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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 the USA are sponsored and are quoted on the NASDAQ system in the USA.

Abbreviations

This report contains abbreviations and terms used by Santos and the oil and gas industry. A glossary of terms is provided on the inside back cover.

Notice of Meeting

The Annual General Meeting of Santos Ltd will be held in the Ballroom, Hilton International Adelaide Hotel, 233 Victoria Square, Adelaide, South Australia on Friday, 29 April 1994 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

Directors

J A Uhrig (Chairman)
N R Adler (Managing Director)
N R Clark
S Gerlach
J J Kennedy
R C H Mason*
K W Peterson
Robert Strauss
I E Webber
*Appointed by Sangas Development Ltd – holder of the B Class Shares

Secretary

M G Roberts

Financial Calendar

1994

April First quarter revenue, production, exploration and development expenditure announced to Australian Stock Exchange (ASX)

April 29 Annual General Meeting

May 25 Books close to determine entitlements to final and special dividend

June 17 Payment of final and special dividend

June 30 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

December 31 Financial year end

1995

January Final quarter 1993 revenue, production and exploration and development expenditure announced to ASX

March Full year 1994 results announced to ASX

Cover Tim Conlan, a roughneck aboard the Century Drilling Rig 3 at work near Moomba in the Cooper/Eromanga Basins.

Santos aims to conduct oil and gas exploration, production and sales in a manner which provides its shareholders with a superior investment in the petroleum industry.

Santos' strategies for achieving these goals are to:

- **increase the return on and economic value of existing assets;**

- **provide new opportunities for growth through a diversified, cost-competitive exploration program;**

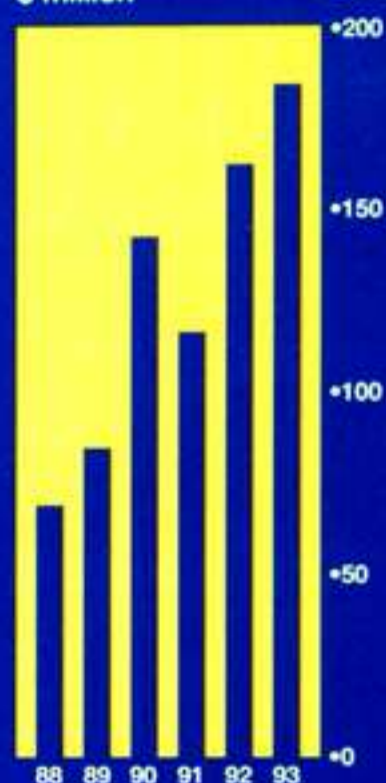
- **expand the company through the purchase of new oil and gas assets which add value to the company's business; and**

- **promote the enthusiasm, safety and welfare of employees and conduct operations in an environmentally responsible manner.**

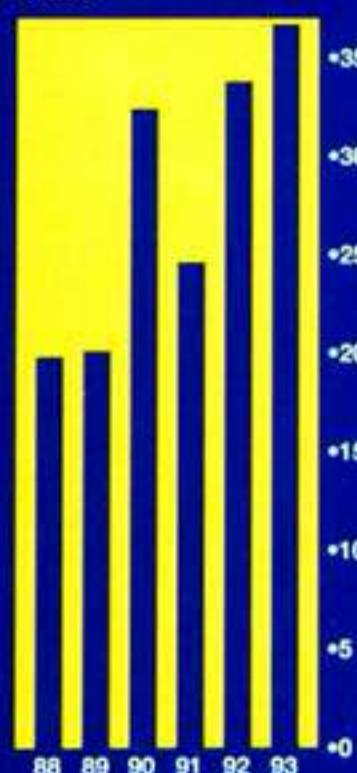
Financial

Key Results		1992	1993	% change
Profit and Dividend				
Sales revenue	\$ million	689.8	680.2	(1.4)
Total revenue	\$ million	752.0	943.2	25.4
Earnings before interest and tax	\$ million	332.2	327.4	(1.4)
Profit after tax and before abnormal items	\$ million	162.6	184.4	13.4
Profit attributable to shareholders after tax and abnormal items	\$ million	112.7	219.3	94.6
Earnings per share	cents			
	before abnormal items	33.8	36.7	8.6
	after abnormal items	23.4	43.6	86.3
Dividend per share	cents fully franked			
- ordinary		21.0	22.0	4.8
- special		-	5.0	n/a
- total dividend		21.0	27.0	28.6
Cash Flow				
Cash flow provided by operating activities	\$ million	414.3	436.6	5.4
- per share	cents	86.2	86.8	0.7
Balance Sheet				
Total assets	\$ million	2821.8	2831.2	0.3
Total shareholders' equity	\$ million	1231.7	1380.6	12.1
Net debt	\$ million	797.4	711.2	(10.8)
Ratios				
Return on shareholders' equity	%			
	before abnormal items	13.2	13.4	
	after abnormal items	9.1	15.9	
Net debt/equity	%	64.7	51.5	
Net interest cover	times	6.6	8.6	

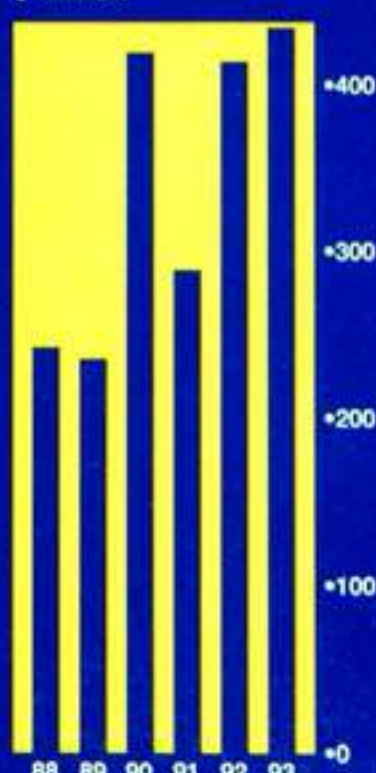
Profit after tax and before abnormal items
\$ million



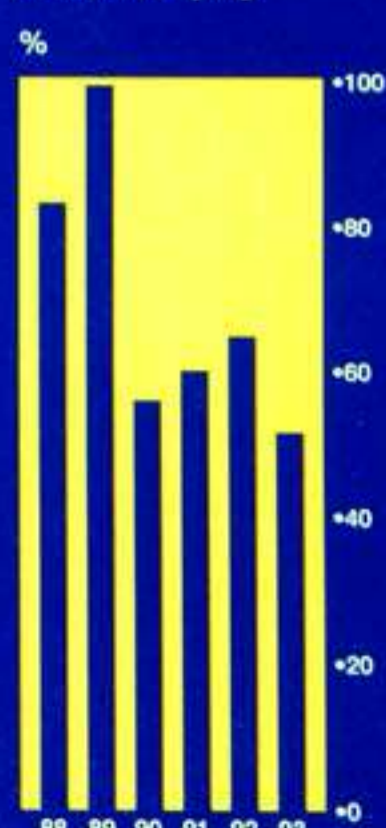
Earnings per share before abnormal items
cents



Cash flow from operations
\$ million



Net debt/equity
%



Operational

Production

- Record annual production of 36.3 million boe
- Gas production increased by 18% to new company record

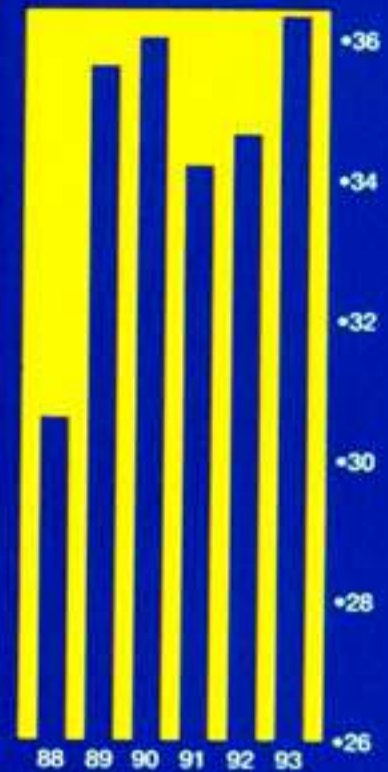
Exploration and reserves

- Total reserves increased by 5 million boe
- Stag 1 oil discovery in the Carnarvon Basin
- Successful recommencement of south-west Queensland gas exploration – six out of seven wells flow gas
- South Australian gas exploration met reserves target required for extension of South Australian gas contract to 2003
- Successful appraisal of the Ewing Bank discovery in the Gulf of Mexico
- Elang oil discovery in the Timor Gap, post balance date

Development

- South-west Queensland Gas Project completed on schedule and within budget

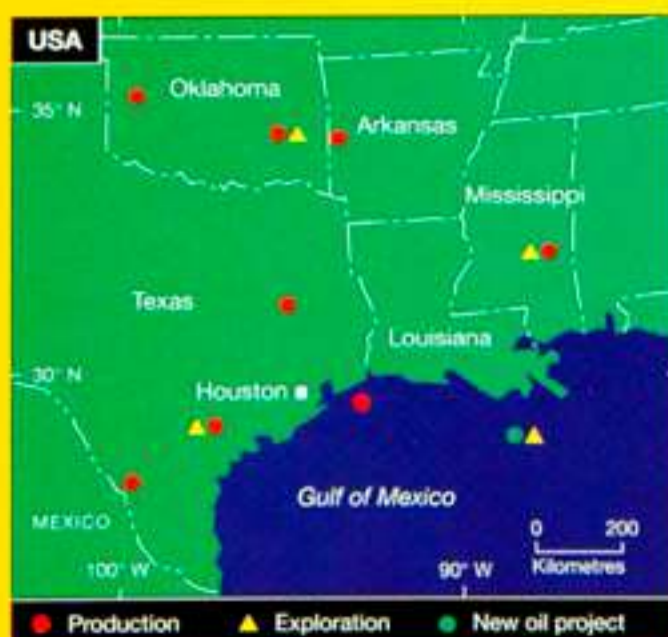
Production
million boe



Business Development

- Sale of the company's shares in Sagasco Holdings Ltd for a net gain of \$47 million
- Acquisition and integration of oil and gas producing interests in the Surat Basin/Denison Trough and Amadeus Basin adding production of 3.6 million boe in 1993
- New exploration acreage acquired in the Carnarvon Basin and offshore United Kingdom
- Acquisition of producing interests in south-west Queensland and the Canning Basin
- A further 2% interest acquired in QCT Resources Ltd, bringing Santos' equity position to approximately 22%

Areas of Operation



Santos Ltd is Australia's leading independent oil and gas exploration and production company. With reserves in excess of 675 million barrels of oil equivalent (boe) and production and sales of over 41,000 barrels of petroleum liquids and 324 million cubic feet of gas per day, Santos produces more oil and gas than any other independent oil and gas company listed on the Australian Stock Exchange.

Santos' core business is its majority interest in the Cooper/Eromanga Basins oil and gas fields which it operates. This project involves acreage of over 118,000 square km and production from 560 oil and gas wells in 134 fields. Around three-quarters of the company's revenue is sourced from the Cooper/Eromanga Basins. The company also has a diversified and expanding exploration portfolio in Australia and abroad.

Most of Santos' gas sales are made under long-term contracts, providing the company with a strong, stable cash flow largely unaffected by fluctuations in liquids prices. More than 40% of the company's sales revenue is earned through the sale of gas and this share is growing. Liquid products are sold to Australian and international buyers.

Santos is the largest shareholder in QCT Resources Ltd, a leading coal producer and exporter. Santos also has significant investments in a number of oil and gas companies.

At the conclusion of 1993, Santos Ltd had a stock market capitalisation of \$2.0 billion and over 1,500 employees. Santos shares are traded on the Australian and New Zealand Stock Exchanges. American Depository Receipts, issued by Morgan Guaranty against Santos shares, are quoted on NASDAQ in the USA.

Santos concluded 1993 with the highest profits, production and reserves in its history.

The common feature in all of these achievements was the initiatives taken by the company to expand its gas business. In 1993, these initiatives resulted in Santos selling gas to new customers, commissioning new production facilities, and successfully recommencing gas exploration in south-west Queensland.

Chairman's and Managing Director's **Review**



Financial Results

Operating profit after tax and before abnormal items was \$184.4 million for the year ended 31 December 1993. This result is a company record and 13.4% higher than the corresponding figure of \$162.6 million recorded in 1992.

The net profit attributable to shareholders of the company after tax and abnormal items was \$219.3 million. This is also a company record and almost double the corresponding result in 1992 of \$112.7 million. The abnormal items comprise a net \$46.6 million gain on the sale of the company's 20% interest in Sagasco Holdings Ltd (Sagasco), a \$44.1 million gain arising from restatement of net deferred income tax provisions to reflect the reduction in the company tax rate in Australia, and a \$55.8 million write-down after income tax of exploration expenditure across a number of areas of activity.

Exploration expenditure by Santos' USA subsidiary was written down by \$29.5 million. Exploration expenditure in the Timor Sea was also written down by \$15.0 million. These adjustments were made in light of recent drilling disappointments, in order that the company's assets be conservatively valued. The remaining \$11.3 million of the write-down is accounted for by write-offs of exploration expenditure, principally in Colombia, where \$10.4 million of expenditure was written off following the company's withdrawal from exploration acreage.

The 1993 earnings per share of 43.6 cents after abnormal items was a company record and 86.3% higher than the 23.4 cents achieved in 1992. Earnings per share before abnormal items was 36.7 cents, compared with 33.8 cents in 1992.

Dividend

Directors have declared a final ordinary dividend of 11 cents per share. In addition, in recognition of the company's record result and in order to accelerate the distribution of accumulated franking credits at the 39% corporate tax rate, Directors have declared a Special Dividend of 5 cents per share. The dividends will be paid on 17 June 1994 to those shareholders registered in the books of the company at close of business on 25 May 1994. Shareholders will be

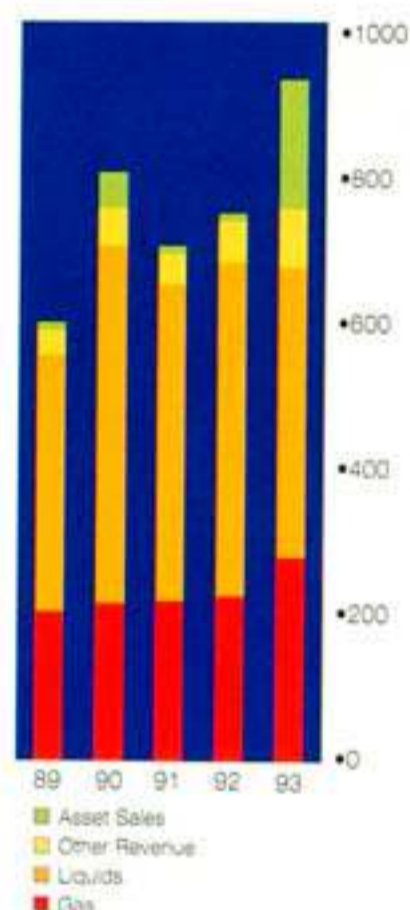
entitled to reinvest both the final dividend and the Special Dividend pursuant to the Dividend Reinvestment Plan. The level of discount applicable under the Plan will remain at 5% for these dividends.

Both dividends are fully franked at the former tax rate of 39%. The declared dividends bring Santos' total dividends for 1993 to 27.0 cents per share, compared with 21.0 cents per share in 1992.

Revenue

Revenue by Source

\$ million



The 1993 profit was earned from total revenue of \$943.2 million compared with the total revenue of \$752.0 million in 1992. The increase is attributable to two factors: the receipt of gross proceeds of \$179.5 million from the sale of non-current assets, principally the company's shares in Sagasco, and a 48.6% increase in other revenue. Higher dividends from Santos' shareholding in QCT Resources Ltd, dividends from Sagasco, and the increase in pipeline revenue that flowed from acquisitions, combined to lift other revenue from \$56.2 million in 1992 to \$83.5 million in 1993.

Total sales revenue for the year was \$680.2 million from a record sales volume of 36.4 million boe. By expanding its gas business during the year Santos was able to largely offset the impact of a \$59.1 million fall in revenue from the sale of liquid products. As a result, the 1993 sales revenue was only 1.4% lower than the \$689.8 million recorded in 1992.

Revenue from the sale of gas increased by 21.3%, principally through sales from gas-producing interests acquired in the Surat Basin/Denison Trough and the Amadeus Basin from The Australian Gas Light Company (AGL) on 1 January 1993.

Revenue was also favourably affected by a 2.8% increase in the company's average gas price compared with 1992. The higher price mainly reflects the impact of the inclusion of sales from the assets in the Surat Basin/Denison Trough.

Revenue from the sale of liquids fell due to the continued effect of lower prices for all products and the reduction to sales volumes that resulted from lower liquids production levels.

foreign currency exchange losses of \$4.9 million after tax, most of which were unrealised. The 1992 accounts included net foreign currency exchange losses of \$22.4 million after tax as an abnormal item.

Cash Flow

Santos continues to generate strong cash flow. The company's cash flow and cash reserves in 1993 were sufficient to fund capital investment, make record dividend payments, repay debt and reduce gearing, and invest in new assets to provide for the future.

Net cash flow from operating activities before tax was \$539.1 million, 8.4% higher than the corresponding figure of \$497.2 million in 1992. After tax net cash flow from operations was \$436.6 million, compared with \$414.3 million in 1992. The 1993 figure includes a \$35.2 million cash inflow arising from a settlement between Santos and Crusader Resources NL concerning the participation factors used in the South Australian Cooper Basin and Downstream Joint Ventures.

After cash expenditure of \$205.5 million on exploration and development and payment of dividends of \$110.2 million, the company was left with a surplus cash flow of \$120.9 million. This was supplemented by \$179.5 million received from the sale of assets and \$67.7 million through the reinvestment of dividends. These funds were used with existing cash balances to make net repayments to debt of \$124.4 million, and invest \$254.6 million in new assets. A number of onshore Australian assets were acquired in 1993; these are described further under the heading 'Acquisitions' on page 15.

Balance Sheet

The reduction in the company's net debt was one of the highlights of the company's financial performance in 1993. Although net debt at the conclusion of 1992 was \$797.4 million, the company effectively began the year with net debt of \$965.2 million and gearing of 78.4% after reducing cash and increasing debt to acquire AGL's interests on 1 January. By year-end, Santos had reduced net debt to \$711.2 million and the ratio of net debt to equity to 51.5%, the lowest since 1981.

Sales Volume and Average Prices

	Sales Volume			Average Prices	
	1992	1993		1992	1993
Sales Gas PJ	109.5	129.1	AS gigajoule	2.12	2.18
Crude Oil million barrels	10.9	10.0	AS barrel	28.65	27.64
			US\$ barrel	20.98	18.80
Naphtha million barrels	2.7	2.3	AS barrel	30.30	28.00
			US\$ barrel	22.19	19.05
LPG thousand tonnes	255.7	247.3	AS tonne	244.23	236.89
			US\$ tonne	178.65	161.13
Total million boe	34.5	36.4			

Costs

The inclusion of activities associated with the assets acquired from 1 January and various onshore Australian assets purchased in the second half of the year was the major factor in the increase in Santos' operating costs during the year. Total operating costs increased from \$128.4 million in 1992 to \$157.5 million.

Interest expense was \$44.6 million, \$15.2 million lower than in 1992 because of lower interest rates and the capitalisation of \$8.8 million of interest associated with the South-west Queensland Gas Project. The depreciation in the Australian dollar/US dollar exchange rate over the year resulted in net

Santos' cash balance at year-end was \$105.9 million, compared with \$94.3 million at the end of 1992.

Shareholders' equity at year-end was \$1,380.6 million, 12.1% higher than the corresponding figure of \$1,231.7 million at the conclusion of 1992.

The company established two new financing facilities during the year. In October a five-year A\$100 million Multi-Option Facility was established. In December a private placement of US\$170 million unsecured notes, with an average life of 10 years, was made to investors in the USA at a fixed interest rate.

The new long-term facilities, combined with the negotiation of other existing facilities, extended the average maturity profile of the company's debt to four and a half years at year-end.

Santos previously established two Swiss Franc Bond issues in 1984 and 1985. The first of these issues was repaid in December and the second was repaid early in March 1994.

The company's liquidity improved, with year-end cash and committed but undrawn facilities increasing from \$546 million to \$771 million at 31 December 1993.

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

Sagasco Holdings Ltd

The company's shares in Sagasco were sold after a take-over offer by Boral Ltd succeeded in gaining control of Sagasco. Santos had acquired 20% of Sagasco's issued capital for strategic purposes while it contested legal proceedings instituted by the Trade Practices Commission (TPC) opposing a bid for Sagasco announced by Santos in 1992.

Santos had Queen's Counsel's advice that its case was strong, and at all times believed it would win the court action. However, the success of Boral's subsequent bid made it clear Santos would be frustrated in its objective of ultimately winning control of Sagasco. With the Board of Directors having formed the view that it was not in the best interests of shareholders to retain a minority shareholding in Sagasco, the company accepted the Boral offer. The legal proceedings instituted by the TPC were subsequently discontinued with each party bearing its own costs. Santos' costs were offset against the capital profit realised by the sale of its shares in Sagasco.

Production

Santos increased its total production by 4.9% in 1993 to a record level of 36.3 million boe.

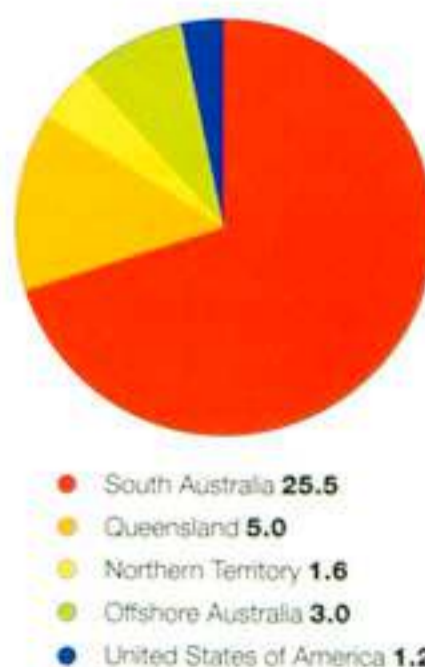
Production		
	1992	1993
Sales Gas PJ	109.5	129.1
Crude Oil million barrels	11.5	10.2
Condensate million barrels	2.2	2.0
LPG thousand tonnes	263.2	243.8
Total million boe	34.6	36.3

The increase is due to the 17.9% expansion in the volume of the company's gas output to a new company record of 129.1 PJ. This volume easily exceeds the previous record of 116.0 PJ recorded in 1989.

Crude oil production was lower because of the natural decline of the company's fields in the Cooper/Eromanga Basins and Timor Sea and the deferral of production from the Timor Sea caused by the temporary shutting-in of the Jabiru field for maintenance of the production facility. Reduced gas liquids yields from the Cooper/Eromanga Basins resulted in lower production of LPG and condensate. This will be reversed in 1994 with the commencement of gas production from the liquids-rich gas fields of south-west Queensland.

1993 Production by Region

million boe



Reserves

Santos increased its reserves of all products in 1993. Year-end reserves were five million boe higher than at the beginning of the year.

Reserves

Recoverable Hydrocarbon Reserves

Proved and Probable Reserves*

	Sales Gas PJ (inc. ethane)	LPG thousand tonne	Condensate million barrels	Crude Oil million barrels	Total million boe
Estimated reserves at 1 Jan 1993	3139†	4787	38	54	670
Additions from 1993 exploration	187	428	4	2	41
Production	(129)	(244)	(2)	(10)	(36)
Field revisions and ownership adjustments	(76)	(196)	0	3	(12)
Acquisitions	30	69	0	6	12
Estimated reserves at 31 Dec 1993	3151	4844	40	55	675

*A definition of proved and probable reserves is provided in the Glossary on the inside back cover of this report.

†This figure has been restated. An explanation of the change is contained on page 29 under the heading 'Northern Territory'.

Exploration was the major factor in the increase in total reserves, adding 14% more reserves than were depleted through production in 1993.

Over three-quarters of the new reserves contributed by exploration were gas, most of which was found in the Cooper Basin. Of the 32 million boe of gas reserves located by exploration in 1993, 30 million boe were in the Cooper Basin. The total amount of gas added through exploration was nearly one and a half times the company's record gas production in 1993. However, the impact of this on year-end reserves was offset in part by a net downwards revision to gas reserves of 13 million boe, principally attributable to the Amadeus Basin.

Gas liquids reserves rose by 3%. Although exploration located reserves equivalent to 175% of the year's gas liquids production, downwards revisions to estimates of South Australian gas liquids reserves significantly curtailed the overall increase in year-end reserves. Ownership adjustments largely accounted for this revision to gas liquids and also for an increase in the company's South Australian gas reserves. However, this increase was more than offset by the downwards revision to estimates of Amadeus Basin reserves.

Crude oil reserves increased marginally. Although new crude oil reserves located through exploration were insufficient to replace the year's production, the acquisition of producing oil reserves onshore Australia and revisions to field estimates resulted in year-end crude oil reserves being one million barrels higher.

Resources

The year-end reserve figures exclude oil and gas resources which, because of uncertainty about their extent or their ability to be economically recovered, fall outside the definitions of proved and probable reserves. Santos holds interests in a number of oil and gas accumulations which fall into this category. The technically recoverable hydrocarbons in these accumulations have been broadly estimated as follows:

	Estimated Hydrocarbon Volume million boe
Petrel gas field	35-120
Tern gas field	50- 75
Other	75-125
Total	160-320

The Petrel and Tern fields are located in the Bonaparte Basin, offshore Australia and are estimated to have the potential to contain a total of between 3,000 and 5,000 PJ of gas in place. Petrel and Tern will be the subject of drilling in 1994 to appraise the extent of gas in the fields.

Oil and gas resource accumulations included in the 'Other' category include the Oliver oil and gas field, the Stag, Talbot, Swift and Legendre oil fields and the Sole gas field offshore Australia, the Pierce oil and Banff oil and gas fields in the North Sea, and the Elevala and Ketu gas fields in Papua New Guinea. Estimates of resources in the company's onshore Australia acreage are also included.

Exploration

Exploration is a central element of Santos' corporate strategy. Besides adding value to the company's existing businesses, successful exploration will generate new businesses and growth opportunities. Notwithstanding the good growth prospects of Santos' existing assets, it is exploration which holds the greatest potential to generate quantum increases in the value of the company.

Strategy

Making the large discoveries which will realise this potential is a priority for Santos, but one which must be balanced with the ongoing need of the company's main cash-generating businesses for incremental reserve additions and the overall risk profile of the exploration portfolio. The company's exploration strategy ensures its exploration effort adequately addresses all of Santos' business needs. These include: the discovery of gas reserves to sustain and extend existing contracts and to provide for new sales contracts; the increase of oil reserves; the replacement of production; and the identification and realisation of opportunities for growth.

The exploration strategy, which is based on the company's strengths, has four elements:

- using the company's accumulated knowledge of the Cooper/Eromanga Basins to add value to the company's businesses through locating new reserves and opportunities for development;
- undertaking exploration outside the Cooper/Eromanga Basins to increase company reserves, and to enhance the likelihood of developing established hydrocarbon reserves;
- balancing the risk profile of the company's exploration portfolio with a bias to low and medium risk, while recognising and providing for a meaningful amount of high risk/high reward exploration; and
- managing the existing exploration acreage portfolio rigorously so as to increase the effectiveness and scope of the exploration effort to pursue viable exploration opportunities. This will be achieved through: farm-out of marginal opportunities or those where Santos is over-exposed to high

exploration risk; and divestiture of acreage which either performs poorly or does not have the potential to add value to the company.

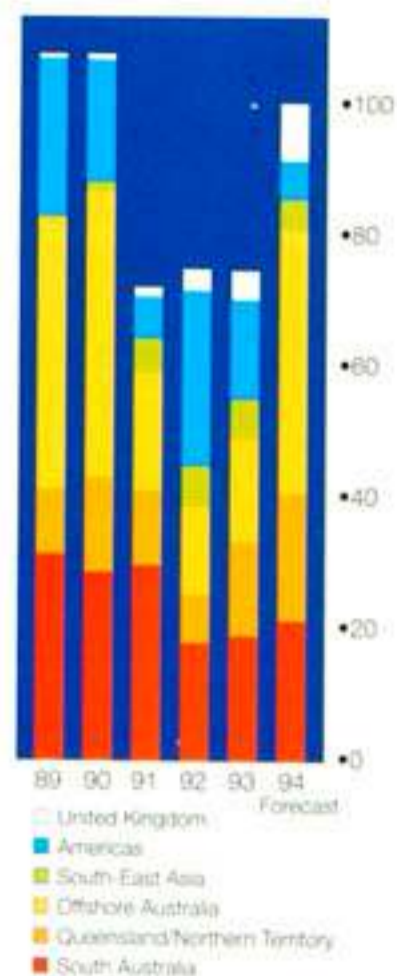
Santos intends to maintain its vigorous approach to exploration and will continue to appraise its acreage portfolio and strategy critically to ensure that the company achieves the long-term objective of increasing reserves on a more economic basis than the industry average.

1993 results

Santos significantly increased its drilling activity in 1993. The company participated in a total of 66 exploration wells compared with 41 in 1992. The 1993 total includes six farm-out wells in which the major portion of Santos' funding obligations was carried by other parties. The increase in drilling reflects additional exploration associated with new interests and a general rise in drilling across all of Santos' areas of operation. With a total incurred expenditure of \$76.7 million, the 1993 exploration program located approximately 41 million boe of new reserves at an average finding cost of \$1.87 a boe.

Exploration Expenditure

\$ million



Oil exploration accounted for 27 wells, eight of which were successful in finding oil. The successful wells included new field discoveries in the Carnarvon Basin, Gulf of Mexico and Indonesia and successful appraisals of existing discoveries in the Cooper/Eromanga Basins, Canning Basin, and Gulf of Mexico. An uneconomic oil discovery was also made in Colombia.

Three-quarters of the company's gas exploration wells in 1993 were successful. Santos participated in a total of 39 gas exploration wells in South Australia, Queensland and the Gulf Coast of America, 29 of which were successful.

New exploration acreage was added in the Carnarvon Basin, south-west Queensland, Papua New Guinea, and UK Continental Shelf. The company withdrew from, or relinquished, acreage in Colombia, Cambodia, Papua New Guinea, and the Surat and Otway Basins in Australia.

1994 program

Santos plans to participate in the drilling of 75 exploration wells in 1994 within a total budget of \$100 million. Approximately \$18 million of this budget is attributable to the drilling of two appraisal wells in a special gas exploration program on the Petrel and Tern gas fields in the Bonaparte Basin, offshore Australia. Besides drilling to support Santos' existing onshore gas and liquids production, the program includes frontier oil exploration in Papua New Guinea, the Timor Gap, and St Georges Channel offshore the UK, appraisal of existing oil discoveries in the Carnarvon Basin, North Sea and Gulf of Mexico, and exploration of acreage recently awarded in the North Sea and Liverpool Bay.

The program achieved early success with Elang I recording a significant oil discovery in the Timor Gap in February 1994.

Full details of the 1994 exploration program and activity in 1993 for each of Santos' areas of interest appear in the Business Unit Review section.



This chart compares the comparative average risk and reward characteristics of the targets proposed for wildcat and appraisal drilling in Santos' 1994 exploration program.

Investments

In addition to its own exploration and production assets, Santos holds a portfolio of investments in the Australian energy sector. Dividends from these investments provided income of \$21.5 million during the year, compared with \$10.3 million in 1992.

The increase in income is due to an increase in dividends paid by the company's largest investment, QCT Resources Limited (QRL), the addition of dividends from shares held in Sagasco and increased dividends from other holdings.

The major investments held by Santos in the Australian energy sector are outlined below.

QCT Resources Limited

Santos is the major shareholder in QRL, holding around 22% of QRL's issued shares. The shareholding represents an investment by Santos in the Bowen Basin coal industry in Queensland, one of the world's premier coal producing and exporting regions.

QRL participates in coal production in the region through its 27.8% interest in the Central Queensland Coal Associates and Gregory Joint Ventures and 100% equity in the South Blackwater mine. In 1993, QRL's share of the shipments from these interests exceeded 11 million tonnes. Most of this coal is prime quality hard coking coal which is sold to steel mills, principally in Europe and Asia. QRL also produces steaming coal which is sold to electricity utilities for power generation and to other industrial users. The volume of steaming coal sold by QRL is expected to increase, both in total and as a proportion of QRL's total shipments. This is due to



projections of increased output and strong thermal coal demand, particularly from Asia.

The mines are internationally competitive. Both the Joint Ventures and South Blackwater have increased their share of the world's traded coal market. Shipments from the operations expanded to record levels in 1993, despite a depressed world steel industry, through the provision of a reliable supply of coal that is competitive in delivered cost and quality. Santos believes the outlook for QRL is favourable. Globally, the steel industry is increasing its reliance on traded coal at the expense of domestically produced coal. Economic growth in Asia is expected to outstrip that of the rest of the world and QRL is well positioned to participate in the demand for coking coal imports in steel production that is expected to accompany that growth. However, the recent sharp cuts in the price of coking and

QCT Resources Limited interests

Central Queensland Coal Associates

– 27.8% interest

- Blackwater mine
- Goonyella mine
- Peak Downs mine
- Saraji mine
- Norwich Park mine
- Hay Point port

Gregory Joint Venture

– 27.8% interest

- Gregory
- Crinum project

South Blackwater

– 100% interest

- South Blackwater
- Kenmare project

steaming coal will reduce profit in the short term pending a recovery in prices.

QRL is poised to expand further as a result of two new development projects committed to in 1993. The Crinum underground coal mine will be developed by the Gregory Joint Venture and is expected to produce 2.5 million tonnes of saleable coal per annum for the joint venture. First coal production is expected from Crinum in the second half of 1994 with full production by mid-1996. Crinum is expected to cost the Gregory Joint Venture \$200 million to develop.

The second project, the Kenmare longwall underground mine, has greater potential for QRL. Kenmare involves a significant expansion to the South Blackwater operation, adding another 2.5 million tonnes of coal per annum at full production. The development cost of Kenmare is estimated to be \$160 million. Kenmare is also expected to reach full production in mid-1996 after commencing output in the first half of 1995.

Santos' investment in QRL is a modest diversification which will enable the company to participate in the further development of the Bowen Basin coal industry and the increasing economic activity in the Asian region from which QRL can expect to benefit.

Oil Company of Australia Limited

Santos is the owner of approximately 12.5% of the issued shares in Oil Company of Australia (OCA) which is 85% owned by Boral Ltd. With interests in the Surat Basin, Denison Trough and the South-west Queensland Gas Unit, OCA ranks behind Santos as the second largest gas producer in Queensland. OCA also participates in oil production from south-west Queensland.

Magellan Petroleum Australia Limited

Santos holds approximately 18.3% of the issued ordinary shares in Magellan Petroleum Australia, a subsidiary of Magellan Petroleum Corporation. Magellan's major assets are interests in the Palm Valley gas field and Mereenie oil and gas field in the Amadeus Basin of 50.8% and 35.0% respectively.

Acquisitions

Santos purchased a package of onshore oil and gas-producing assets from The Australian Gas Light Company on 1 January 1993. These assets include gas production interests in the Surat Basin/Denison Trough and the Amadeus Basin, oil production interests in the Amadeus and Surat Basins and Indonesia and interests in the Jackson-Moonie and Moonie-Brisbane oil pipelines. A detailed description of the assets was provided in the 1992 Annual Report and reserves attributable to the purchase included in the 1992 year-end reserves. These assets added 3.6 million boe to the company's production in 1993.

Santos also purchased a number of other onshore producing assets in the second half of the year. The acquisitions provided an immediate boost to oil production and reserves and increased Santos' participation in the growth that will flow from the development of south-west Queensland gas reserves. The interests acquired include:

- a further 7.5% share in the Naccowlah Block of ATP 259P;
- a 51.3% holding in ATP 267P, which contains the Nockatunga oil field;
- a 5.3% interest in ATP 269P, including a 4.7% interest in the petroleum leases, which contain the Bodalla and Kenmore oil fields;
- a 79.0% interest in ATP 299P, which holds the Tintaburra oil field;
- a further 1.7% of the South-west Queensland Gas Unit;
- a further 3.8% interest in the Jackson-Moonie pipeline, bringing the company's equity in the pipeline to 82.8%;
- a 10.3% interest in the Canning Basin permit EP129, which contains the Blina and Sundown producing oil fields; and
- an additional 37.5% interest in the Patchawarra East block of PEL's 5 & 6 South Australia.

Santos' share of production from the onshore assets purchased in the second half of the year is expected to total 0.9 million boe in 1994.

Organisation and People

Santos was reorganised during the year to increase the focus on profit and accountability throughout the company.

The reorganisation involved the formation of four business units which reflect the company's major areas of interest: South Australia; Queensland and Northern Territory; Offshore Australia; and Americas and Europe. Each business unit is accountable for its own financial performance and business growth.

The re-organisation also provides more employees with the opportunity to develop skills by assuming greater levels of responsibility.

The new senior management structure is outlined on pages 20 and 21 of this report.

Santos Ltd employed more than 1,500 people at the conclusion of 1993, approximately 4% more than the 1992 year-end total. The increase is due to the additional employees that joined the company with the acquisition of the upstream oil and gas assets and oil pipeline interests on 1 January 1993.

In October, the Santos Limited Enterprise Agreement 1993 was certified by the Australian Industrial Relations Commission. The Agreement, made following the expiry of the Santos Hydrocarbons Award, covers all employees directly involved in the company's Cooper Basin field, plant and transit operations. The Agreement provides for enhanced work flexibility, productivity and efficiency, along with employee development in return for specified wage increases spread over a two-year period. The certification of the Agreement is the culmination of nine months of discussions involving employee representatives, unions and company management and was achieved without dispute.

Environment

Santos regards responsible environmental management as an integral part of the day-to-day management of operations. The company has developed codes of conduct for employees and contractors which are supported by training, monitoring and external audits to ensure field practice complies with Santos' standard, as well as relevant regulatory requirements.

In 1993, the company implemented responses to the comprehensive external audit conducted in the previous year. A key part of this was the creation of management and review committees and reporting mechanisms on environmental management which extend throughout the company and to contractors. This structure is being integrated into an Environmental Management System which incorporates all of the company's various codes of environmental conduct and practices into a comprehensive documented system applying across all of Santos' Australian operations.

Santos was named the inaugural winner of the Queensland Premier's Award for Environmental Excellence in the Queensland Mining Industry during the year for the company's exploration activities in that State.

Community

In 1993, the company provided financial and non-financial support to a number of community activities and institutions. Santos' major sponsorships in 1993 were directed to the Royal Flying Doctor Service (RFDS), the Art Gallery of South Australia and the 1994 Adelaide Festival of Arts. The commitment to the RFDS involves the payment of \$250,000 over five years to its Aircraft Replacement Appeal in recognition of the service's value to the nation and its special relevance to the company's central Australian operations. The payment of \$50,000 in 1993 was the fourth payment made by Santos in the five-year program.

Other sponsorships and donations included Carrick Hill, the Adelaide Zoo, the State Theatre Company of South Australia, the Centre for Independent Studies, the University of Queensland Foundation, the Australian Minerals and Energy Environment Foundation, the restoration of St Peter's Cathedral, and community activities and institutions in Whyalla, Darwin and regional Queensland.

Corporate Outlook

Santos will enter 1994 in a strong position.

The company will receive the first full year's benefit of its investment in south-west Queensland gas. The high condensate and LPG content of the gas is forecast to increase Santos' gas liquids output by over 10%.

This increase is expected to be the major factor in the total production and sales volume for 1994 slightly exceeding the record level achieved in 1993. Revenue will be favourably affected by the company's interest in gas from the region being marginally higher than for the South Australian gas it will partially replace.

The outlook beyond 1994 is also positive. Production from existing interests, particularly of gas and gas liquids, is expected to remain strong for many years. Furthermore, the company's existing assets and reserves have the potential to deliver further production growth to the company in the short, medium and long terms. Much of the company's efforts in 1994 will be directed towards realising this potential.

There is scope for much greater benefits to accrue to Santos from its investment in south-west Queensland if energy supply opportunities emerging in the State are captured. The successful conclusion of negotiations for new sales contracts of gas from south-west Queensland is among the company's highest priorities for the year.

The other projects scheduled to address growth opportunities in existing assets in 1994 include the appraisal and development of the Ewing Bank oil and gas field; the negotiation of Cooper Basin ethane sales agreements; the appraisal of the Petrel and Tern gas fields and the Stag, Banff and Pierce oil fields; and the evaluation of the Nappamerri Trough deep gas.

Further growth can also result from exploration success and the acquisition of reserves. The strength of Santos' cash flow and balance sheet at year-end permits the company to pursue both avenues.

Santos expects to continue a significant exploration program over the medium term which is, on balance, conservative but still offers the potential to generate substantial reserve additions. The 1994 program

includes 24 oil exploration wells outside Santos' onshore Australian acreage with the potential to add significant increments to oil reserves.

Cash flow is forecast to remain more than sufficient to satisfy the company's capital and investment needs, subject to liquids prices not declining significantly. The surplus cash flow can be used to take advantage of any suitable acquisition opportunities which are identified in the Australian and international oil and gas industry or applied to further strengthen the company's financial position. At this stage, Santos' preference is to invest the company's strong cash flow in assets which will generate further growth with the proviso that the assets offer superior returns and provide the opportunity for Santos to add value. The company is actively seeking out opportunities for acquisitions which meet these criteria.

The reorganisation of the company in 1993 has strengthened its focus on profit and will encourage an enterprising approach to Santos' management of its assets and opportunities. Change of this nature brings new challenges and the company's employees have responded well to this. On behalf of the Board, we thank all employees for their contribution to the company's result in 1993.

Board of Directors

In December the Chairman, Mr S D M Wallis, announced that, due to the pressure of other commitments, he would be retiring from the Board on 15 February, 1994. Mr Wallis was a Director for six years and Chairman since May 1989. Mr J A Uhrig was appointed Chairman effective from the date of Mr Wallis' retirement.

The five years that Mr Wallis was Chairman were a time of growth and significant change in the structure and focus of Santos. The company is indebted to him for the leadership and guidance he provided during this period.

For and on behalf of the Board.



J A Uhrig
Chairman



N R Adler
Managing Director



John Allan Uhrig AO, BSc, FAIM

Age 65. Director since 3 December 1991 and Chairman since 15 February 1994 and also Chairman of Santos Finance Ltd. Chairman of CRA Ltd, Amdel Ltd, Westpac Banking Corporation Group and The Australian Minerals and Energy Environment Foundation. Until 1985 was the Managing Director of Simpson Holdings Ltd.

Norman Ross Adler B Com, MBA

Age 49. Managing Director since 7 November 1984, member of the Audit Committee of the Board 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.



Neil Rex Clark AO, B Com, FAIB, FCPA

Age 64. Director since 2 October 1990 and a member of the Audit Committee of the Board. Chairman of Foster's Brewing Group Ltd, Sun Alliance Insurance Group Australia and Graduate School of Management Foundation Ltd and Deputy Chairman of Ashton Mining Ltd. Director of Amcor Limited, 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 48. 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, Elders Australia Limited, Independent Holdings Ltd, G & R Wills & Co Ltd, Arrow Ltd, Penrice Limited and Brunner Mond Holdings Limited (UK).



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

Age 59. 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 Queensland Tourist and Travel Corporation.



Richard Chapman Hope Mason OBE

Age 69. 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 71. Director since 4 October 1983 and Chairman of the Audit Committee of the Board. Director of Uniquest Ltd Group. Senator of the University of Queensland 1986-1992. Managing Director of Queensland Alumina Ltd between 1974 and March 1987.



Robert Strauss MBE, FCA, FCPA, FCIS

Age 68. 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 58. 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 Limited, Pacific Dunlop Ltd and Scalzo 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.



Santos Group Organisation Chart



Managing Director
N R Adler

Business Units



General Manager
South Australia
M D Hannell

- Moomba
- Port Bonython
- Otway



General Manager
Queensland &
Northern Territory
T G O'Meally

- Jackson
- SWQ Gas
- Denison
- Surat
- Roma
- Moonie
- Merene
- Palm Valley
- Onshore Bonaparte
- Pipelines



General Manager
Offshore Australia
L W H Taylor

- Timor Sea
- Timor Gap
- Carnarvon Basin
- Offshore
- Indonesian Operations
- SE Asia



President
Santos
Americas & Europe
J D Armstrong

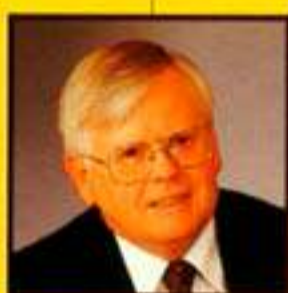
- USA
- UK

Corporate



**Executive General
Manager Finance**
P J Maloney

- Group Accounting
- Tax
- Finance
- MIS
- Internal audit
- Financial Planning



**Executive General
Manager Commercial**
J W McArdle

- Corporate Commercial

Corporate



**Group Counsel
and Company Secretary**
M G Roberts

- Group legal
- Company secretarial matters



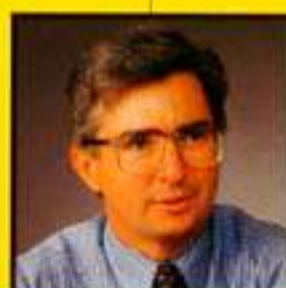
**General Manager
Corporate
Services**
J B FitzGerald

- Corporate & Investor Relations
- Business Development
- Personnel
- Risk Management
- Environment



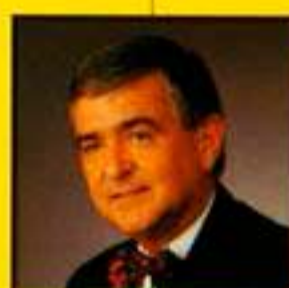
**General Manager
Petroleum
Development**
D L Dare

- Project priority
- Reserves management
- Reserves audit
- Consistent economics
- Technical consulting



**General Manager
Exploration**
L W H Taylor

- Exploration quality control
- Exploration audit



**General Manager
Marketing**
B J Lawrance

- Liquids marketing
- Special projects

The restructuring of the company around four business units during the year has confirmed superior performance as the core value of Santos' corporate culture. The new structure has given more responsibility to many employees, established clearer career paths and provided greater opportunity and encouragement for employees to contribute to the growth of the company.



South Australia

More than two-thirds of Santos' production is generated by the company's operations in South Australia, which produce crude oil, gas liquids and sales gas from the Cooper/Eromanga Basins. The region is approaching maturity, but through the application of new concepts and technology Santos' exploration of the region continues to yield economic discoveries. The overall emphasis of the operation is on maximising production, minimising operating costs and developing and implementing initiatives which will add value to the company's South Australian assets.

Summary Data	1992*	1993
Production		
Sales Gas PJ	98.9	105.3
Crude Oil million barrels	3.9	3.5
Condensate million barrels	2.2	2.0
LPG thousand tonnes	263.2	243.2
Total million boe	25.1	25.5
Reserves		
Sales Gas PJ	1615.7	1611.4
Ethane PJ	228.9	226.6
Crude Oil million barrels	24.7	22.5
Condensate million barrels	24.8	22.1
LPG thousand tonnes	3407.2	3113.8
Total million boe	393.9	385.6

*The 1992 reserves have been restated to include approximately 12 million boe of gas and gas liquids reserves located in south-west Queensland which are related to gas supply contracts entered into by the South Australian Cooper Basin Unit. These estimates were included in Queensland reserves in the 1992 Annual Report.

Production from South Australia increased in 1993 because of the 6.5% rise in sales gas output that flowed from increased demand by both of the Cooper Basin's gas customers, The Australian Gas Light Company and Pipelines Authority of South Australia (PASA). The higher gas output added 1.1 million boe to the company's total production, the impact of which was partially offset by a fall in liquids production due to natural decline.

Commercial

The South Australian Cooper Basin Producers' gas supply contract with PASA was extended until 2003 following the identification of sufficient gas reserves to supply the contract extension. Negotiations were

also commenced with PASA towards extending the existing gas contract for a yet-to-be-determined volume for the 10-year period from 2004 to 2013 inclusive. This extension would provide 20 years of contracted gas to PASA from South Australia.

The special gas purchase agreement was renegotiated with PASA during the year. The agreement provides for the sale of quantities of gas additional to that supplied under the Producers' 10-year contract with PASA. The renegotiated contract requires PASA to purchase a gross additional volume of gas of up to 18 PJ per annum for the period 1994-1996. The contract specifies gross minimum quantities of 7.5 PJ, 10.0 PJ and 5.0 PJ for 1994, 1995 and 1996 respectively.

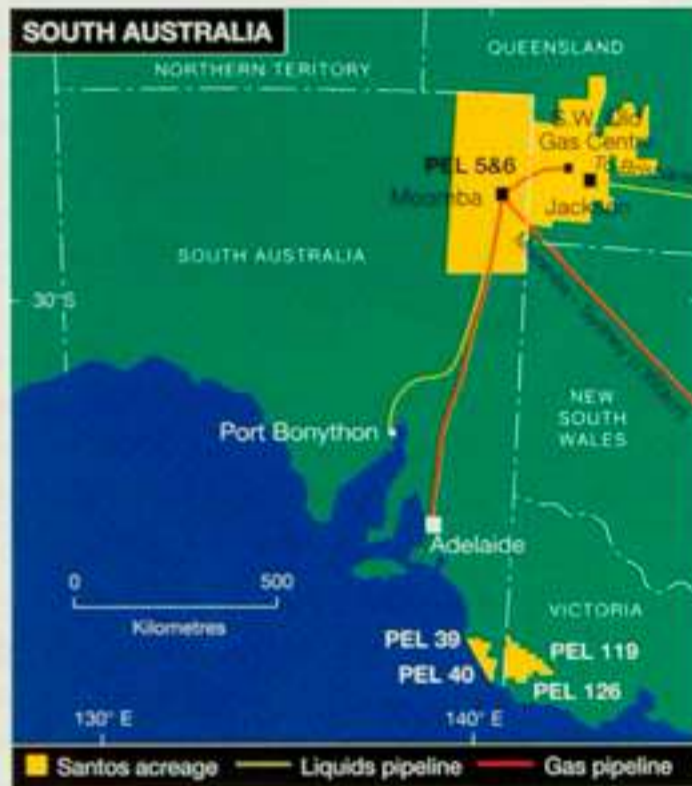
The marketing of Cooper Basin ethane reserves was given impetus by the conditional release of 120 PJ of ethane formerly reserved by the State Government. Negotiations are continuing with ICI Australia Ltd over a contract for the supply of 16 PJ of ethane per annum over 10 years from South Australia to ICI's ethylene petrochemical plant at Botany, Sydney. Subject to the successful conclusion of commercial negotiations, engineering studies and the construction of a 1,380 km pipeline, the first sales of ethane would be made in mid-1996. Santos currently has an approximate 54% share in South Australian Cooper Basin ethane.

Reserves, exploration and development

The decline in the company's South Australian oil and gas reserves in 1993 was restricted to 2.1%. The major factor in this outcome was gas exploration. Nine of the 12 gas exploration wells drilled in PEL's 5 & 6 during the year were successful, adding 15.1 million boe to year-end estimates of gas and gas liquids reserves. Three oil exploration wells were drilled, with two of these adding 0.2 million barrels to reserves. Acquisitions contributed 1.7 million boe, with the balance of the change in reserves accounted for by depletion through production and revisions to field estimates resulting from development and performance studies.

One of the highlights in 1993 was the successful completion of the first horizontal well to be drilled onshore mainland Australia. The well, at Meranji, flowed oil at rates of up to 2,200 barrels of oil per day, proving that horizontal well technology is applicable to the Cooper Basin. Detailed modelling and laboratory studies will be carried out in 1994 to identify the most suitable prospects for further horizontal drilling.

Santos acquired frontier gas exploration acreage in the Otway Basin at the beginning of the year with the acquisition of AGL's upstream assets. One unsuccessful exploration well was drilled in this acreage during the year.



Safety

Safety continues to be an issue of the highest priority for the company. As operator, Santos is responsible for the safety of its employees and contractors who work in the Cooper Basin and its associated operations. The company conducts a vigorous program of training, awareness campaigns and auditing to guard the health, safety and welfare of those associated with the company's operations and to ensure the company is satisfying its legislative obligations.

Significant achievements were made by all of Santos' field operations in South Australia in 1993. Moomba recorded one million work-hours free of lost-time injuries while both the Gillman transit

terminal and Pt Bonython liquids plant did not record any lost-time injuries.

There were four lost-time injuries in Santos' South Australian operations in 1993, compared with three in 1992. The safety performance of Santos' contractors improved with lost-time injuries falling from 31 in 1992 to 12 in 1993, a 61.3% improvement.

1994 outlook

Oil production from South Australia is expected to increase in 1994. This will not be sufficient to offset the impact on total production levels of reduced demand for South Australian gas by PASA as a result of the commencement of supply from south-west Queensland.

Exploration

Gas exploration will be targeted at identifying sufficient additional gas reserves to maintain the 10-year supply cover required by PASA. Fifteen gas exploration wells are budgeted to be drilled, reflecting PASA's reduced demand on South Australian gas following the commencement of supply from south-west Queensland.

Five oil exploration wells are planned for South Australia in 1994. The program includes drilling targets identified from three-dimensional seismic surveys conducted over the Lake Hope and Merrimelia/Innamincka blocks and a well in the Patchawarra East block.

In the Otway Basin, Santos expects to participate in one gas wildcat well and the acquisition of 120 km of seismic data.

Projects

Santos believes the full potential of its South Australian acreage has yet to be established. Santos' strategy for realising this potential involves two elements:

- extending the company's detailed understanding of its acreage;
 - using technology to enhance the value of reserves.
- In 1994, Santos plans to include projects which address both elements of this strategy.

The reservoir characterisation study of the Tirrawarra oil field in 1993, which suggested that potential exists for further volumes of oil to be added to Tirrawarra reserves, will be extended in 1994.

Two new initiatives with the potential to add to South Australian reserves and production are also planned. One will involve a study of the feasibility of fracture stimulation to enable economic recovery of deep, low-permeability gas from the Nappamerri Trough region. The Nappamerri Trough is estimated to have the potential to contain between 1,000 and 2,000 PJ of this gas, but the combined effect of the depth of the reservoirs, high temperature and low porosity and permeability have meant that flow rates from wells drilled in the region have been comparatively low. One of the gas exploration wells programmed for 1994 will be drilled in the Nappamerri Trough. At least one other existing well will be fracture stimulated to assess the economic recoverability of the gas. The depth, high temperature and pressure of the Nappamerri Trough will test the limits of existing fracture stimulation technology but the size of the gas resource potentially available warrants rigorous evaluation of production options.

The second major new development project is a reservoir characterisation study of the liquids-rich gas fields in the Nappacoongie Murteree and Toolachee blocks. The study will provide information on the primary gas-producing reservoirs and the means by which gas and gas liquids yields from the fields in the blocks can be maximised, as well as address additional oil and gas liquids appraisal potential. If successful, the study will be the first in a series which will evaluate the potential of each block in PEL's 5 & 6.



Fracture Stimulation

Santos has successfully applied fracture stimulation to around 120 oil and gas wells in the Cooper/Eromanga Basins to improve production rates.

By pumping large volumes of a thick, jelly-like fluid at high pressure into the reservoir rock via the well bore, a hydraulic fracture is created. The fracture is held open by 'proppant', typically graded sand or sintered bauxite, which has been pumped with the fluid into the fracture. Consisting of two vertical fracture 'wings' extending from the well bore out into the reservoir, the fracture enables hydrocarbons to flow more easily into the well bore, thereby increasing production rates.

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Queensland and Northern Territory

Queensland

Queensland is an area of major importance to Santos' immediate and long-term future. In 1993, Queensland was the company's second largest source of production, contributing over one-quarter of Santos' oil output and 10% of its gas sales.

Summary Data	1992*	1993
Production		
South-west Queensland		
Crude Oil million barrels	2.5	2.5
Sales Gas PJ	-	-
Condensate million barrels	-	-
LPG thousand tonnes	-	0.6
Total south-west Queensland million boe	2.5	2.5
Surat/Denison		
Crude Oil million barrels	-	0.2
Sales Gas PJ	0.3	13.2
Total Surat/Denison million boe	0.1	2.5
Total Queensland Production million boe	2.6	5.0
Reserves		
South-west Queensland		
Crude Oil million barrels	13.0	16.0
Condensate million barrels	12.5	15.5
LPG thousand tonnes	1376.7	1730.6
Sales Gas PJ	608.0	713.7
Ethane PJ	81.3	101.4
Total south-west Queensland million boe	154.9	185.2
Surat/Denison		
Crude Oil million barrels	2.0	1.4
LPG thousand tonnes	2.8	-
Sales Gas PJ	111.7	112.2
Total Surat/Denison million boe	21.2	20.8
Total Queensland Reserves million boe	176.1	206.0

*The 1992 Queensland reserve figures have been restated to exclude approximately 12 million boe of gas and gas liquids reserves located in south-west Queensland but which are related to gas supply contracts entered into by the South Australian Cooper Basin Unit. These estimates were included in Queensland reserves in the 1992 Annual Report. The 1992 year-end reserves figure includes 21 million boe acquired on 1 January 1993.

Production

Santos' total production of oil and gas from Queensland increased by 92.3% in 1993. The increase is due to the contribution from the oil and gas producing assets acquired in the Surat Basin and Denison Trough at the beginning of the year. Oil production in south-west Queensland was maintained. This reflected the success of field development initiatives employed by the company to retard the natural decline of the region's production, the

benefit of acquisitions which added 0.16 million barrels to oil production in the fourth quarter, and production from the Cook-4 appraisal well.

Reserves and exploration

Santos increased its reserves of oil and gas in south-west Queensland by 19.6%, principally through gas exploration and the acquisitions discussed above. Six of the seven gas wells spudded by Santos in south-west Queensland in 1993 flowed gas. Gas and gas liquids reserves of 27.5 million boe were added to year-end estimates; 23.2 million boe from drilling in the Stokes, Costa and Judga fields and 4.3 million boe from an increase in the company's interests in the South-west Queensland Gas Unit.

The company's oil reserves in south-west Queensland increased due to the addition of 5.2 million barrels to year-end estimates from the oil-producing interests acquired in the region. Six oil exploration wells were spudded in the region during the year, two of which resulted in successful appraisal wells.

In the Surat Basin and Denison Trough, gas and gas liquids reserves increased slightly due to an upgrade to estimates following analysis of field production performance. In addition, exploration added 0.3 million boe from eight of the 11 gas exploration wells drilled. Two additional wells were drilled in the company's Surat Basin acreage at no cost to Santos through farm-out agreements. One of these wells was cased and suspended after gas was encountered.

Gas marketing

Uncommitted gas reserves in the company's south-west Queensland acreage is currently estimated at 1,040 PJ. Santos is confident the continuation of the gas exploration program in the region will result in large additions of gas. The program yielded a gross addition of 180 PJ of gas in 1993.

The market prospects for this gas are good. Approximately 38 PJ of gas are currently consumed in Queensland each year, the majority of this in the energy markets in the south-east of the State. This region has been the principal focus of Santos' marketing effort, and in 1993 the company commenced negotiations with a number of potential

Queensland and Northern Territory

buyers who currently consume gas supplied from the Surat Basin and Denison Trough. Due to field depletion, the bulk of these consumers will require new sources of supply from 1996.

In the longer term, Santos believes the security of supply offered by abundant gas reserves in south-west Queensland and vigorous marketing will stimulate demand from Queensland energy users which do not currently consume gas. Santos has identified a number of prospective major gas customers which, collectively, would add significantly to Queensland gas consumption.

Beyond the year 2001, opportunities will emerge for further sales of gas outside Queensland. In New South Wales an additional source of supply is expected to be required from 2001. Further sales to South Australia may result from the agreement by the Queensland Government to allow another release of gas for sale from south-west Queensland to South Australia from 2003. The release is subject to contractual agreement and certain conditions and allows for a minimum of 120 PJ and up to 250 PJ of gas.

South-west Queensland Gas Project

The South-west Queensland Gas Project was completed in December, on schedule and within budget. The Project involved the establishment of the initial surface facilities for the commencement of gas production and gathering at Ballera and a 180 km pipeline to Moomba. Santos' share of development expenditure on the two-year project was \$68.8 million, of which \$41 million was incurred in 1993.

The initial purpose of the Gas Centre is to enable sales to South Australia. However, the Centre has been designed to readily accommodate any expansion in facilities necessitated by sales contracts with Queensland consumers. Feasibility studies evaluating pipeline options to enable supply are underway.



Safety

In south-west Queensland, further improvements were made in safety. There were no lost-time injuries amongst Santos employees during the year, compared with one in 1992. The number of lost-time injuries incurred by contractors operating in the company's acreage in the region declined from six in 1992 to five in 1993.

Two hundred and fifty thousand work-hours free of lost-time injuries were recorded at Jackson and no lost-time injuries were incurred in the Jackson-Moonie pipeline, Moonie-Brisbane pipeline and Roma operations during the year.

1994 outlook

Santos expects to expand its total production in Queensland by over 80% in 1994. The increase reflects the impact of a full year's gas and gas liquids production from south-west Queensland and the increase in oil production from the new assets acquired in the region in 1993. Gas exploration in south-west Queensland will continue in 1994 with the drilling of up to 10 exploration wells. Eleven oil wells are budgeted for the region, five in ATP 259P and six in the new permits acquired in the second half of 1993.

Six gas exploration wells are budgeted in the Surat Basin and Denison Trough.

Northern Territory

Santos participates in oil and gas production in the Northern Territory through its interests in the Mereenie oil and gas field and Palm Valley gas field in the Amadeus Basin. This region accounted for around 4% of the company's production in 1993 and 10% of its year-end reserves.

Summary Data		
	1992*	1993
Production		
Crude Oil million barrels	0.1	0.6
Gas PJ	3.6	6.1
Total million boe	0.8	1.6
Reserves		
Crude Oil million barrels	3.2	3.6
Condensate million barrels	0.7	2.6
Gas PJ	455.0	375.1
Total million boe	82.6	70.5

*Gas reserves for 1992 have been restated so that Santos' Northern Territory reserves conform to the standard heating value used in all of the company's other areas of operation. This heating value is 1 billion cubic feet = 1.055 petajoules. This revision does not affect boe figures which had already been calculated on this basis. The 1992 reserves figure includes proved and probable reserves of 41 million boe acquired on 1 January 1993.

The doubling of Santos' production from the Amadeus Basin in 1993 is attributable to two factors: the increase in the company's interests in the region at the beginning of the year and increased oil output from Mereenie. Santos' share of gas production from the Amadeus Basin was 69.4% greater in 1993 than in 1992, largely reflecting the impact of the additional interests acquired at the outset of the year.

Reserves

The 14.6% decline in the company's Amadeus Basin oil and gas reserves in 1993 was due to the downgrading of reserve estimates for the Palm Valley gas field. An independent audit of Palm Valley gas reserves was commissioned by Santos during 1993 following disappointing results from the Palm Valley 8 & 9 development wells. The audit was conducted by Intera Information Technologies Corporation, a petroleum engineering consultant, and was in addition to the Reserves Update Report prepared for the joint venture by Servipetrol Ltd. The Intera audit supported Santos' view that reserve estimates for Palm Valley should be reduced. Accordingly, Santos has reduced estimates of its share of reserves in the field by 100 PJ (17 mmbboe)

to 140 PJ. This revision to Palm Valley reserves confirms the doubts expressed to shareholders at the company's 1993 Annual General Meeting about the viability of the Amadeus Basin joint venturers to enter into long-term supply contracts with PASA.

Santos estimates that the region now has 750 PJ of proved and probable reserves. The Amadeus Basin joint venturers are considering the options available for this gas, with the most likely market prospect being to secure an extension to the existing sales contracts with the Northern Territory Power and Water Authority.

The impact of the revision to Palm Valley gas reserves on the company's Amadeus Basin reserves was partially offset by an upwards revision to estimates of gas and gas liquids reserves in the Mereenie field.

Estimates of oil reserves in Mereenie were also upgraded following the success of the 1993 development program. As a result, Santos' year-end oil reserves in the Amadeus Basin were 12.5% higher than in the previous year.

1994 outlook

The company's production of oil and gas from the Northern Territory is expected to increase slightly in 1994. Seven oil development wells will be drilled and fracture stimulated. No drilling is budgeted for the Palm Valley field, with the emphasis instead being on securing additional gas sales contracts in the Northern Territory.



Offshore Australia

The Offshore Australia Business Unit manages a diverse spread of exploration and production interests. Exploration interests include frontier acreage in the Timor Gap and Papua New Guinea, permits in established oil-producing regions in the Timor Sea, Carnarvon Basin and Indonesia, and gas exploration acreage in the Bonaparte Basin. The company also holds interests in all of the three producing oil fields in the Timor Sea and the Bula field onshore Indonesia. Production from these interests accounted for 29% of Santos oil production in 1993.

Summary Data		
	1992	1993
Production		
Crude Oil million barrels		
Timor Sea	4.1	2.6
Carnarvon	0.3	-
Indonesia	-	0.4
Total	4.4	3.0
Reserves		
Crude Oil million barrels		
Timor Sea	7.8	6.6
Canning Basin	-	0.1
Indonesia*	1.3	1.9
Total	9.1	8.6

*These reserves were acquired on 1 January 1993.

The decline in production in the Timor Sea compared with 1992 reflects the natural decline of the region's fields and, to a lesser extent, the shutting in of the Jabiru field for 120 days to undertake repairs, maintenance and upgrading of the field's production facility.

Santos acquired full ownership of the Bula oil field and a 2.5% interest in the surrounding Seram Production Sharing Contract (PSC) in Indonesia on 1 January 1993. Production from Bula averaged 1,000 barrels of oil per day in 1993.

Reserves

The strong performance of the Skua field in the Timor Sea is reflected in the year-end reserve estimates. Estimates of reserves for the field were upgraded by 3.1 million barrels at year-end following analysis of production data, with Santos' share of the upgrade being 0.9 million barrels.

Reserves estimates for the Jabiru and Challis fields were also revised upwards with Santos' share of the increment being a total of 0.5 million barrels.

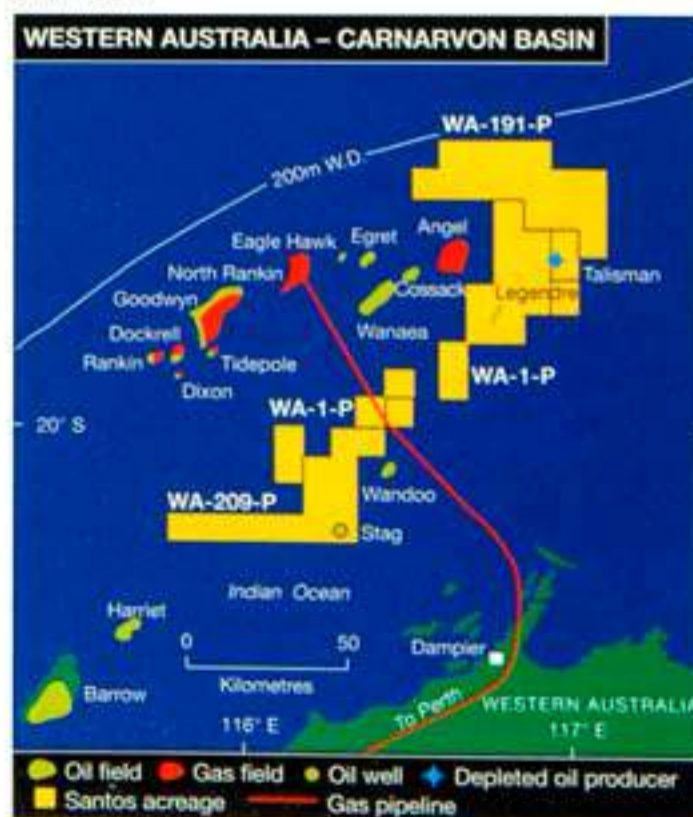
Reserve estimates for the Bula field were revised upwards by 1.0 million barrels following a review of field performance and development opportunities.

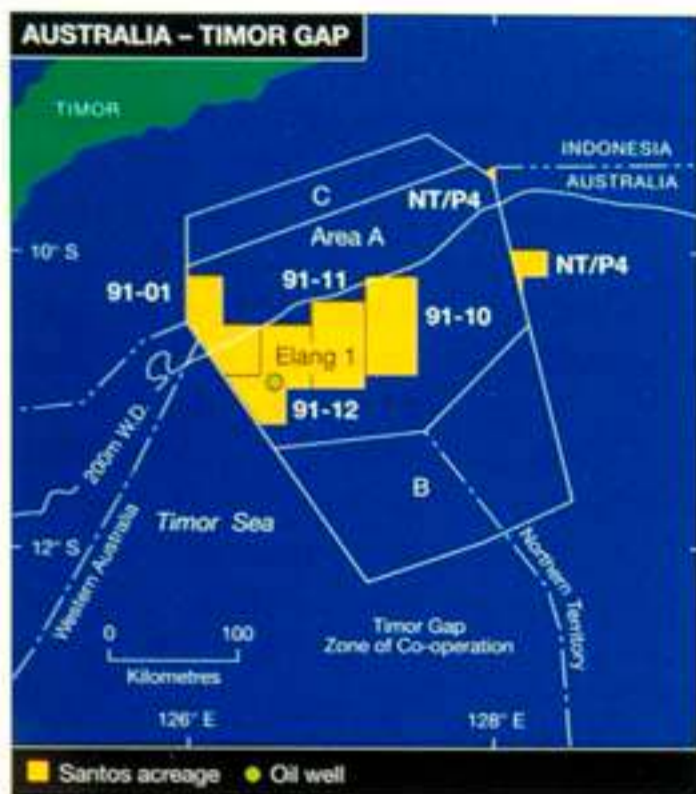
Exploration

Carnarvon Basin

The highlight of the company's exploration of its offshore Australian acreage during 1993 was the discovery of the Stag oil field in the Carnarvon Basin permit WA-209-P. Santos farmed-in to WA-209-P by funding 70% of the cost of Stag 1. The well, which was not tested due to operational constraints, encountered a 12.7 m column of 18.8° API oil prior to being plugged and abandoned. The discovery is located in water approximately 48 m deep. Late in the year, a 104 square km three-dimensional seismic survey was undertaken to mature planned 1994 appraisal drilling locations. Santos has a 26.7% interest in WA-209-P. Stag has not been included in year-end reserve estimates pending conclusion of the field appraisal program.

Exploration activity in the company's other Carnarvon Basin acreage was restricted to further analysis of two and three-dimensional seismic information acquired in WA-1-P in 1992. Drilling scheduled for the permit in 1993 was deferred until 1994.





Timor Gap

In the Timor Gap, Santos participated in the drilling of two wells, Basilisk 1 in ZOCA 91-10 and Naga 1 in ZOCA 91-11. Both wells were plugged and abandoned after encountering hydrocarbons which were insufficient to warrant testing. A seismic survey of 1,912 km was conducted in ZOCA 91-10 and 91-11 to mature targets for drilling in 1994.

Santos acquired a 50.2% interest in the Timor Gap permit ZOCA 91-12 through its purchase of the upstream assets of AGL at the beginning of 1993. This equity was higher than the company customarily carries in frontier acreage and accordingly, Santos entered into a farm-out arrangement with BHP Petroleum (BHPP) and Inpex Sahul to dilute its interest in ZOCA 91-12. Through the arrangement, Santos reduced its interest in ZOCA 91-12 to 17.4% and acquired a 7.0% interest in the ZOCA 91-01 permit. The farm-out has brought an experienced operator of offshore oil field development and production into the ZOCA 91-12 joint venture. BHPP's experience in this respect will be an asset to the joint venture in its evaluation of the Elang discovery, made subsequent to year-end (see 1994 outlook on page 32). Subsequent to the end of the year, Santos increased its interest in ZOCA 91-12 to 21.4%.

Timor Sea

In the Timor Sea, Santos participated in the drilling of a total of three wells in the permits AC/P2, AC/P3 and AC/P4. The well in AC/P4 did not involve a

significant financial contribution from Santos as it was principally funded through a farm-out arrangement which will reduce Santos' interest in the northern portion of AC/P4 from 11.5% to 7.2%. All of the wells were plugged and abandoned.

Bonaparte Basin

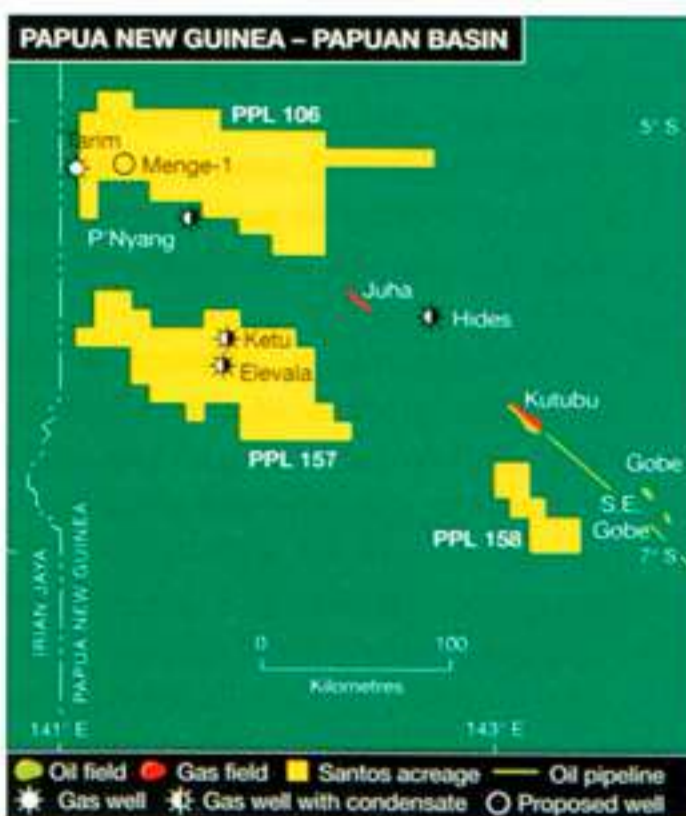
The drilling of wells to appraise the gas reserves of the Petrel and Tern gas fields was deferred pending the reconstruction of the NT/P28, WA-222-P and WA-18-P joint ventures. Under the reconstruction, the number of interest holders in NT/P28 and WA-222-P was reduced from seven to three, and interest holders in WA-18-P from four to two. Santos' interest in NT/P28 and WA-222-P increased from 47.5% to 50.5%, while the holding in WA-18-P was unchanged at 70%.

The company also participated in two oil exploration wells in the Canning Basin permit EP129. One of these wells, Sundown-5, was successful and cased as an oil producer. The other well, which was funded through a farm-out arrangement, was plugged and abandoned.

South-East Asia

One oil exploration well was drilled in the Seram PSC during the year. The well, Oseil-1, flowed 2,850 bopd on pump.

The company took up two exploration licences in the foreland region of the Papuan Basin of Papua New Guinea during the year. The licences, PPL 157 and PPL 158, incorporate acreage included in the



expired licence PPL 81, formerly held by Santos. The company has a 100% interest in PPL 157 which incorporates the Elevala and Ketu gas and condensate discoveries and a 45% interest in PPL 158. The licences carry a modest work commitment.

In the Malaysian offshore permit PM14, Santos participated in the drilling of an appraisal well on the Rhu oil discovery and a wildcat exploration well. Both wells were plugged and abandoned. The drilling of these wells has completed the PM14 joint venture's obligations for the first phase of the Production Sharing Contract. Rather than elect to proceed with the second phase, which involves further drilling, the joint venture has successfully applied for a variation to the contract terms.

The variation provides a two-year period for a full assessment to be made of the significance of the Rhu discovery, the first in the Penyu Basin, prior to any further major capital commitment.

Santos relinquished its interest in the Cambodian offshore contract area CEB-IV after the acquisition of 2,128 km of seismic data failed to identify any prospects which, in the company's opinion, justified further exploration.

1994 outlook

Australia

Santos' production from its offshore Australia interests in 1994 is forecast to fall because of the continued natural decline in output from the Timor Sea oil fields and the temporary shutting-in of the Skua and Challis fields for maintenance of the floating production facilities. However, scheduled development drilling will provide the opportunity for a significant increase in production from the Timor Sea in 1995.

In the Carnarvon Basin, processing and interpretation of the seismic survey of the Stag field will be conducted prior to the drilling of up to two appraisal wells on the field. A wildcat exploration well is planned for the WA-1-P permit.

Three exploration wells are budgeted for the company's Timor Sea acreage, all targeting prospects close to existing producing facilities. The drilling of these wells will fulfil the company's existing exploration commitments in the Timor Sea.

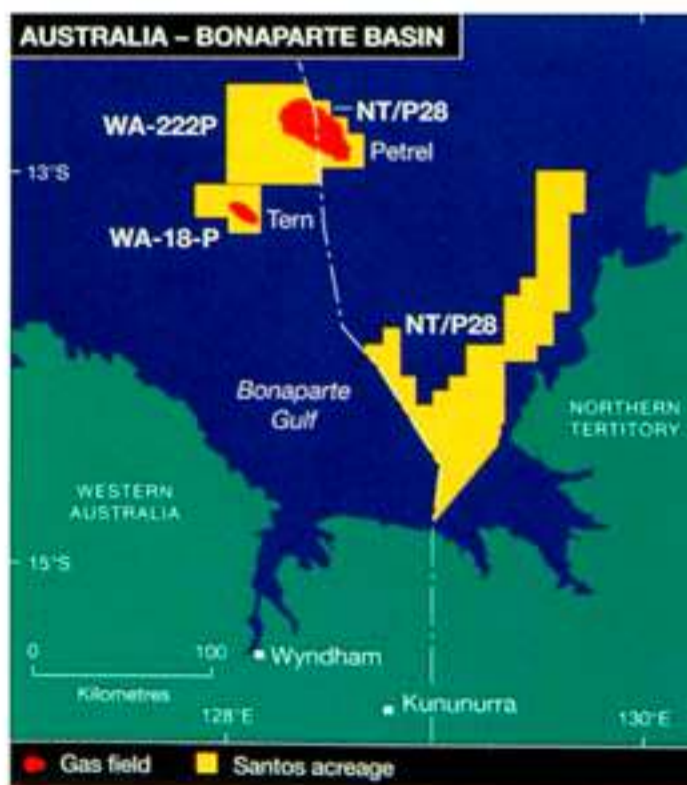
Five wildcat wells are scheduled for the company's Timor Gap acreage. In February 1994 the first well in this program, Elang I in ZOCA 91-12, made the first oil discovery in the Timor Gap. Elang I flowed oil at a rate of 5800 bopd and has been suspended as a potential production well.

The program to appraise the Bonaparte Basin gas fields is expected to commence mid-1994 and consist of at least one appraisal well on each of the Petrel and Tern fields. The program will aim to increase the size of the proven gas resource available to the NT/P28, WA-222-P and WA-18-P joint ventures. Development options for the fields include a small-scale LNG project, methanol conversion or sales gas supply to the Northern Territory or south-east Australia.

South-East Asia

In Indonesia, an appraisal of the Oseil discovery and up to nine development wells are planned to be drilled in the Bula field area of the Seram PSC.

Subsequent to year-end, Santos announced it was farming into the PPL 106 licence in Papua New Guinea. The company will earn a 20% interest in PPL 106 by funding up to 28.57% of the dry hole cost of the Menge-1 exploration well up to a maximum well cost of US\$5.2 million (Santos' share US\$1.5 million). PPL 106 is on trend with the lagifu-Hedinia and Gobe oil discoveries.



Americas and Europe

Santos Americas and Europe manage the company's activities in the USA and the UK. In the USA, a wholly owned subsidiary, Weeks Exploration Company, participates in onshore and offshore oil and gas production and exploration.

The company has identified the UK Continental Shelf and its adjoining areas as a source of potential growth through exploration and purchase of producing assets.

The UK Continental Shelf is continuing to yield substantial oil and gas discoveries. A strong demand exists for gas in Britain and north-west Europe and further increases in demand are projected. This, together with the extensive and expanding network of offshore production infrastructure, facilitates the development of new gas discoveries.

Summary Data

	1992	1993
Production USA		
Crude Oil million barrels	0.6	0.4
Sales Gas PJ	6.7	4.5
Total million boe	1.7	1.2
Reserves USA		
Crude Oil million barrels	2.3	2.6
Sales Gas PJ	35.8	11.3
Total million boe	8.5	4.5

In the USA, Weeks' oil and gas production was 29.4% lower than in the preceding year, principally due to natural decline arising from field depletion.

The decline in the company's USA total reserve estimates is due to the downwards revision of 5.2 million boe to the company's year-end oil and gas reserves. The downgrading was necessitated by the poorer than expected production performance from acreage in the Gulf Coast region. In view of the production results from this acreage, the company appointed an independent consultant to critically review the reserve estimates. As a result of the review, the reserves in the company's producing fields have been reduced in line with the consultants' recommendations.

USA exploration

Reserves estimated at 2.4 million boe were identified through exploration, double the year's production. The major item of the addition was reserves attributable to the Ewing Bank 989 oil and gas discovery which was successfully appraised during the year by the Ewing Bank-2 well.

In January 1994, the Ewing Bank 989 joint venture agreed to proceed with the development of the discovery, with production expected to commence at the beginning of 1995. Weeks has a 20.8% net revenue interest in Ewing Bank which is budgeted to cost the joint venture US\$22 million to develop and provide net average production to the joint venture of 5,200 bopd and 11.2 mmcf/d in the first year of operation.

Weeks drilled four other exploration wells in the Gulf of Mexico during the year, completing the two-year program in the region. One well, South Timbalier 278, was cased and suspended after flowing 36° API oil at 820 bopd barrels per day accompanied by gas at a rate of 2.5 mmcf/d through a 10/64" (4 mm) surface choke. Further plans for the discovery are being considered. The three remaining exploration wells were plugged and abandoned, one after making an uneconomic gas discovery, and the other two being unsuccessful appraisals of the Ewing Bank discovery.

Weeks participated in six exploration wells in the onshore Gulf Coast Region during the year, resulting in three successful appraisals of gas fields and one new gas field discovery.

In Colombia, two exploration wells were drilled in acreage in the Llanos Basin during the year. One of the wells made an uneconomic oil discovery and the company subsequently withdrew from the acreage.

UK exploration

Santos Europe Ltd, a wholly owned subsidiary, developed its UK portfolio further in 1993 by securing interests in nine new exploration blocks in the Continental Shelf 14th Round, purchasing a 10% interest in an option covering Irish blocks 50/9 and 50/10 and extending its equity in block 22/27a from 3.75% to 11.75%.

Seven of the new blocks (102/10, 103/1, 103/6, 106/18, 106/19, 106/23, 106/27) are in the St

Georges Channel, a lightly explored region which is considered prospective for oil and gas.

The remaining two new blocks are 110/17 in the Liverpool Bay area of the East Irish Sea, immediately south-west of the Douglas and Hamilton oil and gas discoveries which are soon to be developed, and 41/10 in the Southern Gas Basin of the North Sea. The company has a 12.5% interest in each of the new blocks acquired in the 14th Round.

Exploration activity within the company's UK and Irish acreage in 1993 was restricted to seismic acquisition, processing and interpretation. Three-dimensional seismic surveys were acquired over the 106/18, 110/17 and 41/10 blocks and processing and interpretation conducted on the data from the three-dimensional surveys acquired in 1992 over the Pierce and Banff oil discoveries in the 23/27 and 22/27a blocks respectively. Santos Europe Ltd has a 3.75% interest in the 23/27 block which contains Pierce.

Neither Pierce nor Banff have been included in estimates of Santos' year-end reserves.

1994 outlook

USA

The 1994 exploration program in the USA involves the drilling of six wells. Two will be drilled on the Ewing Bank prospect, one to appraise the discovery and the other a wildcat well targeting a new horizon. Three further oil exploration wells and one gas exploration well are scheduled to be drilled in onshore acreage.

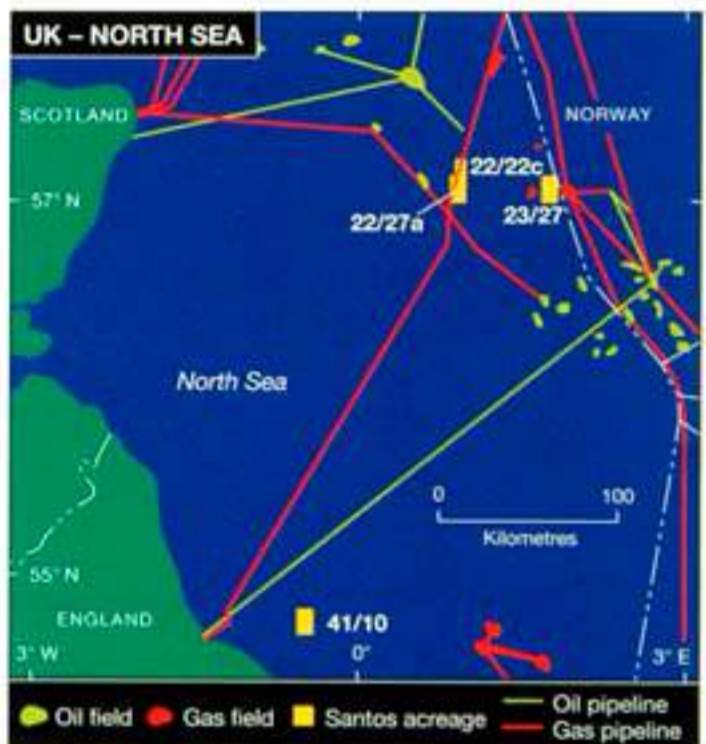
Production from the USA is expected to decline in 1994 due to depletion of existing producing fields. However, production is expected to increase in 1995 when the Ewing Bank field comes on stream.

Work will continue on the assessment of opportunities for the acquisition of suitable producing reserves in the USA.

UK

Five exploration wells are budgeted to be drilled in the company's UK acreage in 1994. Three wildcat wells are scheduled, one in each of the 103/1 and 110/17 blocks and one in the Irish licence, where Santos' drilling costs will be carried by Mobil through a farm-out arrangement. An appraisal well is expected to be drilled on each of the Banff and Pierce discoveries. Three-dimensional seismic surveys are planned for the 103/6, 22/22c and 22/27a blocks, the latter covering the licence area not covered in the 1992 survey.

Santos Europe Ltd is seeking to purchase producing interests in the region and the company will monitor and evaluate acquisition opportunities in 1994.



Licence Areas and Interests

South Australia

PELs 5 & 6
Clifton
Haddon
Koonchera
Patchawarra Central
Patchawarra East
Merrimelia Innamincka
Patchawarra South West
Lake Hope
Murta
Moomba
Nappacoongee Murteree
Toolachee
Tinga Tingana
PEL 39
PEL 40
PEP 119
PEP 126

Interest
PL 12 (Trinidad)
PL 13 (Grafton)
PL 17 (Bennett)
PL 17 (Leichardt)
PL 28 (Avondale)
Moonie-Brisbane Pipeline
ATP 244P
PLs 21, 22, 27 and 64
PLs 41, 42, 43, 44,
45 and 54
PL 49
ATP 267P (Nockatunga)
ATP 269P (Bodalla)
ATP 299P (Tintaburra)
ATP 336P (Kalima)
ATP 336P (Roma)
ATP 336P (Spowers)
ATP 336P (Waldegrave)
ATP 337P (Denison Trough)
ATP 378P (Scotia)
ATP 451P (Denison)
ATP 470P (Redcap)
ATP 471P (Weribone)
ATP 471P (Myall)
ATP 471P (Bainbilla)
ATP 493P
ATP 494P
ATP 512P
ATP 516P
ATP 535P (Denison Trough)
ATP 553P

Interest
92.50000
85.00000
100.00000
70.00000
42.50000
100.00000
20.00000
12.50000

Interest
53.49000
10.33333

Papua New Guinea

PPL 157
PPL 158
PPL 106

Zone of Co-operation

ZOCA 91-01
ZOCA 91-10
ZOCA 91-11
ZOCA 91-12

Indonesia

Seram
Bula

Malaysia

PM 14 (participating)
(contributing)

*Subsequent to year-end Santos has applied to acquire an additional 3.111%.

Santos Americas and Europe

United Kingdom
P114 22/27a
P114 23/27
41/10
P747 (22/22c)
50/9a, 10
102/10, 103/1, 6, 106/27
106/18, 19, 23
110/17

United States of America

Southern Louisiana Ter.
Mississippi Smackover
East Texas Cretaceous
South Texas Wilcox
Lobo Trend – Texas
Plio/Pleistocene
– Offshore Louisiana
Miocene Trend
– Offshore Texas
Paleozoic Trend – Texas
Anadarko Basin – Oklahoma
Arkoma Basin – Oklahoma
Arkoma Basin – Arkansas
Ewing Bank 989
– Offshore Louisiana

Queensland and Northern Territory

Queensland

ATP 259P
50/40/10
Naccowlah
Total 66
Innamincka
Aquitaine A
Aquitaine B
Wareena
ATP 488P
Alkina
Aquitaine C
Jackson-Moonie Pipeline
SWQ Unit
PL 1 (Cabawin)
PL 1 (Moonie)
PL 2 (Alton)
PL 2 (Kooroon)
PL 2 (Alton Farmout)
PL 3 (Timbury)
PL 4 (Pine River)
PLs 4, 5 and 11 (Barcoo)
PL 5 (Drillsearch)
PL 5 (Mascotte)
PL 6 (Roma)
PL 7 (Richmond)
PL 8 (Wallumbilla)
PL 9 (Maffra)
PL 10 (Bony Creek)
PLs 10-12
PL 11

Northern Territory
OL 3 (Palm Valley)
OLs 4 and 5 (Mereenie)
NT/RL 2
Mereenie-Brewer
Estate Pipeline

Offshore Australia

Australia

AC/P2
AC/L4 (Skua)
AC/P3
AC/P4
AC/L1 (Jabiru)
VIC/RL3
NT/P28 (Petrel)
NT/P4
WA 1P
WA 8L (Talisman)
WA 18P (Tern)
WA 191P
WA 209P*

Ten Year Summary

	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993
Profit and Loss (\$million)										
Sales revenue	287.5	506.5	400.4	530.7	436.1	560.6	709.5	655.9	689.8	680.2
Total operating revenue	315.9	578.2	483.3	589.2	465.6	603.0	812.9	705.9	752.0	943.2
Crude oil price (A\$/bbl)	34.30	37.55	25.70	29.61	19.26	23.44	30.72	28.00	28.65	27.64
<i>Operating profit before abnormal items</i>										
Operating profit before tax	95.2	232.7	164.4	199.3	122.9	146.6	254.8	223.5	281.9	289.2
Income tax on operating profit	24.1	95.9	82.3	102.9	53.8	61.7	112.0	106.8	119.3	104.8
Operating profit after tax	71.1	136.8	82.1	96.4	69.1	84.9	142.8	116.7	162.6	184.4
<i>Abnormal items</i>										
Abnormal gains/(losses)	-	(46.2)	(27.2)	18.1	(122.7)	55.7	18.5	(284.9)	(64.3)	(9.3)
Abnormal income tax items	-	-	27.3	7.6	61.5	(21.8)	-	60.0	14.4	44.2
Abnormal items after tax	-	(46.2)	0.1	25.7	(61.2)	33.9	18.5	(224.9)	(49.9)	34.9
<i>Operating profit/(loss) after tax and abnormal items</i>	71.1	90.6	82.2	122.1	7.9	118.8	161.3	(108.2)	112.7	219.3
Outside equity interest in operating profit/(loss)	-	-	-	5.0	5.7	1.7	5.3	2.7	-	-
<i>Profit/(loss) attributable to shareholders</i>	71.1	90.6	82.2	117.1	2.2	117.1	156.0	(110.9)	112.7	219.3
Balance Sheet (\$million)										
Total shareholders' equity	335.9	466.0	597.3	860.3	1,106.8	1,123.8	1,380.2	1,215.1	1,231.7	1,380.6
Total assets	1,416.4	1,924.9	1,883.6	2,378.7	2,849.0	2,931.6	2,962.5	2,797.6	2,821.8	2,831.2
Net debt	648.7	717.1	593.7	864.7	919.3	1,116.1	772.4	755.0	797.4	711.2
Exploration and Production										
Wells drilled	92	82	48	97	120	133	119	80	41	66
Expenditure (\$million)	75.5	71.7	43.2	55.6	90.9	109.2	109.2	74.0	76.7	76.7
Reserves (mmboe)	388	422	412	552	623	671	646	623	670*	675
Production (mmboe)	19.4	24.9	25.5	30.6	30.6	35.6	36.0	34.2	34.6	36.3
Capital Expenditure (\$million)										
Field developments	26.1	29.3	14.9	13.6	20.1	54.9	77.2	51.9	33.2	40.0
Land and buildings, plant and equipment	114.3	61.9	21.9	63.4	40.4	59.7	60.9	69.1	75.6	80.6
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/ 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	Dividend reinvestment plan/ Executive share plan
Number of issued shares at year end ('000)	191,994	240,000	240,000	273,786	403,302	404,322	450,418	472,952	498,623	517,875
Weighted average number of shares ('000)	231,960	249,390	275,137	301,276	329,890	414,526	424,670	462,965	480,598	503,020
Dividends per share - ordinary (c)	15.0	20.0	16.0	19.0	19.0	19.0	19.0	19.0	21.0	22.0
- special (c)	-	-	-	-	-	-	-	-	-	5.0
Dividends - ordinary (\$million)	24.8	38.4	38.4	55.7	68.9	76.0	85.5	88.5	102.7	112.3
- special (\$million)	-	-	-	-	-	-	-	-	-	25.8
Ratios and Statistics										
<i>Earnings per share</i>										
- before abnormal items (c)	30.7	54.9	29.8	30.3	19.8	20.1	32.4	24.6	33.8	36.7
- after abnormal items (c)	30.7	36.3	29.9	38.9	0.7	28.2	36.7	(24.0)	23.4	43.6
Return on total income (%)	22.5	23.7	17.0	16.4	14.8	14.1	17.6	16.5	21.6	23.9
Return on shareholders' equity (%)	21.7	29.4	13.7	12.0	6.4	8.0	10.6	9.7	13.2	13.4
Net debt/equity (%)	193.1	153.9	99.4	100.5	83.1	99.3	55.9	62.1	64.7	51.5
Net interest cover (times)	2.5	4.2	5.5	4.5	2.6	2.0	3.2	4.1	6.6	8.6
General										
Number of employees	1,199	1,323	1,263	1,561	1,547	1,655	1,683	1,570	1,468	1,526
Number of shareholders	23,052	24,665	26,653	25,267	27,113	26,499	26,251	29,706	35,492	42,068
Market capitalisation (\$million)	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	1,988.1

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

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

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Financial Statements

as at 31 December 1993

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 1993 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, Directors' Shareholdings and Directors' Meetings

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
Uhrig	John Allan (Chairman)	15,000
Adler	Norman Ross (Managing Director)	760,000*
Clark	Neil Rex	10,646
Gerlach	Stephen	3,561
Kennedy	James Joseph	3,561
Mason	Richard Chapman Hope	1,000
Peterson	Keith Woodward	1,959
Strauss	Robert	7,487
Webber	Ian Ernest	10,000

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 pages 18 and 19 of this Annual Report.

Mr. Edmund Arthur Burton retired as a Director of the Company during the year and Mr. Stanley David Martin Wallis retired as a Director of the Company on 15 February 1994.

Mr. Ian Ernest Webber was appointed a Director of the Company on 16 February 1993 and elected a Director of the Company at the Annual General Meeting of the Company held on 30 April, 1993.

Directors' Meetings

The number of Directors' Meetings and meetings of committees of Directors held in the period each Director held office during the financial year and the number of meetings attended by each Director are as follows:

Surname	Other Names	Directors' Meetings		Audit Committee		Santos Executive Share Plan Committee	
		No. of Meetings Attended	No. of Meetings Held*	No. of Meetings Attended	No. of Meetings Held*	No. of Meetings Attended	No. of Meetings Held*
Wallis	Stanley David Martin	11	11			1	1
Uhrig	John Allan	9	11				
Adler	Norman Ross	11	11	5	5	1	1
Burton	Edmund Arthur	3	3				
Clark	Neil Rex	10	11	5	5		
Gerlach	Stephen	11	11	5	5		
Kennedy	James Joseph	9	11				
Mason	Richard Chapman Hope	9	11				1
Peterson	Keith Woodward	11	11	5	5		
Strauss	Robert	9	11				
Webber	Ian Ernest	10	11				

*Reflects the number of meetings held during the time the Director held office during the year.

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; the production, treatment and marketing of natural gas, crude oil, condensate, naphtha and liquid petroleum gas; and the transportation by pipeline of crude oil. 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 1993 after providing for income tax and abnormal items was \$219.3 million.

4 Dividends

In respect of the year ended 31 December 1993:

(a) the Directors on 15 March 1994 declared a fully franked final dividend of 11 cents per fully paid share to be paid on 17 June 1994 to members registered in the books of the Company as at close of business on 25 May 1994 and declared that such dividend be a Class A franked dividend to the extent of 100%. This final dividend amounts to approximately \$56.6 million;

(b) the Directors on 15 March 1994 declared a fully franked special dividend of 5 cents per fully paid share to be paid on 17 June 1994 to members registered in the books of the Company as at close of business on 25 May 1994 and declared that such dividend be a Class A franked dividend to the extent of 100%. This special dividend amounts to approximately \$25.8 million; and
(c) a fully franked interim dividend of \$55.7 million (11 cents per share) was paid to members in November 1993.
A fully franked final dividend of \$54.5 million on the 1992 results (11 cents per share) was paid in June 1993. Indication of this dividend payment was disclosed in the 1992 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.

As reported in the 1992 Annual Report, during the year the Company acquired the upstream oil and gas assets and oil pipeline interests of The Australian Gas Light Company and reached agreement with Crusader Resources N.L. concerning participation factors used in the Cooper Basin and Downstream Joint Ventures.

Also during the year the Company accepted the takeover offer made by Boral Limited for all of the shares held by the Company in SAGASCO Holdings Ltd.; legal proceedings instituted by the Trade Practices Commission against the Company were discontinued; and with effect from 1 January 1993, the income tax rate applicable to the Company decreased from 39% to 33%.

7 Subsequent Events

Other than as stated elsewhere in this report or in the Report to Shareholders or in the Consolidated Accounts 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.

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 1993 are referred to in the Report to Shareholders. 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 to be included in the Report was so included and the 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 pages 18 and 19 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 or proposed contracts as described in 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 E A Burton 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;

(b) Mr S D M Wallis was following his retirement on 15 February 1994 paid a retirement benefit pursuant to an agreement entered into with members' approval at the 1989 Annual General Meeting;

(c) an agreement was entered into on 16 March 1993 with Mr I E Webber in accordance with members' approval at the 1989 Annual General Meeting providing for payment of a sum on retirement from office as a Director; and

(d) a Supplemental Agreement was entered into in December 1993 with Mr N R Adler under which his Service Agreement entered into in 1989 was extended.


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 June 1993 made by the Australian Securities Commission pursuant to sub-section 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 15 March 1994 in accordance with a resolution of the Directors.



J A Uhrig, Director
15 March 1994



N R Adler, Director

Profit and Loss Accounts for the year ended 31 December 1993

	Note	Consolidated		Santos Ltd	
		1993 \$million	1992 \$million	1993 \$million	1992 \$million
Operating revenue	(2)	943.2	752.0	597.7	499.9
Operating profit before abnormal items	(3)	289.2	281.9	167.1	217.6
Abnormal items	(3)	(9.3)	(64.3)	6.4	(77.1)
Operating profit before income tax		279.9	217.6	173.5	140.5
Income tax attributable to operating profit before abnormal items	(4)	(104.8)	(119.3)	(50.0)	(61.2)
Abnormal income tax items	(3)	44.2	14.4	36.7	-
		(60.6)	(104.9)	(13.3)	(61.2)
Operating profit after income tax attributable to shareholders of Santos Ltd	(19)	219.3	112.7	160.2	79.3
Retained profits at the beginning of the year		76.7	66.7	27.4	50.8
Total available for appropriation		296.0	179.4	187.6	130.1
Dividends provided for or paid	(5)	(138.1)	(102.7)	(138.1)	(102.7)
Retained profits at the end of the year		157.9	76.7	49.5	27.4

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

Balance Sheets

at 31 December 1993

	Note	Consolidated		Santos Ltd	
		1993 \$million	1992 \$million	1993 \$million	1992 \$million
Current assets					
Cash		105.9	94.3	-	3.4
Receivables	(6)	89.2	109.3	38.2	62.0
Investments	(7)	17.4	29.4	-	5.6
Inventories	(8)	50.7	50.9	26.4	28.8
Other	(9)	-	-	63.8	92.1
Total current assets		263.2	283.9	128.4	191.9
Non-current assets					
Receivables	(6)	21.2	22.2	15.0	15.8
Investments	(7)	241.2	355.3	1,480.7	1,351.6
Property, plant and equipment	(10)	2,165.8	1,966.2	1,050.9	1,024.2
Intangibles	(11)	98.7	107.7	-	-
Other	(9)	41.1	86.5	-	-
Total non-current assets		2,568.0	2,537.9	2,546.6	2,391.6
Total assets		2,831.2	2,821.8	2,675.0	2,583.5
Current liabilities					
Creditors and borrowings	(12)	194.0	62.2	38.1	39.0
Provisions	(13)	167.9	172.8	148.8	125.8
Other	(14)	-	-	970.8	965.8
Total current liabilities		361.9	235.0	1,157.7	1,130.6
Non-current liabilities					
Creditors and borrowings	(12)	692.1	948.1	0.7	1.2
Provisions	(13)	380.8	391.9	231.9	257.4
Other	(14)	15.8	15.1	12.7	12.1
Total non-current liabilities		1,088.7	1,355.1	245.3	270.7
Total liabilities		1,450.6	1,590.1	1,403.0	1,401.3
Net assets		1,380.6	1,231.7	1,272.0	1,182.2
Shareholders' equity					
Share capital	(15)	128.8	123.9	128.8	123.9
Reserves	(16)	1,093.9	1,031.1	1,093.7	1,030.9
Retained profits		157.9	76.7	49.5	27.4
Total shareholders' equity		1,380.6	1,231.7	1,272.0	1,182.2

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 1993

	Note	Consolidated		Santos Ltd	
		1993 \$million	1992 \$million	1993 \$million	1992 \$million
Cash flows from operating activities					
Sales receipts		680.2	693.0	370.4	407.3
Dividends received		20.8	10.3	87.2	20.4
Interest received		6.5	9.7	0.6	0.5
Overriding royalties received		13.6	16.1	16.8	19.5
Pipeline tariffs and other receipts		43.9	15.2	3.6	9.3
Proceeds from settlement with Cooper Basin joint venture party		35.2	-	35.2	-
Operating costs paid		(163.9)	(134.0)	(86.7)	(83.7)
Government royalties and resource rent tax paid		(51.0)	(51.8)	(25.9)	(28.7)
Interest paid		(46.2)	(61.3)	(59.3)	(86.8)
Income taxes paid		(102.5)	(82.9)	(53.4)	(56.1)
Net cash provided by operating activities	(21)	436.6	414.3	288.5	201.7
Cash flows used in investing activities					
Payments for:					
Land and buildings, plant and equipment		(82.2)	(83.7)	(47.7)	(48.2)
Exploration		(81.2)	(79.2)	(23.6)	(41.7)
Development		(42.1)	(30.3)	(21.8)	(12.8)
Proceeds from sale of:					
Investments		178.3	-	178.2	-
Other non-current assets		1.2	6.0	0.7	0.5
Payments for:					
Acquisitions of controlled entities	(21)	(126.7)	-	(130.0)	-
Acquisitions of oil and gas assets		(81.3)	-	(19.5)	-
Outside equity interests in controlled entities		-	(50.6)	-	(50.6)
Share subscriptions in controlled entities		-	-	(79.1)	(163.3)
Other investments		(46.6)	(136.8)	(46.6)	(127.1)
Net cash used in investing activities		(280.6)	(374.6)	(189.4)	(443.2)
Cash flows provided by/(used in) financing activities					
Proceeds from issues of shares		67.7	59.9	67.7	59.9
Dividends paid		(110.2)	(95.2)	(110.2)	(95.2)
Net repayment of borrowings		(124.4)	(76.5)	-	-
Advances from/(to) related entities		-	-	(59.3)	275.0
Net cash provided by/(used in) financing activities		(166.9)	(111.8)	(101.8)	239.7
Net decrease in cash		(10.9)	(72.1)	(2.7)	(1.8)
Cash at the beginning of the year		116.0	187.2	2.0	3.8
Effects of exchange rate changes on the balances of cash held in foreign currencies		0.1	0.9	-	-
Cash at the end of the year	(21)	105.2	116.0	(0.7)	2.0

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

Notes to and forming part of the financial statements

Note 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 Corporations Law, Schedule 5 to the Corporations Regulations and applicable Accounting Standards. 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.

(b) Non-current assets

With the exception of exploration expenditure carried forward pertaining to areas of interest in the exploration and/or evaluation phase (refer note 1(f)), the carrying amounts of non-current assets are reviewed to determine whether they are in excess of their estimated recoverable amount at balance date. 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 relevant cash flows have not been discounted to their present value.

(c) 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.

(d) Goodwill

On the acquisition of a controlled entity, the identifiable net assets acquired are recorded at their fair values. To the extent that there is excess purchase consideration representing goodwill, the goodwill is amortised against operating profit using the straight line method over a period of twenty years.

(e) 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 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.

Note 1 **Statement of Accounting Policies** continued

(f) 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.

(g) 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.

(h) 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.

(i) 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.

(j) Provision for restoration

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

(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, condensate and naphtha stored in tanks and pipeline systems and processed sales gas stored in subsurface 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.

Note 1 **Statement of Accounting Policies** continued

(f) 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.

(g) 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.

(h) 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.

(i) 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.

(j) Provision for restoration

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

(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, condensate and naphtha stored in tanks and pipeline systems and processed sales gas stored in subsurface 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.

Notes to and forming part of the financial statements

Note 1 Statement of Accounting Policies *continued*

(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) 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 order in June 1991 to the effect that they be redetermined. The Directors believe that the 1 January 1987 participation factors when so redetermined will not vary significantly from those factors as previously calculated.

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.

Further, the accruals made for the impact of the 1 January 1987 and 1 January 1989 Reviews and Adjustments have been adjusted for the agreement reached between Santos Ltd and Crusader Resources N.L. (Crusader) which results 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 which resolved the legal dispute between the companies concerning the participation factors used in the Cooper Basin Unit and Downstream Joint Ventures, adjustments to those participation factors as between Santos Ltd and Crusader resulted in Santos Ltd receiving \$35.2 million from Crusader.

Until the 1 January 1987 and 1 January 1989 Reviews and Adjustments are finalised with the South Australian Cooper Basin Joint Venture participants, Directors have decided not to accrue for the expected impacts of the 1 January 1991 and 1 January 1993 Reviews and Adjustments.

(p) Comparatives

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

Consolidated		Santos Ltd	
1993	1992	1993	1992
\$million	\$million	\$million	\$million

Note 2 Operating Revenue

Sales revenue	680.2	689.8	361.6	394.2
Other revenue				
Dividends received from:				
– wholly owned controlled entities	–	–	8.5	67.9
– other than related parties	21.5	10.3	21.5	10.3
Interest received and receivable from:				
– wholly owned controlled entities	–	–	0.1	0.3
– other than related parties	6.4	9.5	0.5	0.3
Overriding royalties	11.5	13.9	15.1	17.8
Pipeline tariffs received	19.2	–	–	–
Proceeds from sale of non-current assets:				
– property, plant and equipment	1.2	6.0	0.7	0.5
– investments	178.3	–	178.2	–
Hotel revenue	12.4	11.0	–	–
Other income	12.5	11.5	11.5	8.6
	943.2	752.0	597.7	499.9

Note 3 Operating Profit

	Consolidated		Santos Ltd	
	1993 \$million	1992 \$million	1993 \$million	1992 \$million
Operating profit before income tax is arrived at after crediting the following item:				
Profit on sale of non-current assets	1.4	-	1.3	-
Operating profit before income tax is arrived at after charging the following items:				
Amortisation of goodwill	9.0	5.5	-	-
Depreciation, depletion and amortisation of property, plant and equipment:				
- depreciation	100.0	101.2	58.5	59.9
- depletion	92.9	94.0	26.9	28.6
- amortisation of capitalised leases	0.6	1.5	0.6	0.9
Government royalties and resource rent tax	45.4	51.0	24.5	27.2
Increase in provisions:				
- deferred income	0.7	2.8	0.6	2.2
- doubtful debts	0.8	-	0.3	-
- future restoration costs	6.1	4.9	1.7	1.5
- non-executive Directors' retirement and employee benefits	2.3	1.6	1.9	1.5
- stock obsolescence	0.5	-	0.1	-
Interest paid and payable to:				
- wholly owned controlled entities	-	-	54.1	73.2
- other than related parties:				
- on loans	43.5	59.3	0.2	-
- on finance leases	1.1	0.5	0.2	0.3
Loss on sale of non-current assets	-	0.1	-	-
Net foreign currency exchange losses	7.3	-	-	-
Operating lease rentals	5.8	3.8	2.3	2.7
Write-off of exploration expenditure	-	7.4	-	4.8
Write-down of listed shares in other entities	-	0.8	-	0.8
Abnormal items				
Operating profit before income tax is arrived at after crediting/(charging) the following abnormal items:				
Sale of investment in SAGASCO Holdings Ltd:				
Gross profit on disposal	56.0	-	56.0	-
Less: Legal expenses pertaining to the discontinued proceedings instituted by the Trade Practices Commission	(9.4)	-	(9.4)	-
Net gain on sale of investment	46.6	-	46.6	-
Net foreign currency exchange losses	-	(36.8)	-	-
Write-down of exploration expenditure	(55.9)	(27.5)	(0.3)	-
Write-down of investments in controlled entities	-	-	(39.9)	(77.1)
Abnormal items before income tax	(9.3)	(64.3)	6.4	(77.1)
Abnormal income tax items				
Income tax attributable to above abnormal items:				
Net gain on sale of investment in SAGASCO Holdings Ltd	-	-	-	-
Net foreign currency exchange losses	-	14.4	-	-
Write-down of exploration expenditure	0.1	-	-	-
Write-down of investments in controlled entities	-	-	-	-
Income tax attributable to above abnormal items	0.1	14.4	-	-
Restatement of net deferred income tax provisions due to change in income tax rate	44.1	-	36.7	-
Abnormal income tax items (refer note 4)	44.2	14.4	36.7	-

Notes to and forming part of the financial statements

	Consolidated		Santos Ltd	
	1993 \$million	1992 \$million	1993 \$million	1992 \$million
Note 4 Taxation				
Income tax on operating profit				
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 33% (1992 - 39%)	95.4	109.9	55.1	84.9
Tax effect of permanent differences which increase/ (decrease) income tax expense:				
Amortisation of non-deductible property, plant and equipment	14.7	15.9	3.9	4.5
Amortisation of goodwill	3.0	2.1	-	-
Development allowance	(1.9)	-	(1.0)	-
Non-assessable income	(0.4)	(1.3)	(0.4)	-
Non-deductible items	0.7	0.9	0.6	1.1
Rebate on dividend income	(5.2)	(2.8)	(8.1)	(29.3)
Net effect of permanent differences	10.9	14.8	(5.0)	(23.7)
Income tax adjusted for permanent differences before abnormal items	106.3	124.7	50.1	61.2
Income tax over provided in prior years	(1.5)	(0.1)	(0.1)	-
Future income tax benefit not previously recognised	-	(5.3)	-	-
Income tax attributable to operating profit before abnormal items	104.8	119.3	50.0	61.2
Abnormal income tax items	(44.2)	(14.4)	(36.7)	-
Income tax attributable to operating profit after abnormal items	60.6	104.9	13.3	61.2
Income tax attributable to operating profit after abnormal items comprises amounts set aside to:				
Provision for current income tax	59.9	100.2	46.7	50.8
Provision for deferred income tax	(46.2)	19.6	(33.4)	10.4
Future income tax benefits	46.9	(14.9)	-	-
	60.6	104.9	13.3	61.2

Note 5 Dividends Provided for or Paid

Interim dividend

A fully franked interim dividend was paid on 26 November 1993 to the registered shareholders in the books at the close of business on 29 October 1993

11.0 cents on each ordinary share (10.0 cents in 1992)
11.0 cents on each 'B' class share (10.0 cents in 1992)

Total interim dividend

Final dividends

The Directors declared fully franked final dividends to be paid on 17 June 1994 to the registered shareholders in the books at the close of business on 25 May 1994:

Ordinary dividend:

11.0 cents on each ordinary share (11.0 cents in 1992)
11.0 cents on each 'B' class share (11.0 cents in 1992)

Special dividend:

5.0 cents on each ordinary share (1992 - Nil)
5.0 cents on each 'B' class share (1992 - Nil)

Total final dividends

Total dividends

11.0 cents on each ordinary share (10.0 cents in 1992)	55.7	48.2	55.7	48.2
11.0 cents on each 'B' class share (10.0 cents in 1992)	-	-	-	-
Total interim dividend	55.7	48.2	55.7	48.2
Final dividends				
Ordinary dividend:				
11.0 cents on each ordinary share (11.0 cents in 1992)	56.6	54.5	56.6	54.5
11.0 cents on each 'B' class share (11.0 cents in 1992)	-	-	-	-
Special dividend:				
5.0 cents on each ordinary share (1992 - Nil)	25.8	-	25.8	-
5.0 cents on each 'B' class share (1992 - Nil)	-	-	-	-
Total final dividends	82.4	54.5	82.4	54.5
Total dividends	138.1	102.7	138.1	102.7

Consolidated		Santos Ltd	
1993	1992	1993	1992
\$million	\$million	\$million	\$million

Note 6 Receivables

Current

Trade debtors	50.6	46.3	29.3	28.4
Sundry debtors and prepayments	39.6	62.3	8.7	32.9
Less provision for doubtful debts	(1.8)	(0.4)	(0.4)	(0.1)
Security deposits (refer below)	0.8	1.1	0.6	0.8
	89.2	109.3	38.2	62.0

Non-current

Security deposits (refer below)	20.7	21.5	14.5	15.1
Other loans (refer note 22)	0.5	0.5	0.5	0.5
Other deposits	-	0.2	-	0.2
	21.2	22.2	15.0	15.8

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.

Note 7 Investments

Current

Deposits	17.4	23.7	-	-
Listed shares in other entities	-	5.7	-	5.6
	17.4	29.4	-	5.6

Non-current

Listed shares and notes in other entities	241.2	319.6	241.2	319.6
Deposits	-	35.7	-	-
	241.2	355.3	241.2	319.6
Investments in controlled entities (refer note 19)	-	-	1,239.5	1,032.0
	241.2	355.3	1,480.7	1,351.6
Total market value of current and non-current investments in listed shares and notes	307.5	299.1	307.5	299.0

Note 8 Inventories

Gas and petroleum products	26.2	26.4	15.4	14.9
Drilling and maintenance stocks	26.5	25.8	12.1	14.9
Provision for obsolescence	(2.0)	(1.3)	(1.1)	(1.0)
	50.7	50.9	26.4	28.8

Note 9 Other Assets

Current

Amounts owing by wholly owned controlled entities	-	-	63.8	92.1
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Non-current

Future income tax benefits	41.1	86.5	-	-
Included in future income tax benefits are amounts arising from tax losses in some controlled entities	1.0	2.3	-	-

Notes to and forming part of the financial statements

	Consolidated		Santos Ltd	
	1993 \$million	1992 \$million	1993 \$million	1992 \$million
Note 10 Property, Plant and Equipment				
Land and buildings				
At cost (refer below)	52.3	48.0	33.4	31.0
Less accumulated depreciation	(25.8)	(22.4)	(18.8)	(18.3)
	26.5	25.6	14.6	14.7
Plant and equipment				
At cost	1,668.0	1,482.9	1,070.2	1,023.8
At independent valuation – 1977	35.2	35.2	35.2	35.2
Capitalised leases	27.4	26.8	9.6	9.8
	1,730.6	1,544.9	1,115.0	1,068.8
Less accumulated depreciation	(835.9)	(723.9)	(561.4)	(505.9)
	894.7	821.0	553.6	562.9
Total land and buildings, plant and equipment	921.2	846.6	568.2	577.6
Exploration, evaluation and development expenditure				
Areas of interest in which production has commenced:				
At cost	1,997.2	1,764.6	710.1	674.4
Less accumulated depletion and write-downs of carrying value	(864.2)	(734.6)	(280.6)	(253.7)
	1,133.0	1,030.0	429.5	420.7
Areas of interest in the exploration and/or evaluation stage:				
At cost	111.6	89.6	53.2	25.9
Total exploration, evaluation and development expenditure	1,244.6	1,119.6	482.7	446.6
Total property, plant and equipment	2,165.8	1,966.2	1,050.9	1,024.2

The Directors consider the current value of land and buildings to be at least equal to their carrying value.

Note 11 Intangibles

Goodwill, at cost	160.2	160.2	-	-
Less accumulated amortisation	(61.5)	(52.5)	-	-
	98.7	107.7	-	-

Note 12 Creditors and Borrowings

Current				
Bank overdrafts	0.7	2.0	0.7	1.4
Bonds	140.6	-	-	-
Trade creditors	35.5	32.1	14.1	17.0
Sundry creditors and accruals				
– wholly owned controlled entities	-	-	3.8	13.5
– other than related parties	16.1	27.1	19.1	6.5
Lease liabilities	1.1	1.0	0.4	0.6
	194.0	62.2	38.1	39.0
Non-current				
Bank loans	270.1	377.6	-	-
Bonds	-	274.4	-	-
US dollar notes	250.4	-	-	-
Euro commercial paper	59.0	69.4	-	-
Promissory notes	96.6	210.0	-	-
Lease liabilities	16.0	16.7	0.7	1.2
	692.1	948.1	0.7	1.2

Note 12 **Creditors and Borrowings** *continued*

Details of major credit facilities

(i) Committed revolving facilities

The economic entity has access to the following revolving facilities:

Revolving facilities at 31 December 1993		Amount	Amount drawn at
Maturity date	Currency	A\$million	31 December 1993
			A\$million
30 June 1996	Multi option	100.0	-
15 July 1996	Multi option	285.7	61.4
15 July 1998	Multi option	25.0	-
27 August 1996	US dollars	147.3	-
15 July 1998	Multi option	285.7	61.4
31 October 1998	Multi option	100.0	-
		943.7	122.8

(ii) Term loan

A US\$100 million (1993 - A\$147.3 million, 1992 - A\$145.2 million) syndicated term loan has been fully drawn and matures in March 1996.

(iii) Bonds

Ten year Swiss Franc public bonds were issued in October 1984 and February 1985 for CHF130.0 million each and were subsequently fully swapped into United States dollars. In December 1993, the bonds issued in October 1984 were redeemed in full. The remaining Swiss Franc bonds (A\$140.6 million equivalent) were repaid in early March 1994 and are reflected as current borrowings in the Balance Sheets.

(iv) US dollar notes

US\$170.0 million (A\$250.4 million) of long term US Dollar Notes were issued on 2 December 1993 for a term of 12 years. The notes are repayable in five annual instalments commencing in December 2001.

(v) 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\$400 million (Promissory Notes) are supported by the committed revolving facilities referred to in (i) above. At 31 December 1993, A\$155.6 million (1992 - A\$279.4 million) equivalent of commercial paper was on issue.

All facilities are unsecured and arranged through a wholly owned controlled entity, Santos Finance Ltd, and are guaranteed by Santos Ltd.

	Consolidated		Santos Ltd	
	1993	1992	1993	1992
	\$million	\$million	\$million	\$million

Note 13 **Provisions**

Current

Dividends	82.4	54.5	82.4	54.5
Employee benefits	20.5	15.3	17.1	15.3
Income tax	65.0	103.0	49.3	56.0
	167.9	172.8	148.8	125.8

Non-current

Deferred income tax	330.8	359.3	208.0	238.4
Future restoration costs	49.0	31.7	22.9	18.1
Non-executive Directors' retirement benefits	1.0	0.9	1.0	0.9
	380.8	391.9	231.9	257.4

Notes to and forming part of the financial statements

	Consolidated		Santos Ltd	
	1993 \$million	1992 \$million	1993 \$million	1992 \$million
Note 14 Other Liabilities				
Current				
Amounts owing to wholly owned controlled entities	-	-	970.8	965.8
Non-current				
Deferred income	15.8	15.1	12.7	12.1

Note 15 Share Capital

Authorised capital

1,999,900,000 unclassified shares of 25c each

100,000 'B' class shares of 25c each

500.0 500.0 500.0 500.0

- - - -

500.0 500.0 500.0 500.0

Issued capital

515,064,672 (1992 - 495,559,382) ordinary shares
of 25c each

128.8 123.9 128.8 123.9

100,000 (1992 - 100,000) 'B' class shares of 25c each

- - - -

2,710,750 (1992 - 2,964,000) ordinary shares of 25c each
paid to 1c

- - - -

- - - -

128.8 123.9 128.8 123.9

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
18 June 1993	10,542,707	\$2.82
26 November 1993	8,709,353	\$3.73

253,250 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.

Note 16 Reserves

Share premium	1,073.1	1,010.3	1,073.1	1,010.3
Asset revaluation	14.9	14.9	14.9	14.9
Capital	5.9	5.9	5.7	5.7
Foreign currency translation	-	-	-	-
	1,093.9	1,031.1	1,093.7	1,030.9

Movement during the year:

Share premium

Balance at beginning of the year	1,010.3	956.9	1,010.3	956.9
Dividend reinvestment plan	62.2	52.5	62.2	52.5
Share issues	0.6	0.9	0.6	0.9
Balance at end of the year	1,073.1	1,010.3	1,073.1	1,010.3

Foreign currency translation

Balance at beginning of the year	-	10.4	-	-
Transfers to/(from) foreign currency translation reserve arising from exchange rate fluctuations on:				
- overseas net assets	1.6	12.3	-	-
- foreign currency borrowings	(1.6)	(22.7)	-	-
Balance at end of the year	-	-	-	-

Consolidated	
1993	1992
\$million	\$million

Note 17 Earnings per Share

Basic earnings per share (cents)		
- before abnormal items	36.7	33.8
- after abnormal items	43.6	23.4
Weighted average number of ordinary shares on issue used in the calculation of basic earnings per share	503,019,682	480,697,817

Santos Ltd has potential ordinary shares on issue, being 2,710,750 ordinary shares paid to 1 cent issued to senior executives of the Company under the Santos Executive Share Plan, the dilutive impact of which is not material. Diluted earnings per share is therefore not materially different to basic earnings per share.

Note 18 Foreign Currency Exposure

The Australian dollar equivalents of foreign currency monetary items included in the Balance Sheets to the extent that they are not effectively hedged through currency exchange contracts or other financial instruments are:

	Consolidated		Santos Ltd	
	1993	1992	1993	1992
	\$million	\$million	\$million	\$million
Current assets - United States dollars	36.0	33.3	13.1	12.1
Current liabilities - United States dollars	140.6	-	-	-
Non-current liabilities - United States dollars	520.5	652.0	-	-

The company benefits from a natural hedge of its United States dollar exposure through United States dollar receipts from sales of liquid petroleum products and its net investments in United States dollar based controlled entities. The impact of these natural hedges is not reflected in the above table.

Notes to and forming part of the financial statements

Note 19 Investments in Controlled Entities

Name	Place of incorporation	Details of investments in shares				Contribution to consolidated profit	
		Beneficial interest		Book value		1993	1992
		1993 %	1992 %	1993 \$million	1992 \$million	\$million	\$million
Santos Ltd (Chief Entity)	SA					160.2	79.3
Controlled Entities							
Alliance Oil Development Australia N.L.	VIC	100	100	107.7	107.7	2.2	2.2
<i>Wholly owned controlled entities of</i>							
<i>Alliance Oil Development Australia N.L.</i>							
Alliance Minerals Australia N.L.	VIC	100	100	-	-	0.5	(0.1)
Alliance Petroleum Australia N.L.	VIC	100	100	-	-	19.0	9.8
Alliance Petroleum International Ltd	VIC	100	100	-	-	(0.2)	(0.9)
Alliance Resources Ltd	VIC	100	100	-	-	-	-
Associated Petroleum Ltd	QLD	100	-	117.1	-	10.3	-
<i>Wholly owned controlled entities of</i>							
<i>Associated Petroleum Ltd</i>							
TMOC Exploration Pty Ltd	QLD	100	-	-	-	(0.4)	-
<i>Wholly owned controlled entity of</i>							
<i>TMOC Exploration Pty Ltd</i>							
# TMOC Exploration (PNG) Pty Ltd	PNG	100	-	-	-	-	-
Santos Petroleum Marketing Ltd (formerly AGL Petroleum Marketing Ltd)	QLD	100	-	-	-	0.1	-
Santos Petroleum Management Pty Ltd (formerly AGL Petroleum Management Pty Ltd)	QLD	100	-	-	-	(1.8)	-
Santos Petroleum Operations Ltd (formerly AGL Petroleum Operations Ltd)	QLD	100	-	-	-	3.4	-
# Santos Petroleum (International) Ltd (formerly AGL Petroleum (International) Ltd)	HK	100	-	-	-	-	-
<i>Wholly owned controlled entity of</i>							
<i>Santos Petroleum (International) Ltd</i>							
# Santos Petroleum (Asia Pacific) Ltd (formerly AGL Petroleum (Asia Pacific) Ltd)	HK	100	-	-	-	-	-
<i>Wholly owned controlled entities of</i>							
<i>Santos Petroleum (Asia Pacific) Ltd</i>							
# Santos Exploration (China) Pte Ltd (formerly AGL Petroleum (China) Pte Ltd)	SIN	100	-	-	-	-	-
Santos Petroleum (Seram) Ltd (formerly AGL Petroleum (Seram) Ltd)	HK	100	-	-	-	-	-
Boston Long Hedges Finance Pty Ltd	VIC	100	100	-	-	-	-
CPC Petroleum Corporation N.L.	WA	100	-	2.0	-	(0.1)	-
Hellyer Mining and Exploration Pty Ltd	TAS	-	100	-	-	-	-
Moonie Oil N.L.	QLD	100	-	11.9	-	1.4	-
Moonie Pipeline Co Pty Ltd	QLD	100	-	24.7	-	10.4	-
<i>Wholly owned controlled entities of</i>							
<i>Moonie Pipeline Co Pty Ltd</i>							
Candolia Pty Ltd	ACT	100	-	-	-	-	-
Australian Interstate Pipeline Co Pty Ltd	NSW	100	-	-	-	(0.3)	-
<i>Wholly owned controlled entity of</i>							
<i>Australian Interstate Pipeline Co Pty Ltd</i>							
Bridgefield Pty Ltd	QLD	100	-	-	-	5.3	-
Peko Oil Ltd	VIC	100	100	238.1	246.7	(6.8)	(12.9)
<i>Wholly owned controlled entities of Peko Oil Ltd</i>							
Peko Buryu Pty Ltd	VIC	100	100	-	-	-	-
Weeks Java Sea Pty Ltd	VIC	-	100	-	-	-	-
Petromin N.L.	QLD	100	-	4.6	-	0.3	-

Note 19 Investments in Controlled Entities *continued*

Name	Place of incorporation	Details of investments in shares					
		Beneficial interest		Book value		Contribution to consolidated profit	
		1993 %	1992 %	1993 \$million	1992 \$million	1993 \$million	1992 \$million
Reef Oil N.L.	NSW	100	100	82.7	82.7	6.1	4.2
Santos Exploration Pty Ltd	VIC	100	100	3.4	3.4	1.4	1.0
Santos Facilities Ltd	SA	100	100	-	-	-	-
Santos Finance Ltd	NSW	100	100	47.7	17.7	(15.9)	(22.9)
Santos Indonesian Holdings Pty Ltd	SA	-	100	-	-	-	-
Santos International Holdings Ltd	ACT	100	100	107.6	109.4	-	-
<i>Wholly owned controlled entities of Santos International Holdings Ltd</i>							
Peko Offshore Ltd	BER	100	100	-	-	(0.9)	1.1
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	-	-	-	(0.6)	(0.2)
Santos Colombia Exploration Inc	USA	100	100	-	-	(10.4)	-
Weeks Exploration Company	USA	100	100	-	-	(30.4)	(27.5)
Santos Europe Ltd	UK	100	100	-	-	(0.1)	(0.3)
Santos Niugini Exploration Pty Ltd	PNG	100	100	8.9	8.5	(0.1)	(0.1)
Santos (N.T.) Pty Ltd	ACT	100	100	42.3	42.3	6.7	12.6
Santos Oil Exploration (Malaysia) Sdn Bhd	MAL	100	100	14.6	0.1	(0.1)	-
Santos Petroleum Pty Ltd	NSW	100	100	69.3	69.3	3.4	1.0
Santos Resources Pty Ltd	QLD	100	100	-	-	-	-
Santos (UK) Ltd	UK	-	100	-	-	-	-
Santos (Zoca 91-01) Pty Ltd	ACT	100	-	-	-	-	-
Santos (Zoca 91-10) Pty Ltd	ACT	100	100	2.3	0.6	-	-
Santos (Zoca 91-11) Pty Ltd	ACT	100	100	4.3	1.1	0.1	-
Santos (Zoca 91-12) Pty Ltd (formerly Appleberry Pty Ltd)	ACT	100	-	-	-	-	-
Transoil N.L.	QLD	100	-	7.8	-	-	-
Vamgas Ltd	VIC	100	100	206.1	206.1	27.4	22.1
Worldwide Assets Ltd	NSW	100	100	95.3	95.3	1.0	1.3
<i>Wholly owned controlled entity of Worldwide Assets Ltd</i>							
Western Australian Capital Holdings Ltd	WA	100	100	-	-	-	-
Latec Investments Ltd	NSW	100	100	41.1	41.1	0.5	(0.2)
<i>Wholly owned controlled entities of Latec Investments Ltd</i>							
Astrascale Ltd	UK	-	100	-	-	-	-
Comserv (No. 37) Pty Ltd	NSW	100	100	-	-	(0.1)	-
Doce Pty Ltd	QLD	100	100	-	-	1.0	0.1
Flinders Petroleum N.L.	VIC	100	100	-	-	-	-
<i>Wholly owned controlled entities of Flinders Petroleum N.L.</i>							
Canso Resources Ltd	NSW	100	100	-	-	2.7	1.5
Farmout Drillers N.L.	NSW	100	100	-	-	1.2	0.9
<i>Partly owned controlled entity</i>							
Mereenie Petroleum Finance and Sales Pty Ltd (in liquidation)	QLD	59	-	-	-	-	-
Consolidation eliminations and adjustments						22.9	40.7
						1,239.5	1,032.0
						219.3	112.7

Notes to and forming part of the financial statements

Note 19 Investments in Controlled Entities *continued*

Notes

* Entities audited by overseas KPMG Peat Marwick member firms.

Entities not audited by KPMG Peat Marwick member firms.

(i) Acquisition of controlled entities

The following controlled entities were acquired during the year:

Name of entity	Date of acquisition	Beneficial interest acquired %	Consideration paid for shares \$million	Fair value of net assets at time of acquisition \$million
Associated Petroleum Ltd, and its controlled entities	1 January 1993	100	117.1	117.1
CPC Petroleum Corporation N.L.	30 September 1993	100	2.0	2.0
Moonie Oil N.L.	1 January 1993	100	11.9	11.9
Moonie Pipeline Co Pty Ltd, and its controlled entities	1 January 1993	100	24.7	24.7
Petromin N.L.	1 January 1993	100	4.6	4.6
Santos (Zoca 91-12) Pty Ltd (formerly Appleberry Pty Ltd)	1 January 1993	100	-	-
Transoil N.L.	1 January 1993	100	7.8	7.8
			<u>168.1</u>	<u>168.1</u>

In addition, Santos (Zoca 91-01) Pty Ltd was incorporated during the period.

(ii) Disposals of controlled entities

Hellyer Mining and Exploration Pty Ltd, Weeks Java Sea Pty Ltd, Santos Indonesian Holdings Pty Ltd, Santos (UK) Ltd and Astrascale Ltd were disposed of by voluntary liquidation. Net tangible assets of these entities at date of liquidation were \$Nil.

(iii) Place of incorporation

ACT – Australian Capital Territory

NSW – New South Wales

QLD – Queensland

SA – South Australia

TAS – Tasmania

VIC – Victoria

WA – Western Australia

BER – Bermuda

HK – Hong Kong

MAL – Malaysia

PNG – Papua New Guinea

SIN – Singapore

UK – United Kingdom

USA – United States of America

(iv) Investments eliminated by rounding

	1993 \$	1992 \$
Santos Resources Pty Ltd	2	2
Santos (Zoca 91-01) Pty Ltd	2	-
Santos (Zoca 91-12) Pty Ltd (formerly Appleberry Pty Ltd)	12	-
Boston Long Hedges Finance Pty Ltd	12	12
Santos Facilities Ltd	-	5

Note 20 Interests in Joint Ventures

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

Joint venture/area	Principal activities	Average interest %
Bonaparte Basin	Oil and gas exploration	59
Carnarvon Basin	Oil and gas exploration	26
Cooper Basin Downstream	Liquid hydrocarbon transportation and processing	52
Cooper Basin Unit		
- South Australia	Oil and gas production	54
- Queensland	Oil and gas exploration and production	58
Cooper/Eromanga Basins Block Operations		
- South Australia	Oil and gas exploration and production	57
- Queensland	Oil and gas exploration and production	54
Denison Trough	Oil and gas exploration and production	50
Gulf Coast - USA	Oil and gas exploration and production	44
Jackson Moonie Pipeline	Oil transportation	83
Malaysia (PM14)	Oil and gas exploration	15
Mereenie	Oil and gas production	65
Mereenie Pipeline	Oil transportation	61
Moonie Oil Fields	Oil and gas exploration and production	53
Otway Basin	Oil and gas exploration	44
Palm Valley	Gas production	37
Papua New Guinea	Oil and gas exploration	45
Roma Gas Fields	Oil and gas exploration and production	69
Timor Gap	Oil and gas exploration	16
Timor Sea	Oil and gas exploration and production	24
United Kingdom	Oil and gas exploration	14

- (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	
	1993 \$million	1992 \$million	1993 \$million	1992 \$million
Non-current assets				
Buildings, plant and equipment	863.9	819.8	557.7	572.4
Exploration, evaluation and development expenditure	1,240.8	1,119.6	482.7	446.4
Receivables	20.7	21.5	14.5	15.1
Total non-current assets	2,125.4	1,960.9	1,054.9	1,033.9
Current assets				
Cash	8.5	4.6	-	2.9
Receivables	12.0	45.2	1.3	26.9
Inventories	25.4	24.7	12.1	14.9
Total current assets	45.9	74.5	13.4	44.7
Total assets	2,171.3	2,035.4	1,068.3	1,078.6
Current liabilities				
Creditors and borrowings	30.9	30.3	31.9	17.0
Net investments in joint ventures	2,140.4	2,005.1	1,036.4	1,061.6

Note 20 Interests in Joint Ventures

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

Joint venture/area	Principal activities	Average interest
		%
Bonaparte Basin	Oil and gas exploration	59
Carnarvon Basin	Oil and gas exploration	26
Cooper Basin Downstream	Liquid hydrocarbon transportation and processing	52
Cooper Basin Unit		
– South Australia	Oil and gas production	54
– Queensland	Oil and gas exploration and production	58
Cooper/Eromanga Basins Block Operations		
– South Australia	Oil and gas exploration and production	57
– Queensland	Oil and gas exploration and production	54
Denison Trough	Oil and gas exploration and production	50
Gulf Coast – USA	Oil and gas exploration and production	44
Jackson Moonie Pipeline	Oil transportation	83
Malaysia (PM14)	Oil and gas exploration	15
Mereenie	Oil and gas production	65
Mereenie Pipeline	Oil transportation	61
Moonie Oil Fields	Oil and gas exploration and production	53
Otway Basin	Oil and gas exploration	44
Palm Valley	Gas production	37
Papua New Guinea	Oil and gas exploration	45
Roma Gas Fields	Oil and gas exploration and production	69
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Total current assets	45.9	74.5	13.4	44.7
Total assets	2,171.3	2,035.4	1,068.3	1,078.6
Current liabilities				
Creditors and borrowings	30.9	30.3	31.9	17.0
Net investments in joint ventures	2,140.4	2,005.1	1,036.4	1,061.6

Notes to and forming part of the financial statements

Note 20 Interests in Joint Ventures *continued*

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

	Consolidated		Santos Ltd	
	1993 \$million	1992 \$million	1993 \$million	1992 \$million
Capital expenditure commitments	19.0	34.5	11.8	20.2
Contingent liabilities	20.9	21.6	16.6	18.9

(d) Disclosure of the profit or loss contribution of unincorporated joint ventures is required by Schedule 5 Clause 34(1)(f) of the Corporations Regulations. Santos Ltd and its controlled entities are involved in approximately 120 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.

Note 21 Notes to Statements of Cash Flows

Reconciliation of net cash provided by operating activities to operating profit after income tax:

Operating profit after income tax	219.3	112.7	160.2	79.3
Add/(less) non-cash items:				
Amortisation of goodwill	9.0	5.5	-	-
Depreciation, depletion and amortisation of property, plant and equipment	193.5	196.7	86.0	89.4
Increase/(decrease) in income taxes payable	(42.6)	17.3	(6.7)	(5.3)
Increase in provisions	10.4	9.3	4.6	5.2
Unrealised foreign currency exchange losses	7.5	38.4	-	-
Write-down of exploration expenditure	55.9	34.9	0.3	4.8
Write-down of investments in controlled and other entities	-	0.8	39.9	77.9
Add/(less) items classified as investing/financing activities:				
Loss/(profit) on sale of non-current assets	(48.1)	0.1	(47.9)	-
Net cash provided by operating activities before change in assets or liabilities	404.9	415.7	236.4	251.3
Add/(less) change in assets or liabilities:				
Decrease/(increase) in receivables	36.5	2.6	95.0	(38.4)
Decrease/(increase) in inventories	1.0	(10.5)	(0.5)	(5.9)
Increase/(decrease) in creditors	(6.5)	1.8	(9.0)	(15.7)
Net increase/(decrease) in deferred taxes payable and future income tax benefits	0.7	4.7	(33.4)	10.4
Net cash provided by operating activities	436.6	414.3	288.5	201.7

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	105.9	94.3	-	3.4
Deposits	-	23.7	-	-
Bank overdrafts	(0.7)	(2.0)	(0.7)	(1.4)
	105.2	116.0	(0.7)	2.0

Note 21 **Notes to Statements of Cash Flows** continued

Acquisitions of controlled entities

In 1993, Santos Ltd acquired controlled entities as disclosed in note 19. Details of the acquisitions are as follows:

Fair value of net assets acquired

	1993 \$million	1992 \$million
Property, plant and equipment	169.0	-
Cash	3.3	-
Trade debtors	11.5	-
Inventories	3.7	-
Future income tax benefits	1.5	-
Intercompany loan with parent and related entities	35.3	-
Bank loans	(17.8)	-
Trade creditors	(7.9)	-
Provisions	(12.8)	-
Provision for deferred income tax	(17.7)	-
Total consideration	<u>168.1</u>	-
Less: Intercompany loan assumed by Santos Ltd	(38.1)	-
Cash consideration paid	<u>130.0</u>	-
Outflow of cash to acquire net assets, net of cash acquired		
Cash consideration	130.0	-
Less cash balances acquired	(3.3)	-
Outflow of cash	<u>126.7</u>	-

Notes to and forming part of the financial statements

Note 22 Related Parties

Directors of Santos Ltd and their shareholdings in Santos Ltd are disclosed on page 38 of this Annual Report.

Santos Ltd and its wholly owned controlled entities engage in a variety of related party transactions in the ordinary course of business. These transactions are conducted on normal terms and conditions, the effects of which are eliminated on consolidation.

Details of related party transactions and amounts are set out in:

Note 2 as to interest and dividends received from wholly owned controlled entities

Note 3 as to interest paid to wholly owned controlled entities

Note 9 as to amounts owing by wholly owned controlled entities

Notes 12 and 14 as to amounts payable to wholly owned controlled entities

Note 13 as to non-executive Directors' retirement benefits

Note 19 as to investments in wholly owned 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 \$236,658 (1992 - \$314,731).
- (ii) Included in other loans is an amount of \$506,000 (1992 - \$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 (1992 - \$32,890).
- (iii) Mr T G O'Meally is a Director of Associated Petroleum Ltd (Group), CPC Petroleum Corporation N.L., Moonie Oil N.L., Moonie Pipeline Company Pty Ltd (Group), Petromin N.L. and Transoil N.L. A director-related entity of Mr T G O'Meally, Narwood Pty Ltd, provided management services to the economic entity on normal commercial terms and conditions.
- (iv) The aggregate number of shares acquired by Directors of Santos Ltd and their director-related entities was 47,971 fully paid ordinary shares, of which 2,971 were acquired under the Dividend Reinvestment Plan. No shares were disposed of and no share options were acquired or disposed of.
- (v) The aggregate number of shares and share options held directly, indirectly or beneficially by Directors of Santos Ltd and their director-related entities in Santos Ltd as at the balance sheet date was 226,559 fully paid ordinary shares and 610,000 Executive Share Plan Shares paid to 1 cent.
- (vi) All amounts owing by or to wholly owned controlled entities are for loans made on interest-free terms for an indefinite period with the exception of:

	Santos Ltd	
	1993 \$million	1992 \$million
Amounts owing to wholly owned controlled entities	819.1	808.4

These loans were made in the ordinary course of business on normal market terms and conditions.

- (vii) During the year a Director acquired printing services from the Company, trivial in nature, on terms and conditions no more favourable than those which it is reasonable to expect would have been adopted if dealing at arm's length in the same circumstances.
- (viii) The aggregate amount of each different type of transaction with Directors and their director-related entities were as follows:

	Consolidated		Santos Ltd	
	1993 \$000	1992 \$000	1993 \$000	1992 \$000
Provision of management services	196	-	109	-

Consolidated		Santos Ltd	
1993	1992	1993	1992
\$000	\$000	\$000	\$000

Note 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:

1,369	1,419	1,064	1,059
-------	-------	-------	-------

Number of Directors whose remuneration was within the following bands:

\$000

0-10
10-20
30-40
40-50
50-60
90-100
100-110
640-650
670-680

No.	No.
1	-
1	1
5	7
1	1
1	-
-	1
1	-
-	1
1	-

Superannuation and retirement benefits

Superannuation contributions provided and retirement benefits paid in respect of Directors. The Directors believe that the provision of full particulars would be unreasonable

\$000	\$000	\$000	\$000
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292	295	292	295
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Executives

Amounts received from Santos Ltd or its controlled entities by executive officers domiciled in Australia whose income is \$100,000 or greater

5,356	4,590	4,769	4,590
-------	-------	-------	-------

Number of executive officers whose remuneration was within the following bands:

\$000

100-110
110-120
120-130
130-140
140-150
150-160
160-170
170-180
190-200
200-210
210-220
230-240
240-250
260-270
320-330
340-350
640-650
670-680

No.	No.	No.	No.
10	4	7	4
2	5	2	5
4	3	3	3
3	5	3	5
2	-	1	-
3	2	3	2
2	-	2	-
1	2	1	2
1	1	1	1
1	-	1	-
-	1	-	1
-	1	-	1
1	-	1	-
1	1	1	1
-	1	-	1
1	-	1	-
-	1	-	1
1	-	1	-

Notes to and forming part of the financial statements

Consolidated		Santos Ltd	
1993	1992	1993	1992
\$million	\$million	\$million	\$million

Note 24 Remuneration of Auditors

Amounts received or due and receivable by the auditors of Santos Ltd for:

- audit services	0.4	0.3	0.2	0.2
- other services	0.5	0.5	0.3	0.3
	0.9	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	0.2	0.3	-	-
	0.3	0.4	-	-

Note 25 Segment Reporting

Santos Ltd and its controlled entities operate predominantly in one industry, namely exploration, development, production, transportation and marketing of hydrocarbons and in one geographical segment, namely Australia. Revenue is derived from the sale of gas and liquid hydrocarbons and transportation of crude oil.

Note 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	19.0	34.2	11.8	20.0
Due later than one year but not later than two years	-	0.3	-	0.2
	19.0	34.5	11.8	20.2

(b) Lease commitments

Finance leases:

Due not later than one year	2.1	2.3	0.5	0.8
Due later than one year but not later than two years	1.9	2.2	0.3	0.5
Due later than two years but not later than five years	16.1	17.9	0.5	0.9
Total commitments under finance leases	20.1	22.4	1.3	2.2
Less future finance charges	(3.0)	(4.7)	(0.2)	(0.4)
Finance lease liability	17.1	17.7	1.1	1.8

Operating leases:

Due not later than one year	5.3	3.7	2.3	2.5
Due later than one year but not later than two years	5.2	3.2	2.3	2.4
Due later than two years but not later than five years	10.6	7.9	4.9	6.0
Due later than five years	2.0	2.6	0.7	2.1
Total commitments under operating leases	23.1	17.4	10.2	13.0

- (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.

Stock Exchange and Shareholder Information

Listed on Australian Stock Exchange at 28 February 1994 were 515,064,672 ordinary shares. Unlisted are 100,000 class 'B' shares, 1,499,000 partly paid Plan '0' shares and 1,311,750 partly paid Plan '2' shares. There were 43,303 holders of all classes of issued shares (including 1 B Class shareholder and 64 holders of Plan '0' shares and 57 holders of Plan '2' shares) compared with 36,810 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 51.7% of the total voting power in Santos (last year 57.3%).

The 20 largest shareholders in Santos as shown in the Company's Register of Members at 28 February 1994 were:

Name	Number of fully paid Shares	% of Voting Capital
ANZ Nominees Limited	54,070,214	10.5
National Nominees Limited	41,578,830	8.1
Westpac Custodian Nominees Limited	38,090,511	7.4
Australian Mutual Provident Society	22,807,999	4.4
Chase Manhattan Nominees Limited	19,562,246	3.8
State Authorities Superannuation Board	12,514,956	2.4
Queensland Investment Corporation	9,669,951	1.9
Pandal Nominees Pty Limited	9,579,531	1.9
MLC Life Limited	9,232,083	1.8
Permanent Trustee Company Limited (A/C BT SMT Equity Imp)	7,831,373	1.5
Transport Accident Commission	7,822,403	1.5
CBA Nominees Limited	5,236,466	1.0
Perpetual Trustees Nominees Limited	5,066,837	1.0
Permanent Trustee Company Ltd (County No 1 Account)	4,385,884	.9
Victorian Superannuation Board	3,578,094	.7
Norwich Union Life Australia Limited	3,444,267	.7
Citicorp Nominees Pty Ltd	3,093,799	.6
Rema Nominees Pty Limited	2,936,610	.6
The Colonial Mutual Life Assurance Society Ltd	2,840,405	.5
Commonwealth Superannuation Board of Trustees No 2	2,811,879	.5
	266,154,338	51.7

The following interests are recorded in the Company's Register of Substantial Shareholders at 28 February 1994.

Name	Address	No. of voting shares held
Australian Mutual Provident Society	33 Alfred Street Sydney, NSW 2000	28,192,395*
County NatWest Australia Limited	Level 16, Grosvenor Place 225 George Street Sydney, NSW 2000	25,318,834
The Capital Group Inc.	333 South Hope Street Los Angeles California 90071 USA	25,001,726

*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.

Analysis of the Listed Shares - Range of Shares Held

	Fully Paid Ordinary Shares (Holders)	% of Holders	% of Shares held
1-1,000*	14,029	32.49	1.45
1,001-5,000	22,508	52.13	10.55
5,001-10,000	4,051	9.38	5.65
10,001 and over	2,593	6.00	82.35
Total No.	43,181	100.00	100.00

*There were 1,230 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.

Voting Rights

Except as set out in Article 11 detailed below in respect of B Class shares, Articles 83 to 88 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 2006.

Summary of Share Registers

See outside 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 Ltd 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 Ltd shares.

Glossary

appraisal well	an exploration well drilled for the purpose of identifying extensions to known fields or discoveries.
barrel/bbl	the standard unit of measurement for oil production and sales. One barrel equals 159 litres or 35 imperial gallons.
boe	barrels of oil equivalent. The factors used by Santos to convert volume of different hydrocarbon product to barrels of oil equivalent are printed below.
bopd	barrels of oil per day.
the company	Santos Ltd and its subsidiaries.
development well	a well drilled to enable production from a known oil or gas reservoir.
exploration well	a wildcat well or appraisal well drilled to find new reserves of oil or gas.
farm-out	an agreement which provides for a party to acquire an interest in a permit by either fully or partially funding an agreed program of work to be conducted in the permit.
fracture stimulation	a technique used to improve hydrocarbon recovery from reservoirs with poor permeability or porosity. Fracture stimulation involves the fracturing of the reservoir rock to encourage the flow of hydrocarbons.
gas liquids	condensate or its derivative naphtha, and the liquified petroleum gases propane and butane.
km	kilometres.
LNG	liquified natural gas.
LPG	liquified petroleum gas.
m	metre.
mmboe	million barrels of oil equivalent.
mmcfgd	million cubic feet of gas per day.
PJ	petajoules. Joules are the metric measurement unit for energy. A petajoule is equal to 1 kilojoule x 10 ¹² . The equivalent imperial measure to joules is British Thermal Units (BTU). One kilojoule = 0.9478 BTU.
Qld	Queensland.
reserves	proved and probable reserves as defined by the Australian Stock Exchange. Proved reserves are 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 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.
roughneck	a labourer who works on the floor of a drilling rig.
SA	South Australia.
Santos	Santos Ltd and its subsidiaries.
seismic survey	a survey used to gain an understanding of rock formations 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 as opposed to the two-dimensional image provided by conventional seismic.
wildcat well	an exploration well drilled to identify new accumulations of oil or gas.

boe conversion factors:	Crude Oil:	1 barrel	= 1 boe
	Sales Gas:	1 petajoule	= 171.937 boe x 10 ³
	Condensate/Naphtha:	1 barrel	= 0.935 boe
	LPG:	1 tonne	= 8.458 boe

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