Annual General Meeting; and
- (c) an agreement was entered into on 16 March 1993 with Mr I E Webber, a non-executive director appointed on 16 February 1993, in accordance with members' approval at the 1989 Annual General Meeting, providing for payment of a sum on retirement from office as a Director.

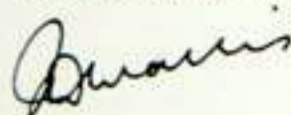
11 Share Options

There are no unissued shares under option.

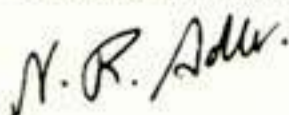
12 Rounding

The Company is a company of the kind referred to in Class Order dated 15 April 1991 made by the Australian Securities Commission pursuant to subsection 313(6) of the Corporations Law and accordingly amounts set out in the accounts and reports contained in this Annual Report have been rounded off to the nearest tenth of a million dollars or, where the amount is \$50,000 or less, zero.

This report is made out on 16 March 1993 in accordance with a resolution of the Directors.



S D M Wallis
Director
16 March 1993



N R Adler
Director

PROFIT AND LOSS ACCOUNTS

For the Year Ended 31 December 1992

	Note	Consolidated		Santos Ltd	
		1992 \$million	1991 \$million	1992 \$million	1991 \$million
Operating revenue	2	752.0	705.9	499.9	494.3
Operating profit before abnormal items	3	283.5	223.5	217.6	185.1
Abnormal items	3	(65.9)	(284.9)	(77.1)	(220.2)
Operating profit/(loss) before income tax		217.6	(61.4)	140.5	(35.1)
Income tax attributable to:					
- operating profit before abnormal items	4	(119.9)	(106.8)	(61.2)	(52.3)
- abnormal items	4	15.0	60.0	-	15.2
		(104.9)	(46.8)	(61.2)	(37.1)
Operating profit/(loss) after income tax	19	112.7	(108.2)	79.3	(72.2)
Outside equity interests in operating profit/(loss) after income tax		-	(2.7)	-	-
Operating profit/(loss) after income tax attributable to shareholders of Santos Ltd		112.7	(110.9)	79.3	(72.2)
Retained profits at the beginning of the year		66.7	266.3	50.8	211.5
Total available for appropriation		179.4	155.4	130.1	139.3
Dividends provided for or paid	5	(102.7)	(88.5)	(102.7)	(88.5)
Aggregate of amounts transferred from reserves	17	-	(0.2)	-	-
Retained profits at the end of the year		76.7	66.7	27.4	50.8

The Profit and Loss Accounts are to be read in conjunction with the notes to and forming part of the financial statements.

BALANCE SHEETS

As 31 December 1992

	Note	Consolidated		Santos Ltd	
		1992 \$million	1991 \$million	1992 \$million	1991 \$million
CURRENT ASSETS					
Cash	6	89.5	75.7	0.5	0.4
Receivables	7	130.9	140.7	65.7	81.3
Investments	8	29.4	118.4	5.6	6.4
Inventories	9	50.9	39.8	28.8	22.6
Other	10	-	-	92.1	59.2
TOTAL CURRENT ASSETS		300.7	374.6	192.7	169.9
NON-CURRENT ASSETS					
Receivables	7	22.2	27.2	15.8	20.4
Investments	8	355.3	220.5	1,351.6	1,120.1
Property, plant and equipment	11	1,966.2	1,988.8	1,024.2	1,004.8
Intangibles	12	107.7	114.9	-	-
Other	10	86.5	71.6	-	-
TOTAL NON-CURRENT ASSETS		2,537.9	2,423.0	2,391.6	2,145.3
TOTAL ASSETS		2,838.6	2,797.6	2,584.3	2,315.2
CURRENT LIABILITIES					
Creditors and borrowings	13	79.0	172.5	39.8	63.0
Provisions	14	172.8	146.5	125.8	122.1
Other	15	-	-	965.8	715.5
TOTAL CURRENT LIABILITIES		251.8	319.0	1,131.4	900.6
NON-CURRENT LIABILITIES					
Creditors and borrowings	13	948.1	881.7	1.2	1.7
Provisions	14	391.9	369.5	257.4	257.3
Other	15	15.1	12.3	12.1	9.9
TOTAL NON-CURRENT LIABILITIES		1,355.1	1,263.5	270.7	268.9
TOTAL LIABILITIES		1,606.9	1,582.5	1,402.1	1,169.5
NET ASSETS		1,231.7	1,215.1	1,182.2	1,145.7
SHAREHOLDERS' EQUITY					
Share capital	16	123.9	117.4	123.9	117.4
Reserves	17	1,031.1	988.1	1,030.9	977.5
Retained profits		76.7	66.7	27.4	50.8
Shareholders' equity attributable to shareholders of Santos Ltd		1,231.7	1,172.2	1,182.2	1,145.7
Outside equity interests in controlled entities		-	42.9	-	-
TOTAL SHAREHOLDERS' EQUITY		1,231.7	1,215.1	1,182.2	1,145.7

The Balance Sheets are to be read in conjunction with the notes to and forming part of the financial statements.

STATEMENTS OF CASH FLOWS

For the Year Ended 31 December 1992

	Note	Consolidated		Santos Ltd	
		1992 \$ million	1991 \$ million	1992 \$ million	1991 \$ million
CASH FLOWS FROM OPERATING ACTIVITIES					
Sales receipts		693.0	660.2	407.3	417.2
Overriding royalties received		16.1	13.3	19.5	14.4
Dividends received		10.3	11.2	20.4	55.3
Interest received		9.7	13.1	0.5	0.5
Other receipts		15.2	7.1	9.3	5.4
Operating costs paid		(139.0)	(137.8)	(83.2)	(91.4)
Government royalties and resource rent tax paid		(51.8)	(68.8)	(28.7)	(38.2)
Net refund/(payment) of 1/1/87 Review and Adjustment settlement		-	(31.2)	-	9.8
Interest paid		(61.3)	(85.8)	(86.8)	(73.7)
Income taxes paid		(82.9)	(91.8)	(56.1)	(38.0)
Net cash provided by operating activities	21	409.3	289.5	202.2	261.3
CASH FLOWS FROM INVESTING ACTIVITIES					
Payments for:					
Land, buildings, plant and equipment		(83.7)	(70.3)	(48.2)	(29.3)
Exploration		(79.2)	(81.5)	(41.7)	(41.9)
Development		(30.3)	(52.2)	(12.8)	(17.2)
Proceeds from sale of non-current assets		6.0	1.3	0.5	1.0
Payments for:					
Outside equity interests in controlled entities		(50.6)	(17.4)	(50.6)	(17.4)
Share subscriptions in controlled entities		-	-	(163.3)	(0.3)
Other investments		(136.8)	(4.5)	(127.1)	(0.4)
Net refund/(payment) of 1/1/87 Review and Adjustment settlement		-	13.7	-	(25.8)
Decrease/(increase) in advances to joint ventures		(0.9)	(0.2)	0.3	(1.1)
Net cash used in investing activities		(375.5)	(211.1)	(442.9)	(132.4)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from issues of shares		59.9	73.9	59.9	73.9
Dividends paid		(95.2)	(128.5)	(95.2)	(127.0)
Net proceeds from/(repayment of) borrowings		(76.5)	62.9	-	-
Advances from/(to) related entities		-	-	275.0	(80.5)
Net cash provided by/(used in) financing activities		(111.8)	8.3	239.7	(133.6)
Net increase/(decrease) in cash		(78.0)	86.7	(1.0)	(4.7)
Cash at the beginning of the year		187.6	95.1	0.1	4.8
Effects of exchange rate changes on cash		1.6	5.8	-	-
Cash at the end of the year	21	111.2	187.6	(0.9)	0.1

The Statements of Cash Flows are to be read in conjunction with the notes to and forming part of the financial statements.

1 STATEMENT OF ACCOUNTING POLICIES

The significant accounting policies which have been adopted in the preparation of these financial statements are:

(a) *Basis of preparation*

The financial statements have been drawn up in accordance with the accounting concepts, standards and disclosure requirements of the Australian accounting bodies, applicable Accounting Standards, the provisions of Schedule 5 to the Corporations Regulations, and the requirements of law. They have been prepared on the basis of historical cost principles and do not take into account changes in the purchasing power of money or, except where specifically stated, current valuations of non-current assets. The accounting policies have been consistently applied.

The carrying amounts of non-current assets are reviewed at least annually to determine whether they are in excess of their estimated recoverable amount. If the carrying amount of a non-current asset exceeds the recoverable amount, the asset is written down to the lower value. In assessing recoverable amounts the cash flows have not been discounted to their present value.

In addition the carrying amounts are reviewed to ascertain whether any adjustments pursuant to section 294(4) of the Corporations Law are required.

(b) *Principles of consolidation*

The consolidated accounts comprise the accounts of Santos Ltd, the chief entity, and its controlled entities. A listing of these controlled entities is contained in note 19.

The effects of all transactions between entities incorporated in the consolidated accounts are eliminated in full.

Interests in unincorporated joint ventures are recognised by including in the financial statements under the appropriate headings the economic entity's proportion of the joint venture costs, assets and liabilities. The major interests in unincorporated joint ventures are listed in note 20.

(c) *Goodwill*

On the acquisition of a controlled entity, the identifiable net assets acquired are measured at their fair values. To the extent that there is excess purchase consideration representing goodwill, the goodwill is systematically written off to operating profit over a period not exceeding twenty years.

(d) *Foreign exchange*

Transactions in foreign currencies are translated at the rates of exchange applicable at the date of each transaction. Monetary assets and liabilities held in foreign currencies are translated at the rates of exchange ruling at balance date. To the extent that such balances are hedged, the effect of the hedging is taken into account. Gains or losses arising from such translations are taken to the Profit and Loss Accounts as operating profits or losses except where they relate to the assets and liabilities of overseas controlled entities.

Overseas controlled entity accounts are converted into Australian currency as follows:

(i) For self-sustaining operations, assets and liabilities are translated at the exchange rate existing at balance date, and revenue and expense items at the exchange rates applying at the date they were recognised in the controlled entities' Profit and Loss Accounts. Translation differences arising are included in the foreign currency translation reserve. In the consolidated accounts, gains and losses on certain long-term foreign currency loans are transferred to the foreign currency translation reserve. This transfer recognises that those foreign currency borrowings are matched by the net investment in overseas assets.

(ii) For integrated operations, monetary assets and liabilities are translated at the exchange rate existing at balance date, non-monetary assets and liabilities at the historical exchange rate, and the revenue and expense items at the exchange rates applying at the date they were recognised in the controlled entities' Profit and Loss Accounts. Any profit or loss on the translation of monetary assets and liabilities is brought to account in determining operating profit for the year.

(e) *Property, plant and equipment*

Property, plant and equipment includes land and buildings, plant and equipment, and exploration, evaluation and development expenditure. Profits or losses resulting from the disposal of property, plant and equipment in the normal course of business are brought to account as a component of operating profit.

All exploration, evaluation and development expenditures in respect of each area of interest are accumulated and carried forward if either:

- (i) such expenditure is expected to be recouped through successful development and commercial exploitation of the area of interest; or
- (ii) the exploration activities in the area of interest have not yet reached a stage which permits reasonable assessment of the existence of economically recoverable reserves.

When an area of interest is abandoned or if Directors consider the expenditure to be of reduced or no further value, accumulated exploration expenditure is written down or off in the period in which such a decision is made.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

(f) Leases

Finance leases, which effectively transfer to the lessee substantially all of the risks and benefits incidental to ownership of the leased item, are capitalised at the present value of the minimum lease payments, disclosed as capitalised leases and amortised over the period the lessee is expected to benefit from the use of the leased assets. A corresponding liability is also established and each lease payment is allocated between the principal component and the interest expense.

Operating lease payments, where the lessors effectively retain substantially all the risks and benefits of ownership of the leased items, are included in the determination of the operating profit in equal instalments over the lease term.

(g) Capitalisation of interest and foreign currency exchange gains and losses

Preproduction interest, finance charges and foreign currency exchange gains and losses relating to major plant and equipment projects under development and construction up to the date of commencement of commercial operations are capitalised and amortised over the expected useful economic lives of the facilities. Interest paid in respect of completed projects is expensed.

(h) Amortisation

Depletion charges are calculated using a unit of production method based on heating value which will amortise over the life of the reserves exploration and development expenditure together with future costs necessary to develop the hydrocarbon reserves in the respective areas of interest.

Depletion is not charged on costs carried forward in respect of areas of interest in the development phase until production commences.

Depreciation is calculated to write off the value of property, plant and equipment over their estimated economic life. The rates are reviewed and reassessed periodically in light of technical and economic developments.

(i) Provision for restoration

Provisions are made in the financial statements for the restoration of areas of interest where gas and petroleum production is undertaken.

(j) Participation factors - Cooper Basin South Australia

There are provisions in the South Australian Unit and Downstream Cooper Basin Joint Venture Agreements for a biennial review of participation factors to be made and revenues and expenses adjusted. Revenues and expenditures have been brought to account based on the participation factors estimated by Santos Ltd to be effective on and from 1 January 1987. These factors were the subject of a Supreme Court decision early in 1991, the status of which is discussed in note 28.

In addition, an accrual has been made in the financial statements for the estimated favourable profit impact of the change in participation factors anticipated to arise from the 1 January 1989 Review and Adjustment.

Until the 1 January 1987 and 1 January 1989 Reviews and Adjustments are finalised, Directors have decided not to accrue for the expected favourable impact of the 1 January 1991 Review and Adjustment.

(k) Inventories

Inventories are valued at the lower of cost or net realisable value after provision is made for obsolescence. Cost is determined as follows:

- (i) Drilling and maintenance stocks, which include plant spares, maintenance and drilling tools used for ongoing operations, are valued at average cost.
- (ii) Gas and petroleum products, which comprise extracted crude oil, LPG and condensate stored in tanks and pipeline systems and processed sales gas stored in sub-surface reservoirs, are valued using the absorption cost method.

(l) Employee benefits

The legal liability to employees for annual and long service leave and workers' compensation is provided for in the financial statements. No provision is made for sick leave.

(m) Income tax

Tax effect accounting is applied whereby the income tax charged in the Profit and Loss Accounts is matched with the accounting profit after allowing for permanent differences. Income tax on timing differences, which arise from items being brought to account in different periods for income tax and accounting purposes, is carried forward in the Balance Sheets as a future income tax benefit or deferred income tax liability. Future income tax benefits in respect of losses incurred are brought to account where realisation of the benefits of such losses is considered to be virtually certain.

(n) Deferred income

A provision is made for obligations under sales contracts to deliver natural gas in future periods for which payment has already been received. The full sales value of undelivered gas is being provided over a period estimated to match expected deliveries under these obligations.

(o) Comparatives

Where applicable, comparatives have been adjusted to place them on a comparable basis with current year figures.

	Consolidated		Santos Ltd	
	1992 \$million	1991 \$million	1992 \$million	1991 \$million
2 OPERATING REVENUE				
Sales revenue	689.8	655.9	394.2	412.0
Other revenue				
Dividends received from related parties:				
- wholly owned controlled entities	-	-	67.9	37.5
- partly owned controlled entities	-	-	-	6.6
Dividends received from other than related parties:	10.3	11.2	10.3	11.2
Interest received and receivable from related parties:				
- wholly owned controlled entities	-	-	0.3	-
Interest received and receivable from other than related parties	9.5	13.6	0.3	0.5
Overriding royalty	13.9	14.2	17.8	17.8
Proceeds from sale of non-current assets:				
- property, plant and equipment	6.0	1.1	0.5	0.8
- investments	-	0.2	-	0.2
Hotel revenue	11.0	4.0	-	-
Other income	11.5	5.7	8.6	7.7
	752.0	705.9	499.9	494.3
3 OPERATING PROFIT				
Operating profit before income tax is arrived at after crediting the following item:				
Profit on sale of non-current assets	-	0.5	-	0.5
Operating profit before income tax is arrived at after charging the following items:				
Interest paid and payable to related parties:				
- wholly owned controlled entities	-	-	73.5	95.4
Interest paid or payable to other than related parties:				
- on loans	59.3	84.8	-	-
- on finance leases	0.5	1.0	0.3	0.4
Depreciation, depletion and amortisation of property, plant and equipment:				
- depreciation	101.2	86.6	59.9	55.7
- depletion	94.0	93.4	28.6	30.2
- amortisation of capitalised leases	1.5	1.5	0.9	1.4
Amortisation of goodwill	5.5	5.0	-	-
Government royalties and resource rent tax	51.0	55.8	27.2	28.0
Increase/(decrease) in provisions:				
- future restoration costs	2.7	4.3	(0.7)	2.9
- non-executive Directors' retirement and employee benefits	1.6	1.5	1.5	1.6
- deferred income	2.8	2.6	2.2	2.2
Loss on sale of non-current assets	0.1	-	-	-
Operating lease rentals	3.8	4.2	2.7	2.6
Net foreign currency exchange losses/(gains)(refer page 38)	(1.6)	11.4	0.1	(0.2)
Write-off of exploration expenditure	7.4	-	4.8	-
Write-down of listed shares in other entities	0.8	-	0.8	-

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

	Consolidated		Santos Ltd	
	1992 \$million	1991 \$million	1992 \$million	1991 \$million
3 OPERATING PROFIT continued				
Net foreign currency exchange gains in 1992 comprises realised gains of \$1.6 million (Santos Ltd - \$0.1 million loss). Unrealised foreign currency exchange losses of \$38.4 million which arose in 1992 on translation of liabilities held in foreign currencies at year end are disclosed as an abnormal item. In 1991, net foreign currency exchange losses of \$11.4 million (Santos Ltd - \$0.2 million gain) comprised unrealised losses of \$12.1 million (Santos Ltd - \$nil) and realised gains of \$0.7 million (Santos Ltd - \$0.2 million).				
Abnormal items				
Included in abnormal items are the following:				
Unrealised foreign currency exchange losses				
- current year	(48.8)	-	-	-
- recognition on consolidation of hedging of net investments in foreign controlled entities not recognised in prior years (1989-1991)	10.4	-	-	-
Unrealised foreign currency exchange losses - net	(38.4)	-	-	-
Write-down of the carrying value of oil and gas investments (refer notes 8 and 11)	(27.5)	(284.9)	-	(48.4)
Write-down of investments in controlled entities (refer note 8)	-	-	(77.1)	(171.8)
Abnormal items before income tax	(65.9)	(284.9)	(77.1)	(220.2)
Income tax effect:				
Unrealised foreign currency exchange losses - net	15.0	-	-	-
Write-down of the carrying value of oil and gas investments	-	60.0	-	15.2
Write-down of investments in controlled entities	-	-	-	-
Total income tax effect on abnormal items (refer note 4)	15.0	60.0	-	15.2
Net abnormal items for the year after income tax	(50.9)	(224.9)	(77.1)	(205.0)

	Consolidated		Sentos Ltd	
	1992 \$million	1991 \$million	1992 \$million	1991 \$million
4 TAXATION				
Income tax on operating profit/(loss)				
The prima facie income tax on operating profit before abnormal items differs from income tax expense and is calculated as follows:				
Prima facie income tax at 39%	110.6	87.2	84.9	72.2
Tax effect of permanent differences which increase/(decrease) income tax expense:				
Amortisation of non-deductible property:				
plant and equipment	15.9	14.5	4.5	4.6
Amortisation of goodwill	2.1	2.0	-	-
Rebate on dividend income	(2.8)	(2.7)	(29.3)	(19.9)
Non-assessable receipts	(1.4)	-	-	-
Non-deductible items	0.9	2.8	1.1	0.6
Net effect of permanent differences	14.7	16.6	(23.7)	(14.7)
Income tax adjusted for permanent differences before abnormal items	125.3	103.8	61.2	57.5
Income tax under/(over) provided in prior years	(0.1)	3.0	-	(5.2)
Future income tax benefit not previously recognised	(5.3)	-	-	-
Income tax attributable to operating profit before abnormal items	119.9	106.8	61.2	52.3
Income tax effect on abnormal items	(15.0)	(60.0)	-	(15.2)
Income tax attributable to operating profit/(loss) after abnormal items	104.9	46.8	61.2	37.1
Income tax attributable to operating profit/(loss) after abnormal items comprises amounts set aside to:				
Provision for current income tax	100.2	84.8	50.8	58.5
Provision for deferred income tax	19.6	(45.1)	10.4	(21.4)
Future income tax benefits	(14.9)	7.1	-	-
	104.9	46.8	61.2	37.1

5 DIVIDENDS PROVIDED FOR OR PAID

Interim dividend-1992

A fully franked interim dividend was paid on 27 November 1992 to the registered shareholders in the books at the close of business on 30 October 1992

10.0 cents on each ordinary share (9.0 cents in 1991)	48.2	41.5	48.2	41.5
10.0 cents on each 'B' class share (9.0 cents in 1991)	-	-	-	-
Total interim dividend	48.2	41.5	48.2	41.5

Final dividend-1992

The Directors declared a fully franked final dividend to be paid on 18 June 1993 to the registered shareholders in the books at the close of business on 25 May 1993

11.0 cents on each ordinary share (10.0 cents in 1991)	54.5	47.0	54.5	47.0
11.0 cents on each 'B' class share (10.0 cents in 1991)	-	-	-	-
Total final dividend	54.5	47.0	54.5	47.0
Total dividend	102.7	88.5	102.7	88.5

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

	Consolidated		Santos Ltd	
	1992 \$million	1991 \$million	1992 \$million	1991 \$million
6 CASH				
Cash - AUD	81.9	59.4	0.5	0.4
- USD	7.6	16.3	-	-
	89.5	75.7	0.5	0.4
7 RECEIVABLES				
Current				
Trade debtors - AUD	20.5	24.1	16.2	18.4
- USD	25.7	44.9	12.1	26.1
Sundry debtors and prepayments	84.0	71.2	36.7	36.3
Less provision for doubtful debts	(0.4)	(0.4)	(0.1)	(0.1)
Security deposits (refer below)	1.1	0.9	0.8	0.6
	130.9	140.7	65.7	81.3
Non-current				
Security deposits (refer below)	21.5	22.7	15.1	15.9
Other loans (refer note 22)	0.5	0.5	0.5	0.5
Other deposits	0.2	4.0	0.2	4.0
	22.2	27.2	15.8	20.4
Security deposits have been lodged with the South Australian authorities on behalf of the Cooper Basin Downstream Joint Venture for the provision of roads and services together with the jetty at Port Bonython. With the completion of these projects, repayments by the State Government of deposits including an interest component have commenced over periods of up to 20 years concluding in 2003.				
8 INVESTMENTS				
Current				
Short term deposits - AUD	23.7	38.1	-	-
- YEN	-	73.8	-	-
Listed shares in other entities	5.7	6.5	5.6	6.4
	29.4	118.4	5.6	6.4
Non-current				
Listed shares and notes in other entities	319.6	206.9	319.6	206.9
Deposits - AUD	35.7	13.6	-	-
	355.3	220.5	319.6	206.9
Investments in controlled entities (refer note 19)	-	-	1,032.0	913.2
	355.3	220.5	1,351.6	1,120.1
Total market value of current and non-current investments in listed shares and notes	299.1	197.5	299.0	197.5

	Consolidated		Santos Ltd	
	1992 \$million	1991 \$million	1992 \$million	1991 \$million

8 INVESTMENTS continued

The Directors have reviewed the carrying values of non-current investments, in other than controlled entities, and whilst the carrying values of the investments are greater than the current market values, they do not believe there has been a permanent diminution in their values and accordingly the carrying values have not been written down in 1992. Where the carrying value of investments held for long-term strategic purposes exceed their market values at balance date, an independent expert's opinion has been obtained to confirm that the long-term strategic values exceed book value.

In 1991, investments in listed shares and notes were written down by \$7.3 million (\$7.1 million - Santos Ltd) to their current market value and this was reflected as a component of the abnormal item relating to the write-down of the carrying value of oil and gas investments.

Investments of Santos Ltd in controlled entities have been written down by \$77.1 million (1991 - \$171.8 million) to estimated recoverable values and reflect losses incurred by those controlled entities. The write-down is disclosed as an abnormal item.

9 INVENTORIES

Gas and petroleum products (refer below)	26.4	16.3	14.9	9.0
Drilling and maintenance stocks	25.8	24.8	14.9	14.6
Provision for obsolescence	(1.3)	(1.3)	(1.0)	(1.0)
	50.9	39.8	28.8	22.6

In 1992, the value of processed sales gas stored in sub-surface reservoirs has been recognised as inventory for the first time. The impact of this change in practice is to increase operating profit before income tax by \$5.1 million and operating profit after income tax by \$3.1 million.

10 OTHER ASSETS

Current

Amounts owing by related parties				
- wholly owned controlled entities	-	-	92.1	59.2

Non-current

Future income tax benefits	86.5	71.6	-	-
Included in future income tax benefits are amounts arising from tax losses in some controlled entities	2.3	3.4	-	-

11 PROPERTY, PLANT AND EQUIPMENT

Land and buildings

At cost (refer page 42)	48.0	47.9	31.0	30.9
Less accumulated depreciation	(22.4)	(20.1)	(16.3)	(14.7)
	25.6	27.8	14.7	16.2

Plant and equipment

At cost	1,482.9	1,404.3	1,023.8	972.9
At independent valuation-1977	35.2	35.2	35.2	35.2
Capitalised leases	26.8	16.0	9.8	10.0
	1,544.9	1,455.5	1,068.8	1,018.1
Less accumulated depreciation	(723.9)	(624.6)	(505.9)	(447.2)
	821.0	830.9	562.9	570.9
Total land and buildings, plant and equipment	846.6	858.7	577.6	587.1

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

	Consolidated		Santos Ltd	
	1992 \$million	1991 \$million	1992 \$million	1991 \$million
11 PROPERTY, PLANT AND EQUIPMENT <i>continued</i>				
Exploration, evaluation and development expenditure				
Areas of interest in which production has commenced:				
At cost	1,547.3	1,777.0	679.2	675.9
Less accumulated depletion	(489.8)	(446.9)	(258.5)	(229.9)
Less write-down of carrying value (refer below)	(27.5)	(274.0)	-	(41.3)
	<u>1,030.0</u>	<u>1,056.1</u>	<u>420.7</u>	<u>404.7</u>
Areas of interest in the exploration and/or evaluation stage:				
At cost	97.0	77.6	30.7	13.0
Less write-down of carrying value (refer below)	(7.4)	(3.6)	(4.8)	-
	<u>89.6</u>	<u>74.0</u>	<u>25.9</u>	<u>13.0</u>
Total exploration, evaluation and development expenditure	<u>1,119.6</u>	<u>1,130.1</u>	<u>446.6</u>	<u>417.7</u>
Total property, plant and equipment	<u>1,966.2</u>	<u>1,988.8</u>	<u>1,024.2</u>	<u>1,004.8</u>
<p>A review of the carrying value of property, plant and equipment was carried out as at balance date and the Directors consider the current value of land and buildings to be at least equal to their carrying value. The Directors have written down the carrying values of exploration, evaluation and development expenditure in producing areas of interest by \$27.5 million (Santos Ltd - \$nil) to the estimated recoverable amounts. The write-down is recorded as an abnormal item of operating profit.</p> <p>In addition, Directors have written off \$7.4 million (Santos Ltd - \$4.8 million) of accumulated exploration expenditure in areas of interest in the exploration and/or evaluation stage. The write-off has been recorded as a normal item of operating profit.</p> <p>In 1991, a write-down of \$277.6 million (Santos Ltd - \$41.3 million) was made to reduce the carrying values of exploration, evaluation and development expenditure to the estimated recoverable amounts and was reflected as a component of the abnormal item.</p>				
12 INTANGIBLES				
Goodwill, at cost	160.2	161.9	-	-
Less accumulated amortisation	(52.5)	(47.0)	-	-
	<u>107.7</u>	<u>114.9</u>	<u>-</u>	<u>-</u>
13 CREDITORS AND BORROWINGS				
Current				
Bank loans - YEN	-	73.3	-	-
Bank overdrafts	2.0	-	1.4	0.3
Trade creditors	37.9	46.3	17.0	19.8
Sundry creditors and accruals				
- related parties				
- wholly owned controlled entities	-	-	13.5	21.9
- other than related parties	38.1	51.7	7.3	19.7
Lease liabilities	1.0	1.2	0.6	1.3
	<u>79.0</u>	<u>172.5</u>	<u>39.8</u>	<u>63.0</u>

		Consolidated		Santos Ltd	
		1992 \$million	1991 \$million	1992 \$million	1991 \$million
13 CREDITORS AND BORROWINGS	<i>continued</i>				
Non-current					
Bank loans	- AUD	-	10.0	-	-
	- USD	377.6	342.3	-	-
Bonds	- USD	274.4	248.7	-	-
Promissory notes	- AUD	210.0	211.8	-	-
Euro commercial paper	- AUD	69.4	62.5	-	-
Lease liabilities		16.7	6.4	1.2	1.7
		948.1	881.7	1.2	1.7

Details of major credit facilities

(i) Committed revolving facilities

The economic entity has access to the following revolving facilities:

Revolving facilities at 31 December 1992		Amount	Amount drawn at
Maturity date	Currency	\$million	31 December 1992 \$million
30 June 1995	Multi option	100.0	-
15 July 1995	Multi option	571.4	159.8
15 July 1995	Multi option	25.0	-
15 July 1996	Multi option	100.0	-
27 August 1996	US dollars	145.2	72.6
		941.6	232.4

(ii) Term loan

A US\$100 million (1992 - A\$145.2 million, 1991 - A\$131.7 million) syndicated term loan has been fully drawn and matures in March 1996.

(iii) Bonds

A\$274.4 million (1991 - A\$248.7 million) equivalent of ten-year Swiss franc public bonds were issued in October 1984 and February 1985. The bonds have been fully swapped into United States dollars. A\$35.7 million (1991 - A\$13.6 million) equivalent of Swiss franc public bonds have been redeemed. These redeemed bonds have been fully swapped into Australian dollars and are reflected as non-current investments in the Balance Sheet.

(iv) Commercial paper

The economic entity has commercial paper programmes based in Hong Kong and Australia. The programmes, which total US\$200 million (Euro Commercial Paper) and A\$300 million (Promissory Notes), are supported by the committed revolving facilities referred to in (i) above. At 31 December 1992, A\$279.4 million (1991 - A\$274.3 million) equivalent of commercial paper was on issue.

All facilities are unsecured. Except for the A\$100.0 million facility maturing on 15 July 1996, all facilities are arranged through a wholly owned controlled entity, Santos Finance Ltd, and are guaranteed by Santos Ltd.

14 PROVISIONS

Current

Dividends	54.5	47.0	54.5	47.0
Employee benefits	15.3	13.8	15.3	13.8
Income tax	103.0	85.7	56.0	61.3
	172.8	146.5	125.8	122.1

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

	Consolidated		Santos Ltd	
	1992 \$million	1991 \$million	1992 \$million	1991 \$million
14 PROVISIONS continued				
Non-current				
Deferred income tax (refer below)	359.3	339.7	238.4	237.7
Future restoration costs	31.7	29.0	18.1	18.8
Non-executive Directors' retirement benefits	0.9	0.8	0.9	0.8
	391.9	369.5	257.4	257.3
The balance in provision for deferred income tax is reduced by the following amounts arising from unrecouped tax losses in some controlled entities:	-	0.4	-	-
15 OTHER LIABILITIES				
Current				
Amounts owing to related parties - wholly owned controlled entities	-	-	965.8	715.5
Non-current				
Deferred income	15.1	12.3	12.1	9.9
16 SHARE CAPITAL				
Authorised capital				
1,999,900,000 (1991 - 1,999,900,000) unclassified shares of 25c each	500.0	500.0	500.0	500.0
100,000 (1991 - 100,000) 'B' class shares of 25c each	-	-	-	-
	500.0	500.0	500.0	500.0
Issued capital				
495,559,362 (1991 - 469,518,179) ordinary shares of 25c each	123.9	117.4	123.9	117.4
100,000 (1991 - 100,000) 'B' class shares of 25c each	-	-	-	-
2,964,000 (1991 - 3,333,500) ordinary shares of 25c each paid to 1c	-	-	-	-
	123.9	117.4	123.9	117.4
Increase in issued share capital				
During the year, the following ordinary shares (fully paid) were allotted to Santos Ltd shareholders under the Dividend Reinvestment Plan:				
	Date	Number of shares	Premium per share	
	19 June 1992	11,653,086	\$2.20	
	27 November 1992	14,018,597	\$1.92	
369,500 ordinary shares (paid to 1 cent) issued to senior executives of the company under the Santos Executive Share Plan were converted to fully paid ordinary shares during the year.				

	Consolidated		Santos Ltd	
	1992 \$million	1991 \$million	1992 \$million	1991 \$million
17 RESERVES				
Share premium	1,010.3	956.9	1,010.3	956.9
Asset revaluation	14.9	14.9	14.9	14.9
Capital	5.9	5.9	5.7	5.7
Foreign currency translation	-	10.4	-	-
	1,031.1	988.1	1,030.9	977.5
Movement during the year				
Share premium				
Balance at beginning of the year	956.9	888.6	956.9	888.6
Dividend reinvestment plan	52.5	68.0	52.5	68.0
Share issues	0.9	0.3	0.9	0.3
Balance at end of the year	1,010.3	956.9	1,010.3	956.9
Foreign currency translation				
Balance at beginning of the year	10.4	8.2	-	-
Transfers to/(from) foreign currency translation reserve arising from exchange rate fluctuations on:				
- overseas net assets	12.3	2.0	-	-
- foreign currency borrowings	(22.7)	-	-	-
Transfer to retained profits	-	0.2	-	-
Balance at end of the year	-	10.4	-	-
18 EARNINGS PER SHARE				
Basic earnings per share (cents):				
- before abnormal items	34.2	24.7		
- after abnormal items	23.5	(24.0)		
Weighted average number of ordinary shares on issue used in the calculation of basic earnings per share:				
	476,993,737	461,419,852		

Santos Ltd has potential ordinary shares on issue, being 2,904,000 ordinary shares (paid to 1 cent) issued to senior executives of the Company under the Santos Executive Share Plan, that are not dilutive and have not been used in the calculation of diluted earnings per share. Basic and diluted earnings per share are therefore equal.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

19 INVESTMENTS IN CONTROLLED ENTITIES

Name	Place of incorporation	Details of investments in Shares				Contribution to consolidated profit/(loss)	
		Beneficial interest		Book value		1992	1991
		1992 %	1991 %	1992 \$million	1991 \$million	\$million	\$million
Santos Ltd (Chief Entity)	SA					79.3	(72.2)
Controlled Entities							
Alliance Oil Development Australia N.L.	VIC	100	100	107.7	107.7	2.2	2.6
<i>Wholly owned controlled entities of Alliance Oil Development Australia N.L.</i>							
Alliance Minerals Australia N.L.	VIC	100	100	-	-	(0.1)	0.1
Alliance Petroleum Australia N.L.	VIC	100	100	-	-	9.8	13.7
Alliance Petroleum International Ltd	VIC	100	100	-	-	(0.9)	(0.4)
Alliance Petroleum New Zealand Ltd	NZ	-	100	-	-	-	-
Alliance Resources Ltd	VIC	100	100	-	-	-	(7.0)
Boston Long Hedges Finance Pty Ltd	VIC	100	100	-	-	-	-
# Hellyer Mining and Exploration Pty Ltd	TAS	100	100	-	-	-	-
Peko Oil Ltd	VIC	100	100	246.7	246.7	(12.9)	(53.8)
<i>Wholly owned controlled entities of Peko Oil Ltd</i>							
Peko Bunyu Pty Ltd	VIC	100	100	-	-	-	-
* Santos Europe Limited (formerly Peko Exploration (UK) Ltd)	UK	100	100	-	-	(0.3)	(0.7)
Peko Offshore Ltd	BER	100	100	-	-	1.1	0.2
# Weeks Java Sea Pty Ltd	VIC	100	100	-	-	-	-
Reef Oil N.L.	NSW	100	100	82.7	82.7	4.2	3.8
Santos Exploration Pty Ltd	VIC	100	100	3.4	3.4	1.0	(0.7)
Santos Facilities Ltd	SA	100	100	-	-	-	-
Santos Finance Ltd	NSW	100	100	17.7	70.0	(22.9)	(1.2)
# Santos Indonesian Holdings Pty Ltd	SA	100	100	-	-	-	-
Santos International Holdings Ltd	ACT	100	-	109.4	-	-	-
<i>Wholly owned controlled entity of Santos International Holdings Ltd</i>							
* Santos Americas and Europe Corp	USA	100	-	-	-	-	-
<i>Wholly owned controlled entities of Santos Americas and Europe Corp</i>							
* SAE Management Services Corp	USA	100	-	-	-	(0.2)	-
* Weeks Exploration Company	USA	100	100	-	-	(27.5)	(30.7)
<i>Wholly owned controlled entity of Weeks Exploration Company</i>							
* Santos Colombia Exploration Inc	USA	100	-	-	-	-	-
* Santos Niugini Exploration Pty Ltd	PNG	100	100	8.5	8.5	(0.1)	(0.1)
Santos (N.T.) Pty Ltd	ACT	100	100	42.3	14.8	12.6	(6.8)
* Santos Oil Exploration (Malaysia) Sdn Bhd	MAL	100	100	0.1	0.2	-	(0.1)
Santos Petroleum Pty Ltd	NSW	100	100	69.3	69.3	1.0	(3.0)
Santos Resources Pty Ltd	QLD	100	100	-	-	-	-
# Santos (UK) Ltd	UK	100	100	-	-	-	-
Santos (Zoca 91-10) Pty Ltd	ACT	100	100	0.6	-	-	-
Santos (Zoca 91-11) Pty Ltd	ACT	100	100	1.1	-	-	-
Vamgas Ltd	VIC	100	93	206.1	190.4	22.1	17.9
Worldwide Assets Ltd	NSW	100	100	95.3	95.3	1.3	1.7

19 INVESTMENTS IN CONTROLLED ENTITIES continued

Name	Place of incorporation	Details of investments in Shares				Contribution to consolidated profit/(loss)	
		Beneficial interest		Book value		1992	1991
		1992 %	1991 %	1992 \$million	1991 \$million	\$million	\$million
<i>Wholly owned controlled entity of</i>							
<i>Worldwide Assets Ltd</i>							
Western Australian Capital Holdings Ltd	WA	100	100	-	-	-	-
Latec Investments Ltd	NSW	100	78	41.1	24.2	(0.2)	(0.2)
<i>Wholly owned controlled entities of</i>							
<i>Latec Investments Ltd</i>							
# Astrascale Ltd	UK	100	78	-	-	-	-
Comserv (No. 37) Pty Ltd	NSW	100	78	-	-	-	-
Doce Pty Ltd	QLD	100	78	-	-	0.1	0.1
Flinders Petroleum N.L.	VIC	100	78	-	-	-	-
<i>Wholly owned controlled entities of</i>							
<i>Flinders Petroleum N.L.</i>							
Carso Resources Ltd	NSW	100	78	-	-	1.5	1.4
Farmout Drillers N.L.	NSW	100	78	-	-	0.9	0.8
Consolidation adjustments comprising eliminations of intercompany dividends, investment write-downs and goodwill amortisation						40.7	26.4
				1,032.0	913.2	112.7	(108.2)

Notes

* Entities audited by overseas KPMG Peat Marwick member firms. # Entities in voluntary liquidation.

Place of incorporation

SA	South Australia	NSW	New South Wales	ACT	Australian Capital Territory	VIC	Victoria
QLD	Queensland	TAS	Tasmania	WA	Western Australia	UK	United Kingdom
NZ	New Zealand	PNG	Papua New Guinea	BER	Bermuda	USA	United States of America
MAL	Malaysia						

i) Investments eliminated by rounding

	1992	1991
	\$	\$
Boston Long Hedges Finance Pty Ltd	12	12
Hellyer Mining and Exploration Pty Ltd (in liquidation)	-	7,799
Santos Facilities Ltd	5	5
Santos Indonesian Holdings Pty Ltd (in liquidation)	-	1
Santos Resources Pty Ltd	2	2
Santos (UK) Ltd (in liquidation)	-	171
** Santos (Zoca 91-10) Pty Ltd	-	2
** Santos (Zoca 91-11) Pty Ltd	-	2

** Entities who have issued shares during the year and are no longer eliminated by rounding.

(ii) Acquisition of controlled entities

Santos International Holdings Ltd, Santos Americas and Europe Corp, SAE Management Services Corp and Santos Colombia Exploration Inc were incorporated during the year.

(iii) Disposals of controlled entities

Alliance Petroleum New Zealand Ltd was disposed of by voluntary liquidation during the financial year. Net tangible assets at date of liquidation were \$0.1 million.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

20 INTERESTS IN JOINT VENTURES

(a) Santos Ltd and its controlled entities have combined interests in the following unincorporated joint ventures:

Joint venture	Principal activities	Average interest %
SA/Queensland Block Operations (incorporating PEL 5 & 6 (SA) and ATP259/ATP488P (Qld))	Oil and gas exploration and production	57
Bonaparte Basin	Oil and gas exploration	57
Cambodia (CB4)	Oil and gas exploration	25
Carnarvon Basin	Oil and gas exploration	26
Colombia	Oil and gas exploration	50
Cooper Basin Unit - SA	Oil and gas production	55
- Qld	Oil and gas exploration and development	57
Cooper Basin Downstream	Liquid hydrocarbon transportation and processing	53
Gulf Coast - USA	Oil and gas exploration and production	44
Jackson Moonie Pipeline	Oil transportation	29
Malaysia (PM14)	Oil and gas exploration	15
Mereenie	Oil and gas production	21
Mereenie Pipeline	Oil transportation	23
Palm Valley	Gas production	28
Papua New Guinea (PPL31)	Oil and gas exploration	45
Timor Gap	Oil and gas exploration	20
Timor Sea	Oil and gas exploration and production	23
United Kingdom	Oil and gas exploration	8

(b) Santos Ltd and its controlled entities' share of assets and liabilities of the joint ventures is included in the Balance Sheets under the following classifications:

	Consolidated		Santos Ltd	
	1992 \$million	1991 \$million	1992 \$million	1991 \$million
Non-current assets				
Buildings, plant and equipment	813.9	841.3	568.6	581.6
Exploration, evaluation and development expenditure	1,119.6	1,130.1	446.6	417.7
Receivables	21.5	22.7	15.1	15.9
Total non-current assets	1,955.0	1,994.1	1,030.3	1,015.2
Current assets				
Receivables	64.5	52.3	26.7	29.3
Inventories	25.8	24.8	14.9	14.6
Total current assets	90.3	77.1	41.6	43.9
Total assets	2,045.3	2,071.2	1,071.9	1,059.1
Current liabilities				
Creditors and borrowings	47.0	56.4	17.2	20.8
Net investments in joint ventures	1,998.3	2,014.8	1,054.7	1,038.3

(c) The amounts of contingent liabilities and capital expenditure commitments in respect of unincorporated joint ventures are:

Capital expenditure commitments	34.5	3.5	20.2	3.2
Contingent liabilities	21.6	44.7	18.9	22.7

(d) Disclosure of the profit or loss contribution of unincorporated joint ventures is required by Schedule 5 Clause 34(3)(h) of the Corporations Regulations. Santos Ltd and its controlled entities are involved in more than 80 such joint ventures throughout Australia and overseas, several of which are not accounted for separately. The Directors consider it neither practical nor possible to identify the profit or loss contribution from each individual joint venture.

	Consolidated		Santos Ltd	
	1992 \$million	1991 \$million	1992 \$million	1991 \$million
21 NOTES TO STATEMENTS OF CASH FLOWS				
Reconciliation of Net Cash provided by Operating Activities to Operating Profit/(Loss) after Income Tax				
Operating profit/(loss) after income tax	112.7	(108.2)	79.3	(72.2)
Add/(less) non-cash items:				
Depreciation, depletion and amortisation of property, plant and equipment	196.7	181.5	89.4	87.3
Amortisation of goodwill	5.5	5.0	-	-
Unrealised foreign currency exchange losses	38.4	12.1	-	-
Increase/(decrease) in income taxes payable	17.3	(7.0)	(5.3)	20.5
Increase in provisions	7.1	8.4	3.1	6.7
Write-down of the carrying values of oil and gas investments, exploration expenditure and other investments	35.7	284.9	82.7	220.2
Add/(less) items classified as investing/financing activities:				
Profit/(loss) on sale of non-current assets	0.1	(0.5)	-	(0.5)
Net cash provided by operating activities before change in assets or liabilities	413.5	376.2	249.2	262.0
Add/(less) change in assets or liabilities:				
Decrease/(increase) in receivables	2.6	(22.5)	(38.4)	12.2
Increase in inventories	(10.5)	(5.0)	(5.9)	(0.5)
Increase/(decrease) in creditors	(1.0)	(21.2)	(3.4)	9.0
Net increase/(decrease) in deferred income taxes payable and future income tax benefits receivable	4.7	(38.0)	0.7	(21.4)
Net cash provided by operating activities	409.3	289.5	202.2	261.3
Reconciliation of cash				
Cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash at the end of the year as shown in the Statements of Cash Flows is reconciled to the related items in the Balance Sheets as follows:				
Cash	89.5	75.7	0.5	0.4
Short-term deposits	23.7	111.9	-	-
Bank overdrafts	(2.0)	-	(1.4)	(0.3)
	111.2	187.6	(0.9)	0.1
Non-cash financing and investment activities				
During the year, the economic entity acquired plant and equipment with an aggregate value of \$16.5 million (1991 - \$nil) by means of a finance lease. This acquisition is not reflected in the Statements of Cash Flows.				

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

22 RELATED PARTIES

Directors of Santos Ltd and their shareholdings in Santos Ltd are disclosed on pages 24 and 30 of this Annual Report.

Details of transactions with these Directors and other related party transactions and amounts are set out in:

Note 2 as to interest and dividends received from related parties

Note 3 as to interest paid to related parties

Note 10 as to amounts owing by related parties

Notes 13 and 15 as to amounts payable to related parties

Note 14 as to non-executive Directors' retirement benefits

Note 19 as to investments in controlled entities

Note 23 as to Directors' remuneration, including amounts paid or prescribed benefits given in respect of the retirement of Directors

In addition:

- (i) Agreements exist with the non-executive Directors providing for the payment of a sum on retirement from office as a Director in accordance with shareholder approval at the 1989 Annual General Meeting. The amount provided for the year was \$314,731 (1991 - \$290,208).
- (ii) Dividends paid by Santos Ltd during the year in respect of Directors' shareholdings before participation in dividend reinvestment programmes were \$36,777 (1991 - \$63,705).
- (iii) Included in other loans is an amount of \$506,000 (1991 - \$506,000) being a loan made to an executive Director of Santos Ltd, Mr N R Adler, in accordance with the provisions of the Loan Scheme approved at the 1990 Annual General Meeting. Interest received during the year on this loan totalled \$32,890 (1991 - \$32,890).
- (iv) To the legal firm of Finlaysons, of which Mr S Gerlach was a partner and is now a consultant, fees of \$121,830 were paid or payable for legal services rendered to Santos Ltd in the ordinary course of business and on normal commercial terms and conditions.
- (v) Santos Ltd received management fees during the year of \$1,075,800 (1991 - \$1,144,800) from Latec Investments Ltd and \$459,000 (1991 - \$1,740,000) from Vamgas Ltd. In accordance with the management, administration and technical service agreements in place the entities ceased paying these fees during 1992 on becoming wholly owned controlled entities of Santos Ltd.

	Santos Ltd	
	1992 \$million	1991 \$million
(vi) All amounts owing by or to wholly owned or partly owned controlled entities are for loans made on interest free terms for an indefinite period with the exception of:		
Amounts owing to wholly owned controlled entities	808.4	712.0
These loans were made in the ordinary course of business on normal market terms and conditions.		

	Consolidated		Santos Ltd	
	1992 \$000	1991 \$000	1992 \$000	1991 \$000
23 DIRECTORS' AND EXECUTIVES' REMUNERATION				
Directors				
Amounts received or due and receivable from Santos Ltd and its controlled entities by the Directors of Santos Ltd and Directors of each of its controlled entities	1,419	2,117	1,059	982
Number of Directors whose remuneration was within the following bands:				
\$000			No.	No.
0-10			-	1
10-20			1	-
20-30			-	4
30-40			7	3
40-50			1	1
80-90			-	1
90-100			1	-
640-650			1	1
Superannuation and retirement benefits	\$000	\$000	\$000	\$000
Superannuation contributions provided and retirement benefits paid in respect of Directors. The Directors believe that the provision of full particulars would be unreasonable.	295	180	295	99
Executives				
Amounts received from Santos Ltd or its controlled entities by executive officers domiciled in Australia whose income is \$100,000 or greater	4,590	4,493	4,590	4,493
Number of executive officers whose remuneration was within the following bands:				
\$000	No.	No.	No.	No.
100-110	4	8	4	8
110-120	5	3	5	3
120-130	3	5	3	5
130-140	5	2	5	2
140-150	-	1	-	1
150-160	2	-	2	-
160-170	-	1	-	1
170-180	2	-	2	-
190-200	1	-	1	-
200-210	-	2	-	2
210-220	1	1	1	1
230-240	1	1	1	1
260-270	1	-	1	-
300-310	-	1	-	1
310-320	-	1	-	1
320-330	1	-	1	-
640-650	1	1	1	1

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

	Consolidated		Santos Ltd	
	1992 \$million	1991 \$million	1992 \$million	1991 \$million
24 REMUNERATION OF AUDITORS				
Amounts received or due and receivable by the auditors of Santos Ltd for:				
- audit services	0.3	0.3	0.2	0.2
- other services	0.5	0.5	0.3	0.3
	0.8	0.8	0.5	0.5
Amounts received or due and receivable by auditors other than the auditors of Santos Ltd for:				
- audit services	0.1	0.1	-	-
- other services	0.3	0.2	-	-
	0.4	0.3	-	-
25 SEGMENT REPORTING				
Santos Ltd and its controlled entities operate predominantly in one industry, namely exploration, development, production and marketing of hydrocarbons, and in one geographical segment, namely Australia. Revenue is derived from the sale of gas and liquid hydrocarbons.				
26 COMMITMENTS FOR EXPENDITURE				
(a) Capital commitments				
Contracts for capital expenditure on plant, equipment and buildings for which no amounts have been provided in the accounts:				
Due not later than one year	34.2	16.2	20.0	3.2
Due later than one year but not later than two years	0.3	-	0.2	-
	34.5	16.2	20.2	3.2
(b) Lease commitments				
Finance leases:				
Due not later than one year	2.3	1.8	0.8	1.4
Due later than one year but not later than two years	2.2	5.5	0.5	0.8
Due later than two years but not later than five years	17.9	1.7	0.9	1.5
Total commitments under finance leases	22.4	9.0	2.2	3.7
Less future finance charges	(4.7)	(1.4)	(0.4)	(0.7)
Finance lease liability	17.7	7.6	1.8	3.0
Operating leases:				
Due not later than one year	3.7	4.1	2.5	2.6
Due later than one year but not later than two years	3.2	3.4	2.4	2.4
Due later than two years but not later than five years	7.9	8.6	6.0	6.6
Due later than five years	2.6	4.3	2.1	3.3
Total commitments under operating leases	17.4	20.4	13.0	14.9
(c) Santos Ltd and its controlled entities have certain obligations to perform minimum exploration work and expend minimum amounts of money on such works in petroleum exploration permits, production and related licence areas. These obligations may be varied from time to time subject to approval and are expected to be fulfilled in the normal course of operations.				

27 SUPERANNUATION COMMITMENTS

Santos Ltd and certain of its controlled entities participate in a number of superannuation funds and pension plans in Australia, United Kingdom and United States of America which provide benefits either on a defined benefit or cash accumulation basis for employees or their dependents on retirement, resignation, total or permanent disablement or death. The employers and employee members both make contributions as specified in the rules of the respective funds.

The assets of all funds were sufficient to satisfy all benefits which would have been vested in the event of termination of the fund or in the event of voluntary or compulsory termination of the employment of each employee. The following is a review of the significant employee benefit plans:

Name of fund	Santos Retirement Plan	Santos Staff/Executive Superannuation Fund
Type of benefit	Cash accumulation benefit	Defined benefits and cash accumulation
Basis of contributions	Percentage of member's wage contributed by member and employer	Percentage of member's salary contributed by member and employer. The employer's percentage reflects the amount recommended by the Actuary to provide the defined benefit.
Employer's legal obligation to contribute	Enforceable subject to right to cease contributions on not less than one month's notice to the Trustees	Enforceable subject to right to cease contributions on written notice to the Trustees. The most recent actuarial review concluded that the Fund has a surplus of assets over liabilities and recommended that Santos Ltd reduce the employer's contributions up until the results of the next actuarial review are known. This independent advice has been accepted and defined benefit contributions have been suspended accordingly.
Last actuarial assessment	Not applicable	1 January 1991

	Consolidated		Santos Ltd	
	1992 \$million	1991 \$million	1992 \$million	1991 \$million

28 CONTINGENT LIABILITIES

Contingent liabilities arising in respect of other persons:

(i) Performance guarantees	5.1	7.6	5.0	7.4
(ii) Employee service agreements	1.5	0.9	1.5	0.9
(iii) Claims have been lodged including the following:				
(a) claims for breach of contract and public liability	1.1	18.7	1.0	0.4
(b) claims for loss of contract	15.4	18.4	12.9	14.9
	23.1	45.6	20.4	23.6

Legal advice in relation to the claims lodged above indicates that on the basis of available information, litigation involving major claims is unlikely to be successful and that settlement of minor claims is unlikely to exceed \$400,000 on a consolidated basis.

In June 1991, the Full Bench of the Supreme Court of South Australia allowed an appeal by a party to the South Australian Unit and Downstream Cooper Basin Joint Ventures against an earlier decision of Justice Bollen in the Supreme Court of South Australia, concerning the validity of an adjustment to the participation factors in the Cooper Basin Joint Venture, as at 1 January 1987. The effect of the order is that those participation factors are to be redetermined. The Directors believe that the 1 January 1987 participation factors when redetermined will not vary significantly from those factors as previously calculated.

29 ECONOMIC DEPENDENCY

There are in existence long-term contracts for the sale of gas, but otherwise the Directors believe there is no economic dependency.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

30 POST BALANCE DATE EVENTS

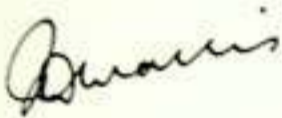
Subsequent to balance date:

- (a) Santos Ltd and certain of its controlled entities acquired the upstream oil and gas assets and oil pipeline interests of The Australian Gas Light Company for \$177.5 million, before adjustments for working capital and non-current liabilities. The acquisition was effective 1 January 1993 and the final price is subject to adjustment based on completion accounts as at 31 December 1992.
 - (b) an agreement was reached between Santos Ltd and Crusader Resources N.L. (Crusader) which resolved the legal dispute between the companies concerning the participation factors used in the Cooper Basin and Downstream Joint Venture. The agreement will result in Crusader holding, in effect, a 4.75% fixed interest in each block in PELs 5 and 6 and in the Unit and Downstream Joint Ventures. Pursuant to the agreement, Santos Ltd has received approximately \$35 million from Crusader. This agreement is not expected to have any material adverse impact on Santos Ltd's prior or current year results.
-

1. In the opinion of the Directors of Santos Ltd:
 - (a) the financial statements set out on pages 32 to 54 are drawn up so as to give a true and fair view of the results and cash flows for the financial year ended 31 December 1992, and the state of affairs as at 31 December 1992, of the Company and the economic entity;
 - (b) the consolidated accounts have been made out in accordance with Divisions 4A and 4B of Part 3.6 of the Corporations Law; and
 - (c) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.
2. The financial statements have been made out in accordance with Statements of Accounting Concepts and applicable Accounting Standards.
3. In accordance with the Corporations Law, S285(3), the Directors have decided to adopt Accounting Standard AASB1027: Earnings Per Share before its application date of 30 June 1993.

Dated at Adelaide this 16th day of March 1993.

Signed in accordance with a resolution of the Directors:



S D M Wallis
Director



N R Adler
Director

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SANTOS LTD

Scope

We have audited the financial statements of Santos Ltd for the financial year ended 31 December 1992, consisting of the Profit and Loss Accounts, Balance Sheets, Statements of Cash Flows, accompanying notes, and the Statement by Directors set out on pages 32 to 55. The financial statements comprise the accounts of the Company and the consolidated accounts of the economic entity, being the Company and its controlled entities. The Company's Directors are responsible for the preparation and presentation of the financial statements and the information they contain. We have conducted an independent audit of these financial statements in order to express an opinion on them to the members of the Company.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance as to whether the financial statements are free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial statements, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial statements are presented fairly in accordance with Australian accounting concepts and standards and statutory requirements so as to present a view which is consistent with our understanding of the Company's and the economic entity's financial position and the results of their operations.

The names of the controlled entities audited by overseas KPMG Peat Marwick member firms are set out in note 19.

The audit opinion expressed in this report has been formed on the above basis.

Audit opinion

In our opinion, the financial statements of Santos Ltd are properly drawn up:

- (a) so as to give a true and fair view of:
 - (i) the state of affairs at 31 December 1992 and the results and cash flows for the year ended on that date of the Company and the economic entity; and
 - (ii) the other matters required by Divisions 4, 4A and 4B of Part 3.6 of the Corporations Law to be dealt with in the financial statements;
- (b) in accordance with the provisions of the Corporations Law; and
- (c) in accordance with Statements of Accounting Concepts and applicable Accounting Standards.



KPMG Peat Marwick
Chartered Accountants



C W Dunsford
Partner
Adelaide, 16 March 1993

STOCK EXCHANGE AND SHAREHOLDER INFORMATION

Listed on Australian Stock Exchange at 11 March 1993 were 495,559,362 ordinary shares. Unlisted are 100,000 class 'B' shares, 1,529,000 partly paid Plan '0' shares and 1,435,000 partly paid Plan '2' shares. There were 30,810 holders of all classes of issued shares (including 1 B Class shareholder and 70 holders of Plan 0 shares and 67 holders of Plan 2 shares) compared with 31,755 a year earlier.

The listed issued ordinary shares represent 99.98% of the voting power in Santos. The holdings of the twenty largest holders of shares represent 57.3% of the total voting power in Santos (last year 56.5%).

The 20 largest shareholders in Santos as shown in the Company's Register of Members at 11 March 1993 were:

Name	Number of fully paid Shares	% of Voting Capital
ANZ Nominees Limited	61,276,395	12.4
National Nominees Limited	52,777,303	10.6
Pendal Nominees Pty Limited	29,582,366	6.0
Australian Mutual Provident Society (No. 1 a/c)	27,460,184	5.5
Chase Manhattan Nominees Limited	24,690,717	5.0
Permanent Trustee Company Limited	15,443,559	3.1
Australian Mutual Provident Society (No. 2 a/c)	14,453,914	2.9
Queensland Investment Corporation	9,084,853	1.8
Westpac Custodian Nominees Limited	8,392,445	1.7
Perpetual Trustees Nominees Limited	5,350,759	1.1
Perpetual Trustee Company Limited	4,481,452	0.9
Australian Mutual Provident Society (No. 3 a/c)	4,211,973	0.8
Commonwealth Superannuation Board of Trustees No.2	3,857,710	0.8
The National Mutual Life Association of Australasia Limited	3,824,693	0.8
MLC Life Limited	3,655,625	0.7
State Authorities Superannuation Board	3,522,536	0.7
Transport Accident Commission	3,484,843	0.7
MLC Life Limited	3,446,600	0.7
Permanent Trustee Company Ltd (Country No.1 account)	2,761,061	0.6
BT Custodians Limited	2,499,019	0.5
	284,258,007	57.3

Analysis of the Listed Shares - Range of Shares Held

	Fully Paid Ordinary Shares (Holders)	% of Holders	% of Shares held
1 - 1,000 *	12,896	35.2	1.3
1,001 - 5,000	18,048	49.2	8.8
5,001 - 10,000	3,373	9.2	4.9
10,001 & over	2,355	6.4	85.0
Total No.	36,672	100.0	100.0

* There were 1,057 shareholders who held less than 100 shares which at the current market price was deemed to be the minimum marketable parcel.

For Directors' Shareholdings see Directors' Statutory Report.

The following interests are recorded in the Company's Register of Substantial Shareholders at 11 March, 1993.

Name	Address	No. of voting shares held
Australian Mutual Provident Society	1-3 Phillip Street Sydney NSW 2000	41,968,978*
Bankers Trust Australia Ltd.	c/- Level 38 Australia Square Sydney NSW 2000	51,925,843
Permanent Trustee Company Ltd.	23-25 O'Connell Street Sydney NSW 2000	27,144,918
The Capital Group Inc.	333 South Hope St. Los Angeles California USA	28,384,385

* The Australian Mutual Provident Society has also notified the Company in accordance with the Securities Amendment Act 1988 (New Zealand) that it is a substantial shareholder by virtue of it having a relevant interest in the abovementioned shares.

Voting Rights

Except as set out in Article 11 detailed below in respect of B Class shares, Articles 33 to 38 of the Company's Memorandum & Articles of Association detail the voting rights of members. The Articles indicate that on a show of hands, every member present in person or by representative or the attorney of a member shall have one vote and upon a poll subject to certain conditions detailed in the Articles every member present in person or by attorney, proxy or representative shall have one vote for every fully paid share held. Pursuant to the Rules of the Santos Executive Share Plan, Plan '2' and Plan '0' shares do not carry any voting rights except on a proposal to vary the rights attached to Plan shares.

Article 11 set out below confers special rights to the holders of B Class shares - "Notwithstanding any other provision of these Articles upon a poll on any resolution to repeal or to amend any of the following provisions, namely, the provisions of Article 2 which define "AGL" and "AGL Subsidiary" and Articles 8, 9, 10, 11, 12, 13, 14, 74 and 98, the B Class shares shall collectively confer on the holders the right to such number of votes as shall be equal to twenty six seventy fourths of the number of votes at a poll conferred by all the other issued shares on the holders thereof and each holding of B Class shares shall confer the right to a rateable proportion of the votes thus collectively conferred."

Rights of Appointment

(for B Class shareholder)

Article 12 confers the right on AGL and its subsidiaries while they hold the whole of the issued B Class shares to appoint one person as a Director. It also confers the right to remove or replace the person it appoints as a Director. Unless previously terminated by agreement between the Company and AGL, these rights will expire on 31 December, 2000.

Summary of Share Registers

See inside back cover.

Stock Exchange Listings

The Company's issued ordinary shares are listed on The Australian Stock Exchange Limited and the Home Exchange is Adelaide. The Company's shares are also listed on the New Zealand Stock Exchange.

American Depository Receipts (ADR) issued by Morgan Guaranty against Santos shares held are sponsored and quoted on NASDAQ (National Association of Securities Dealers Inc) in USA under the symbol STOSY. Each ADR unit represents four ordinary SANTOS shares.

DIRECTORS

S D M Wallis

Chairman

J A Uhrig

Deputy Chairman

N R Adler

Managing Director

E A Burton

N R Clark

S Gerlach

J J Kennedy

R C H Mason **

K W Peterson

Robert Strauss

I E Webber

appointed 16 February 1993

** Appointed by Santos Development Ltd, -
holder of the B Class shares

Secretary

M G Roberts

SHARE REGISTERS

Adelaide

39 Grenfell Street

Adelaide

South Australia 5000

Brisbane

20th Floor, Santos House

215 Adelaide Street

Brisbane

Queensland 4000

Canberra

c/- KPMG Peat Marwick

30 Northbourne Avenue

Canberra City

Australian Capital Territory 2601

SENIOR MANAGEMENT

N R Adler

Managing Director

J D Armstrong

*President Santos Americas &
Europe Corporation*

J W McArdle

*Executive General Manager -
Commercial*

J B FitzGerald

*General Manager
Corporate Services*

M D Hannell

General Manager Production

T G O'Meally

*General Manager
Santos Petroleum Management Pty Ltd*

R J Wortley

*General Manager
Accounting*

M G Roberts

*Group General Counsel
and Company Secretary*

J L Barton

*Assistant General Manager
SA - Joint Ventures*

J L Croddock

*State Manager
Queensland*

D I Dare

*Manager
Petroleum Development*

I M Kirkwood

*General Manager
Santos Finance Ltd*

B J Lawrence

*General Manager
Liquids Marketing*

L W H Taylor

*Manager Exploration Australia
& South-East Asia*

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Facsimile (02) 232 5827

Telex AA75424

Darwin

3rd Floor

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Darwin

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Telephone (089) 41 2470

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Facsimile (713) 225 5030

Telex 762001

United Kingdom

Santos Europe Limited

The Old Magistrates Court

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Guildford Surrey GU14AW

Telephone (483) 301001

Facsimile (483) 300266

Telex 858634 PEKOEK G

FINANCIAL CALENDAR 1993

April	First quarter revenue, production and exploration and development expenditure announced to Australian Stock Exchange (ASX)
30 April	Annual General Meeting
25 May	Books close to determine entitlements to final dividend
16 June	Payment of final dividend
30 June	Half year end
July	Second quarter revenue, production and exploration and development expenditure announced to ASX
September	Half year results announced to ASX
October	Third quarter revenue, production and exploration and development expenditure announced to ASX
31 December	Financial Year end

1994

January	Final quarter 1993 revenue, production and exploration and development expenditure announced to ASX
March	Full Year 1993 results announced to ASX

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