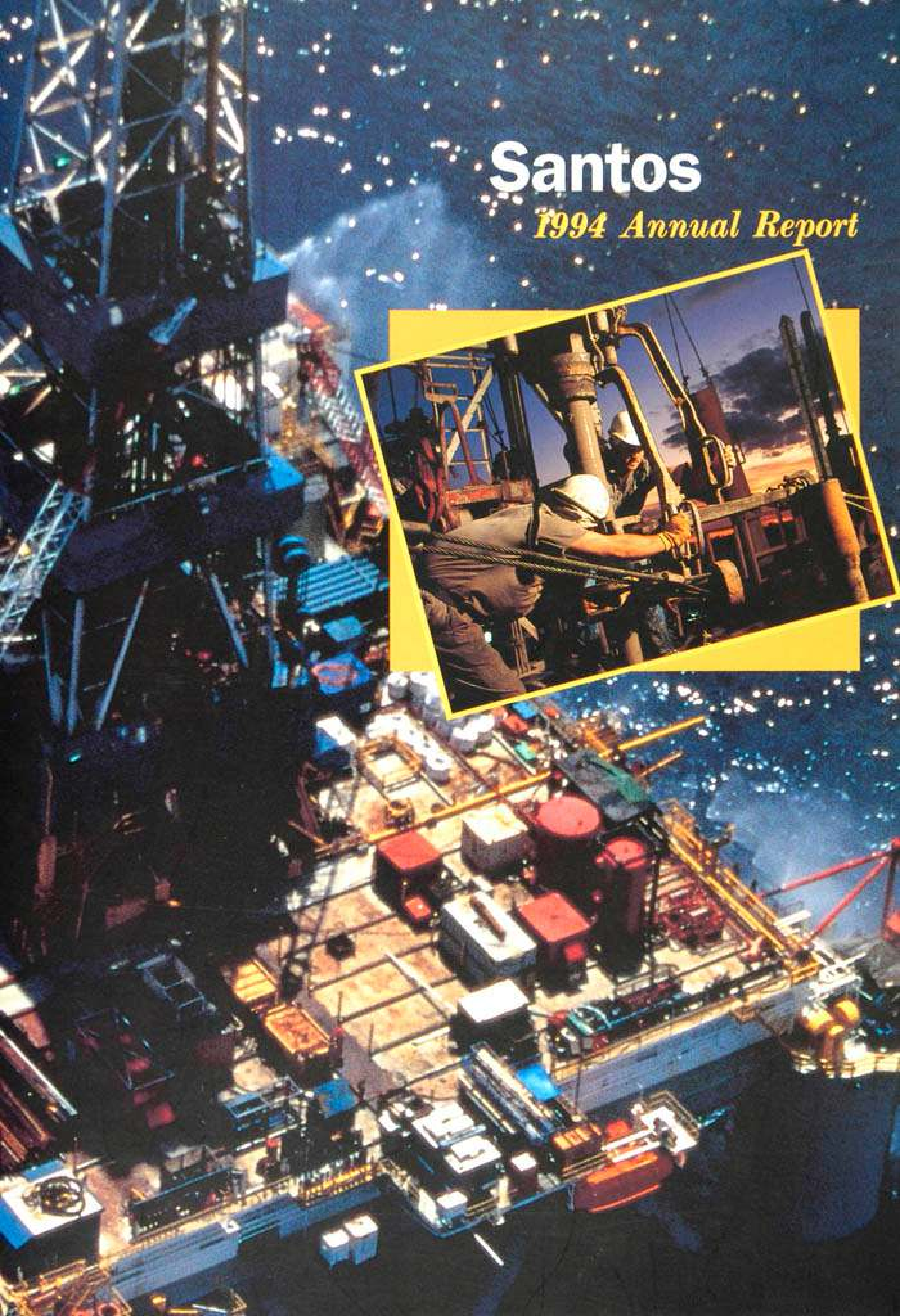
Santos

1994 Annual Report



Company Information

Santos Ltd ACN 007 550 923
Incorporated in Adelaide, South Australia on 18 March 1954.
Quoted on the official list 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.

Notice of Meeting

The Annual General Meeting of Santos Ltd will be held in the Auditorium at The Adelaide Town Hall Function Centre, 128 King William Street, Adelaide, South Australia on Friday, 28 April 1995 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 (Deputy Chairman)
S Gerlach
J J Kennedy
R C H Mason*
J Sloan (appointed 5 September 1994)
Robert Strauss
I E Webber

**Appointed by Sangas Development Ltd – holder of the B Class Shares*

Secretary

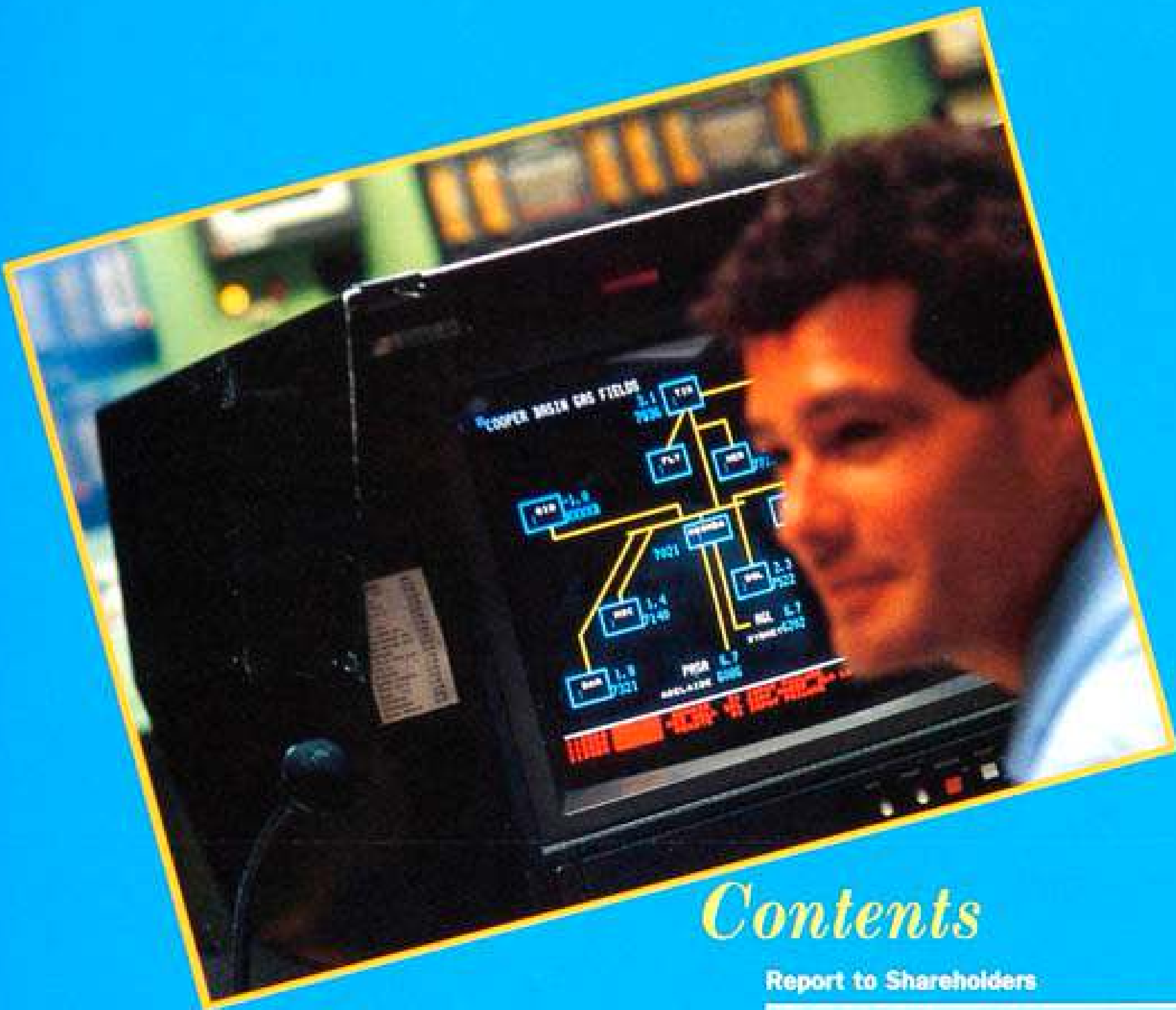
M G Roberts

Financial Calendar

1995	
April	First quarter revenue, production, exploration and development expenditure announced to Australian Stock Exchange (ASX)
April 28	Annual General Meeting
May 24	Books close to determine entitlements to final dividend
June 16	Payment of final 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
1996	
January	Final quarter 1995 revenue, production and exploration and development expenditure announced to ASX
March	Full year 1995 results announced to ASX

Front cover main picture
The Atwood Eagle, a semi-submersible rig drilling the successful Kakatua-1 well in the ZOCA 91-12 permit in December 1994.

Inset Roughnecks working on rig.



Contents

Above Moomba Control Room. Santos employee David Hames-Gipps, monitors gas flow from field and plant to customers AGL & PASA.

Abbreviations This report uses terms and abbreviations customarily used in the international oil and gas industry. In particular, oil and gas flows are reported in terms of barrels of oil per day (bopd) and million cubic feet per day respectively (mmcfgd). The metric equivalent of these measures, together with explanations of other terms and abbreviations used in the report are contained in a glossary printed on the inside back cover of this report.

Report Highlights

Financial

Key Results	1994	1993
Profit and Dividend		
Sales revenue *$ million*	**640.0**	680.2
Earnings before interest and tax *$ million*	**290.1**	327.4
Profit after tax and before abnormal items *$ million*	**154.8**	184.4
Profit attributable to shareholders after tax *$ million*	**190.4**	219.3
Dividends per share *cents fully franked*		
ordinary	**22.0**	22.0
special	**–**	5.0
Cash flow provided by operating activities *$ million*	**363.5**	427.8
Balance Sheet		
Total assets *$ million*	**2897.2**	2831.2
Total shareholders' equity *$ million*	**1532.2**	1380.6
Net debt *$ million*	**619.9**	711.2
Ratios		
Earnings per share ¢	**36.4**	43.5
Return on shareholders' equity %	**12.4**	15.9
Net debt/equity %	**40.5**	51.5
Net interest cover *times*	**7.2**	8.6

Operational

- Record annual production of 37 million boe
- Gas production and sales volumes increased by 5% to a new company record
- First gas and gas liquids sales from south-west Queensland
- Discovery of Elang and Kakatua oil fields in the Timor Gap
- Dragon gas discovery, St Georges Channel, UK
- Stag oil field successfully appraised, offshore Australia
- Ewing Bank oil and gas project completed on schedule in the Gulf of Mexico, USA

Business Development

- Contracts signed for the sale of a new product, ethane concentrate, from Moomba to ICI's plant in Botany, Sydney
- Entry into North Sea gas production via purchase of interest in the Anglia gas field
- Shareholding in QCT Resources Ltd increased by 6% to 28%

Company Profile

Santos is an independent Australian energy company. The company's main business is exploring for, producing and supplying gas, gas liquids and oil to domestic and international customers.

Santos produces more oil and gas than any other independent exploration and production company listed on the Australian Stock Exchange.

The core of Santos' business is a majority interest in, and the operation of, the Cooper/Eromanga Basins oil and gas fields in central Australia. This involves 118,000 square km of licences and leases and production from 670 gas and oil wells in 118 fields.

Santos also produces and sells oil and gas from the Surat and Amadeus Basins in Australia, the Gulf of Mexico and onshore USA, oil from the Timor Sea, Canning Basin and Indonesia, and gas from the Denison Trough in Australia and the United Kingdom sector of the North Sea.

The company's exploration portfolio includes onshore and offshore acreage in Australia and the USA, offshore the United Kingdom, Ireland and Malaysia, and onshore Indonesia and Papua New Guinea.

Santos has reserves of approximately 660 million barrels of oil equivalent and production and sales of over 40,000 barrels of petroleum liquids and 350 million cubic feet of gas per day.

Natural gas sold under long term contracts to Australian distribution and energy utilities and major industrial consumers provides Santos with a strong, stable cash flow largely unaffected by oil price fluctuations. The company markets its liquid products to Australian and international buyers, attracting premium prices because of the ability to tailor products to market requirements and deliver reliably and promptly.

Santos also has investments in a number of oil and gas companies, and is the major shareholder in QCT Resources Ltd, the largest specialist coal producer listed on the Australian Stock Exchange and a major participant in Australia's Bowen Basin, one of the world's premier coal production provinces.

At the conclusion of 1994, Santos had a stock market capitalisation of nearly $2 billion and 1500 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.

Australia and South-East Asia

United Kingdom

USA

● Production ▲ Exploration

— Oil pipeline - - Liquids pipeline — Gas pipeline

Purpose, Strengths and Strategy

Purpose

Santos' objective is to provide its shareholders with a superior investment in gas and oil exploration, production and marketing.

Strengths

A robust core business with a strong cashflow

Large reserves of gas which are available, well placed for emerging opportunities and already on production

Over 25 years of experience in finding, supplying and selling natural gas

A proven capability as an efficient, innovative and low cost manager of oil and gas operations

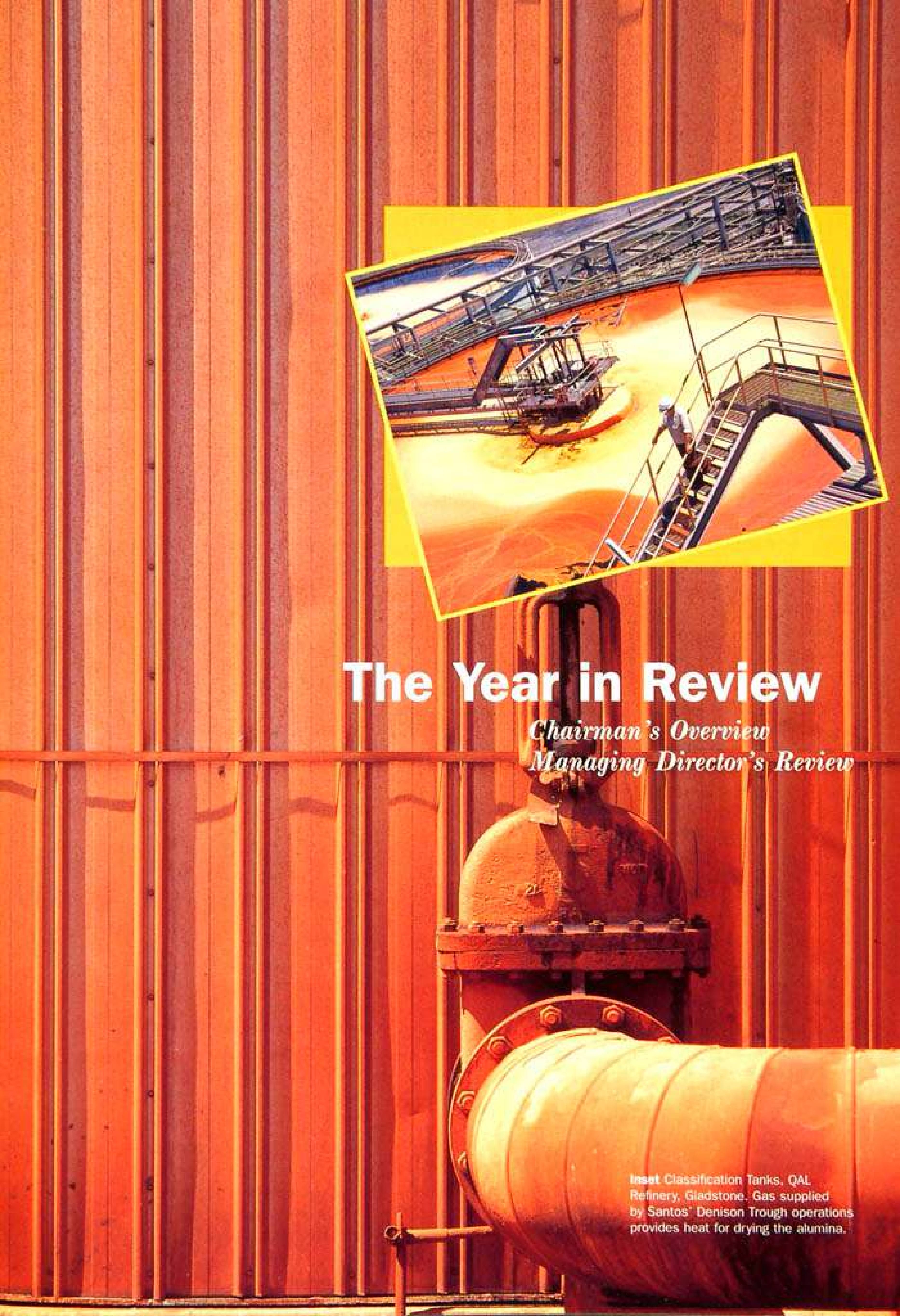
Strategy

Increase the return on and economic value of the company's existing assets

Add new reserves of oil and gas through cost-effective and globally cost-competitive exploration and development

Add new sources of growth through the acquisition of assets that add value to the company's business

Promote the enthusiasm, safety and welfare of employees and conduct operations in an environmentally responsible manner



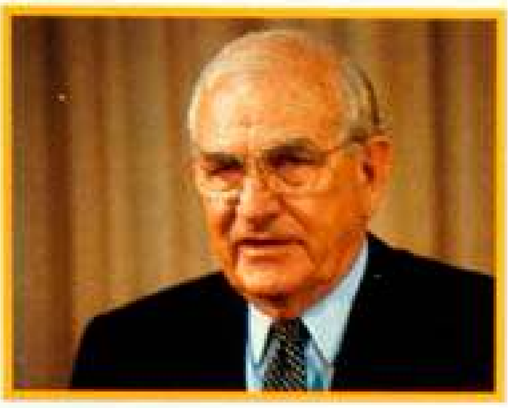
The Year in Review

Chairman's Overview

Managing Director's Review

Inset Classification Tanks, QAL Refinery, Gladstone. Gas supplied by Santos' Denison Trough operations provides heat for drying the alumina.

Chairman's Overview



Santos performed well in 1994, achieving good results in most aspects of the company's operations and activities.

Production and sales volumes were the highest achieved by the company, driven largely by the continuing expansion of Santos' gas business which grew by 5.4%. The major share of this increase resulted from the company's successful entry into the UK gas supply sector through its acquisition of a one-third interest in the Anglia gas field in the North Sea.

In Australia a source of new business was secured with the signing of a contract for the sale of ethane concentrate from the South Australian section of the Cooper Basin for petrochemical manufacture in Sydney.

Exploration recorded high success rates and identified a number of promising offshore oil accumulations. As these discoveries require further drilling before they can be classified as proved and probable reserves, the year-end reserve estimates do not fully demonstrate the potential value added by the 1994 drilling program.

The 1994 financial results reflect the collective impact of the lower international liquids prices and the appreciation of the Australian dollar/US dollar exchange rate during the year. The Australian dollar prices Santos received for its liquid products during the year were, on average, between 9% and 15% lower than in 1993. The consequent reduction to sales revenue was the principal reason for the lower profit of $154.8 million after tax and before abnormal items, compared with $184.4 million in 1993.

The appreciation of the Australian dollar/US dollar also resulted in a $44.2 million foreign exchange gain from the revaluation of US dollar-denominated debt at the higher exchange rate prevailing at balance date. After accounting for this and other abnormal items, Santos' profit attributable to shareholders in 1994 was $190.4 million compared with the corresponding figure of $219.3 million in 1993.

Dividend

Directors have declared a final ordinary dividend of 11 cents per share, fully franked. The dividends will be paid on 16 June 1995 to those shareholders registered in the books of the company on 24 May 1995. The Board considers that, in view of Santos' strong cash flow and conservatively geared balance sheet, further capital is not required in the immediate future and that accordingly it is in the best interests of shareholders as a whole that the Dividend Reinvestment Plan be suspended at this time. While the program remains suspended, dividends will be paid in cash.

The final dividend brings the company's total 1994 dividend to shareholders to 22 cents per share, fully franked. The declared dividend is equivalent to a distribution of $117.2 million, representing a payout ratio of 61.6%.

Gas Industry Developments

Australia's gas industry has entered a period of unprecedented change. This process is being driven by the concurrence of several events: the emergence of new contract opportunities; the privatisation or corporatisation of statutory authorities; the introduction of new pipeline access legislation; the provision of access to gas utility pipeline networks; reform of competition legislation; and proposals to expand pipeline networks.

Santos is moving to capitalise on the opportunities expected to arise from these developments. Although it is expected that competition for the business of existing and new gas customers will be greater, the company is confident that expansion of its gas business will continue to be a driving force in Santos' growth in the period to the year 2000. Further discussion of the company's gas business and its outlook are provided on page 19.

QCT Resources

Santos now holds 28.4% of the issued capital of QCT Resources Ltd (QRL), having increased its shareholding during the year. As an export coal producer with a world class resource and good prospects, QRL complements Santos' oil and gas business and provides Santos with additional exposure to the growing energy market in Asia.

Board of Directors

Some changes to the company's Board of Directors occurred during the year. Professor Judith Sloan was appointed as a Director of the company in September 1994. Mr N R Clark was appointed Deputy Chairman and Mr K W Peterson retired from the Board. On behalf of the Board, I wish to record the company's appreciation of Mr Peterson's service as a Director of the company for more than 10 years.

Outlook

The outlook for Santos is positive, and underwritten by the strength of the company's current business. The company begins 1995 with a strong balance sheet and good prospects of contracting its uncommitted gas over the next five years, and other new business projects at varying stages of maturity.

Furthermore, the strong cashflow provided by Santos' current business means that the company is not solely dependent on exploration success for additional sources of growth. Existing assets are estimated to be able to maintain production in excess of 30 million boe per annum for at least the next ten years. Subject to oil prices not declining significantly, this should generate more than sufficient cash to fund anticipated capital expenditure and base-level exploration.

The expected availability of this surplus cash will enable Santos to pursue new sources of growth through a balanced mix of exploration, development and acquisition and to take advantage of energy supply opportunities as they arise.

The company has planned a busy year for 1995. Sales and production volumes for the year are expected to exceed those achieved in 1994. Santos will progress the emerging projects in its portfolio that have the potential to become sources of growth from 1997 onwards. The most significant of these are contracts for the sale of south-west Queensland gas within that state. With the Queensland Government having selected preferred pipeline developers late in 1994, Santos expects to finalise contracts in the first half of the current year for initial sales to south-east Queensland to commence 1 January 1997.

Conclusion

1994 marked the 40th anniversary of Santos' incorporation and listing on the Adelaide Stock Exchange. From being a pioneer of oil and gas exploration in Australia, Santos has since developed into a world-class independent exploration and production company and one of Australia's leading resource companies. To a large extent, the growth and record of achievement established by the company over the last 40 years is attributable to its employees and its shareholders.

On behalf of the Board, I wish to record our appreciation and thanks to the company's employees and management for their dedication and enterprise, and in particular their efforts in 1994. I also acknowledge the strong support shareholders have given the company throughout its life. The outlook for energy demand, particularly gas in Australia, Asia and the United Kingdom, is strong and your company is poised to participate in that growth.

J A Uhrig
Chairman

Managing Director's Review

Santos' 1994 results are built on the increased strength in the company's business that has been achieved in recent years.

Financial

The 1994 profit attributable to shareholders of $190.4 million after tax and abnormal items surpasses all other profit results recorded by the company with the exception of 1993, when average oil prices received were four Australian dollars per barrel higher. The 1993 operating profit after tax and abnormal items was $219.3 million.

Abnormal items in the 1994 profit result amounted to a net gain of $35.6 million after tax and comprise:

- foreign exchange gains of $44.2 million. The 1993 results included net foreign exchange losses of $4.9 million as a normal item;
- $10.7 million received in compensation for the relinquishment of the company's right of veto over the sale of the Moomba to Sydney pipeline; and
- a $19.3 million write-down to capitalised exploration expenditure. The write-down was made following a review of the carrying value of the company's non-current assets.

Earnings per share after abnormal items for the year were 36.4 cents compared with 43.5 cents in 1993.

Revenue

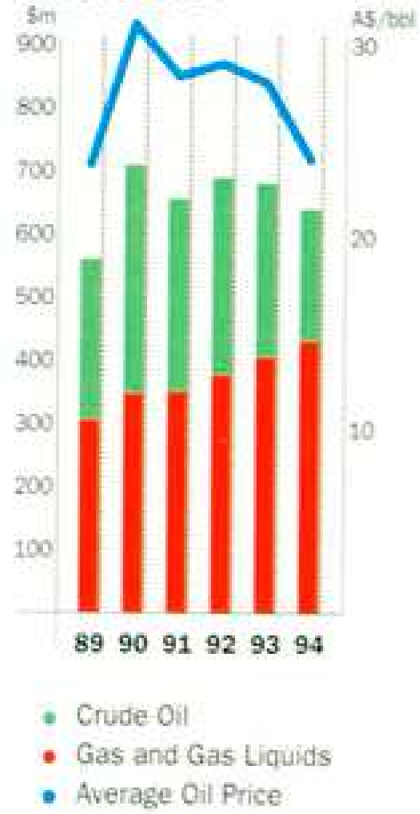
The 1994 profit was earned from a total operating revenue of $728.3 million, which compares with a corresponding figure of $943.2 million in 1993. Most of the difference is accounted for by the inclusion of $171.3 million in 1993 revenue from the sale of the company's shareholding in Sagasco Holdings Ltd.

Sales revenue for the year was $640.0 million, from a record sales volume of 36.9 million boe, half a million boe higher than the 1993 sales volume of 36.4 million boe.

The growth in the volume of the company's business in 1994 came from two sources: further expansion of the company's gas sales and the 8.7% increase in the volume of the company's gas liquids sales generated by the commencement of gas and gas liquids production from south-west Queensland.

Santos sold 136 PJ of gas during the year, the highest annual gas sales achieved by the company and well above the 129 PJ sold in 1993. The increase in gas sales is attributable to the addition of 5.2 PJ from the Anglia gas field and greater demand for gas from all of the company's Australian operations.

Sales revenue and average oil price
1989–1994



The additional revenue generated by the rise in gas and gas liquids sales volumes during the year more than compensated for the effects of lower crude oil production due to natural decline. However, Santos was prevented from translating the higher sales volume into increased revenue by the unfavourable price and exchange rate movements during the year.

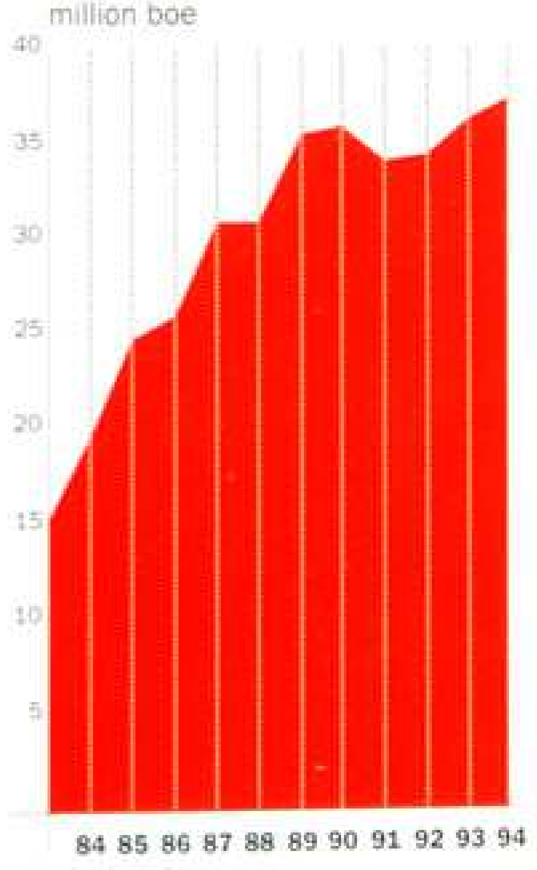
Santos' liquid products are sold in US dollar terms and the average price received by the company for its crude oil sales during the year was US$16.80 a barrel, 10.6% lower than the corresponding average of US$18.80 a barrel in 1993. LPG and naphtha prices also fell and the total impact of the fall in traded liquids prices was to reduce Santos' 1994 revenue by $32.0 million.

This was exacerbated by the strengthening of the Australian dollar during the year which further depressed the Australian dollar prices received by the company. The average Australian dollar/US dollar exchange rate for the year of A$0.7333 was 7.8% higher than the 1993 average of A$0.6802.

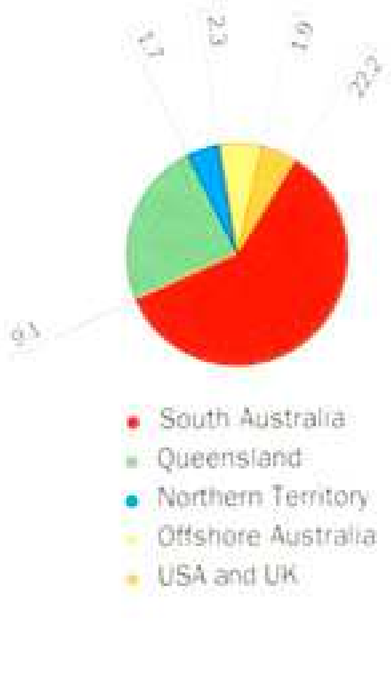
In total, the decline in traded liquids prices and appreciation of the Australian dollar reduced the company's sales revenue by $49.9 million dollars compared with 1993. The sales volume growth achieved during the year enabled Santos to partially offset the impact of this decline, so that sales revenue in 1994 was $40.2 million lower than the corresponding result of $680.2 million in 1993.

Production	1994	1993
Sales gas *PJ*	**136.3**	129.1
Crude oil *million barrels*	**9.3**	10.2
Condensate *million barrels*	**2.3**	2.0
LPG *thousand tonnes*	**269.1**	243.8
Total *million boe*	**37.2**	36.3

Production
million boe



Production by region
million boe
1994



Costs

Santos continues to maintain tight control of operating costs. Total operating costs for the year were $163.1 million compared with $157.5 million in 1993 with the increase being attributable to the addition of costs from the Anglia gas field and the inclusion of a full year's costs from onshore Australian assets acquired in the second half of 1993.

Santos' lower levels of debt during the year were reflected in lower interest payments. The interest paid by the company in 1994 of $47.2 million was $7.8 million lower than in the previous year. Interest expense was $2.3 million higher than in 1993 due to the reduction in interest expense in that year from the capitalisation of interest of $8.8 million relating to the development of the south-west Queensland gas fields. No interest was capitalised in 1994.

Expenses in the 1994 profit include $33.4 million for Royalty and Resource Rent Tax payments to governments. This figure is $12.0 million lower than in 1993 reflecting the reduced onshore royalty obligations from the impact of lower liquids prices on revenue and the fact that Santos incurred no RRT liability in 1994.

Cash Flow

Santos' operations continue to provide the company with a strong cash flow sufficient to fund exploration and development activities, pay dividends and still provide cash for new investments.

In 1994 the company generated a net cash flow from operations of $363.5 million. This cash, together with contributions of $19.6 million from other sources, was more than sufficient to fund payments for: exploration and development of $162.7 million; dividend payments, net of reinvestment, of $60 million; investments of $144.5 million; and leave a $13.5 million increase in the company's year-end cash balance net of exchange rate changes of $2.4 million. Santos' closing cash balance for the year was $118.7 million.

The investments to which the cash was applied include the acquisition of the interest in the Anglia gas field, payments for onshore Australian assets acquired in the second half of 1993 and the purchase of additional shares in QCT Resources Ltd.

The 1994 cash flow from operations was $64.3 million lower than recorded in the previous year due to a number of factors: the inclusion in the 1993 figure of $35.2 million cash received from Crusader Reserves NL as part of a settlement concerning Cooper Basin participation factors; a $20 million reduction to cash receipts from sales in 1994 from the taking of banked gas by The Australian Gas Light Company; and the generally lower level of sales and other revenue in 1994 compared with the previous year.

Balance Sheet

The increased strength of Santos' balance sheet at year-end was one of the features of the company's 1994 financial results.

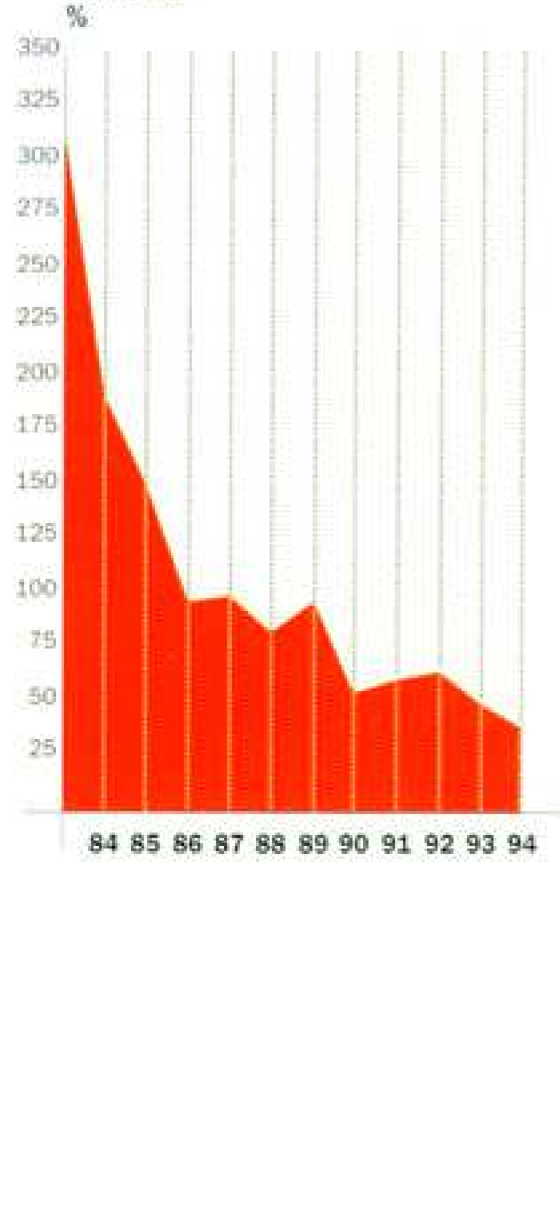
Debt was reduced by $95.2 million to be $738.6 million, the lowest recorded by the company since 1983. The principal factor in the change from the 1993 year-end was the reduction to the company's US dollar-denominated debt arising from translation to Australian dollar terms at the higher Australian dollar/US dollar exchange rate prevailing at the 1994 year-end.

Net debt at year-end was $619.9 million, $91.3 million lower than at the conclusion of 1993. The ratio of the company's net debt to equity was 40.5%, having been reduced from 51.5% at the beginning of the year.

Shareholders' equity in the company rose by $151.6 million to reach $1532.2 million, the highest level ever recorded by Santos. The rise reflects the increase to the value of the company resulting from the reinvestment of dividends by shareholders and the profits generated in 1994.

Santos' long term credit rating has been maintained at A– by S & P Australian Ratings Ltd.

Ratio of net debt to equity



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 31 December 1993	3151	4844	40	55	**675**
1994 Production	(136)	(269)	(2)	(9)	**(37)**
Additions from 1994 exploration	85	118	1	5	**22**
Acquisitions	54	–	–	1	**10**
Field revisions	(7)	(205)	(2)	(2)	**(7)**
Estimated reserves at 31 December 1994	**3147**	**4488**	**37**	**50**	**663**

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

After producing a record 37 million boe, Santos' proved and probable reserves at year-end were 12 million boe lower than at the beginning of the year, a decline of 1.8%.

Year-end 1994 gas reserves were approximately the same as for year-end 1993. Santos aims to maximise the volume of contracted gas reserves and, to this end, added sufficient reserves in South Australia to extend the PASA contract cover by one year to year-end 2004.

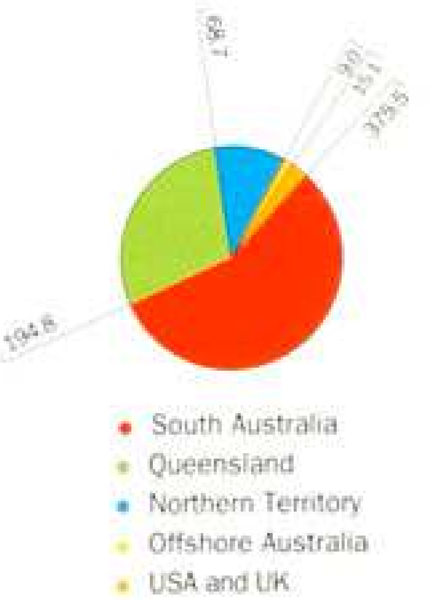
All of the 54 PJ of sales gas added to reserves by acquisitions during the year are attributable to the Anglia gas field. These reserves are largely contracted.

Estimates of LPG and condensate reserves were revised following appraisal and development drilling results, particularly relating to south-west Queensland.

The major item in the total of 5 million barrels of oil reserves added through exploration was the inclusion of 3.6 million barrels attributable to the Elang oil field discovered in the Timor Gap during the year. Further discussion of the estimate of reserves contained in the Elang field is contained in the Offshore Australia Business Unit Report.

Revisions to estimates of crude oil reserves relate principally to adjustments of producing reserves in the Timor Sea and South Australia. The acquisition of additional equity in permits in south-west Queensland and the Canning Basin added one million barrels to crude oil reserve estimates.

Reserves by region
million boe
1994



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 currently fall into this category. Santos' share of the technically recoverable hydrocarbons in these accumulations has been broadly estimated to be up to approximately 300 million boe.

Over half this potential is accounted for by the Petrel and Tern gas fields located in the Bonaparte Basin, offshore Australia. The fields were subjected to an appraisal program during the year, which is reported on page 35.

Other oil and gas resource accumulations include the Stag, Kakatua, Talbot, Swift and Legendre oil fields; prognosed extensions to the Elang field, the Oliver oil and gas field; the Sole gas field offshore Australia; the Pierce oil, Banff and Dragon oil and gas fields in the United Kingdom; and the Elevala and Ketu gas fields in Papua New Guinea.

Exploration

1994 Results

Santos' exploration in 1994 involved the drilling of 63 wells and expenditure of $91.9 million.

High success rates were achieved. Of the 31 oil exploration wells in which Santos participated during the year, 14 resulted in new discoveries or extensions to existing fields. The new fields were located in the Timor Gap (2 oil fields), onshore South Australia and Queensland (4 fields) and offshore United Kingdom (1 gas field). Successful appraisal wells were drilled in the Carnarvon Basin, Bonaparte Basin, Timor Gap, onshore South Australia, Queensland, and the USA.

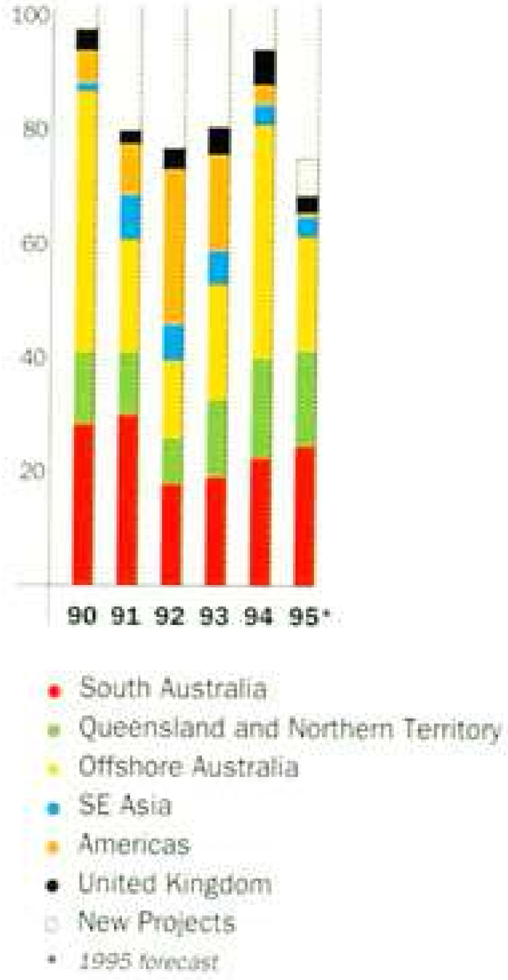
Gas exploration yielded 24 successes from 32 wells. New gas field discoveries were made in south-west Queensland (5 fields) and South Australia (3 fields), while the successful gas appraisal wells were located in South Australia, south-west Queensland, Bonaparte Basin and onshore USA.

Oil Discoveries

The program's most important achievement, the identification or appraisal of several offshore petroleum discoveries, is not reflected in the total of 22 million boe that exploration is estimated to have added to the company's proved and probable reserves in 1994. The Kakatua, Stag and Dragon discoveries are assets which hold the potential to generate significant additions to future years' reserve estimates.

These resources will require further drilling before they can be classified as proved and probable reserves, an objective reflected in the company's exploration plans for 1995.

Exploration expenditure by region
$ million



Santos' Exploration Strategy

Santos typically commits between $70 million and $100 million each year to exploration. The objective of Santos' exploration is to increase the value of the company by finding additional economic reserves of gas and oil.

Santos' Exploration Strategy ensures the company's exploration budget is best applied and that the potential risk to the company from uneconomic exploration is minimised. The strategy has four elements:

1. Applying Santos' accumulated knowledge and expertise in its Cooper/Eromanga Basins acreage to add new reserves to the company's core business.

2. Exploring for oil and gas offshore Australia and in selected international locations to broaden and increase the company's reserves and production.

3. Structuring the exploration program so that it is weighted towards opportunities carrying low to medium risk while still including a significant amount of high reward/high risk exploration capable of delivering quantum increases in reserves.

4. Managing the company's exploration portfolio vigorously to 'get more for the dollar' from the company's expenditure on exploration. Acreage with poor performance or low value-adding potential is divested; non-core projects farmed out or sold; and over-exposed holdings diluted.

Above Drilling Rig, Cooper Basin. Rig Supervisor, Roy Dunn, evaluates well progress.

Portfolio

Exploration acreage added to the company's portfolio during the year included interests in the Timor Gap, Queensland, Papua New Guinea and the United Kingdom. Portfolio management by the company resulted in the sale, relinquishment or application to relinquish certain interests in acreage in the Timor Sea, Timor Gap, Bonaparte Basin, Queensland, and onshore and offshore USA.

1995 Program

The underlying thrust of Santos' exploration plans for 1995 is to build on the successes of the previous year's program.

The program includes further appraisal of the company's undeveloped fields in the Timor Gap, and Carnarvon Basin, wildcat drilling for substantial oil discoveries in both regions and drilling to support Santos' existing core business of onshore Australian and USA oil and gas production. The company plans to participate in the drilling of 49 exploration wells within a budgeted exploration expenditure of $75 million.

An important aspect of Santos' exploration plans for 1995 will be the evaluation and identification of new acreage and opportunities capable of delivering significant additions to oil and gas reserves through drilling over the next five years. The areas of primary focus include offshore the north-west coast of Australia (including the Timor Gap), Indonesia and the central and southern North Sea.

Full details of the 1995 program and exploration activity and results in 1994 in each of Santos' areas of interest appear in the Business Unit Review section of this report commencing on page 27.

Acquisitions and Investments

Anglia Gas Field

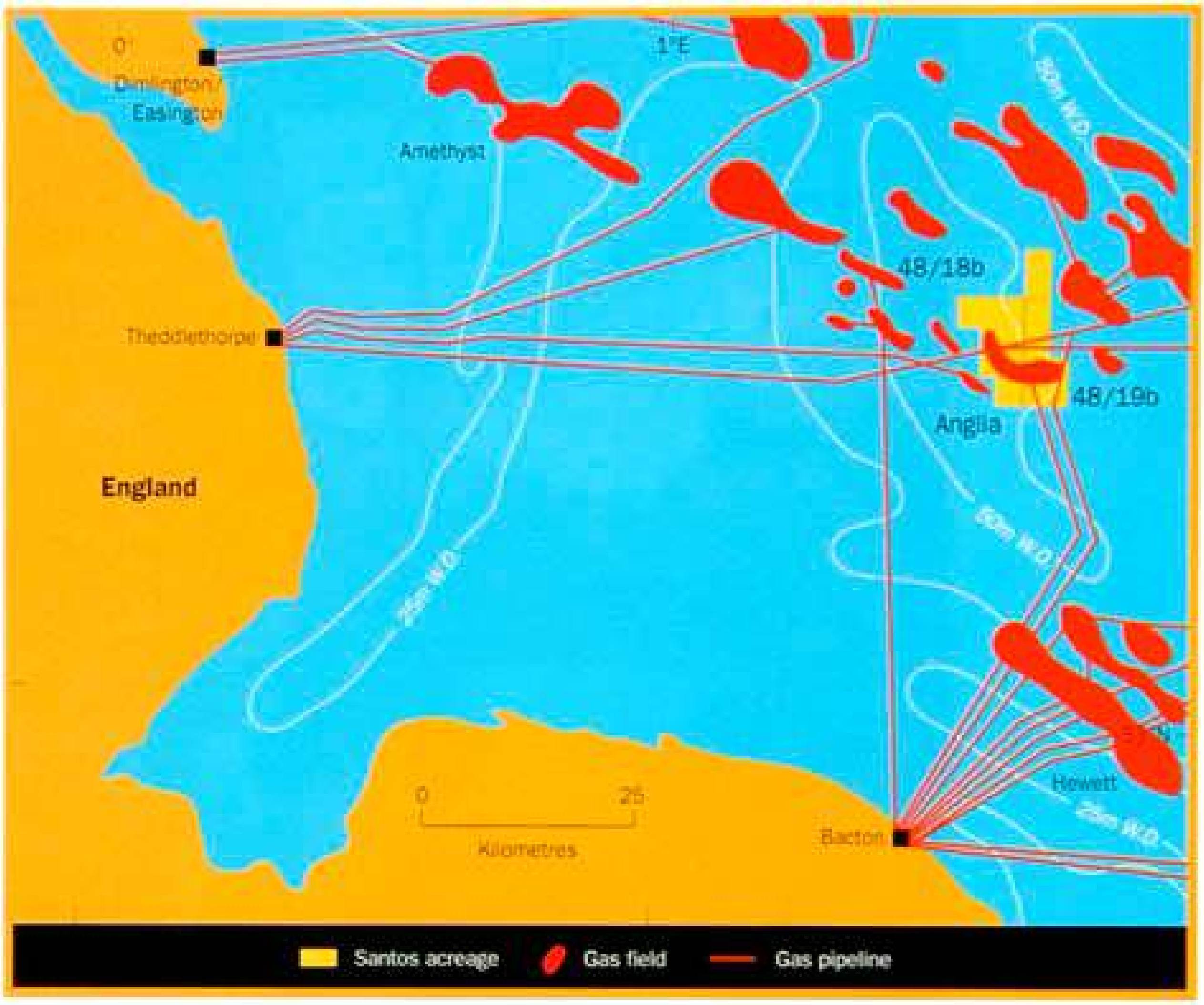
The acquisition of a one-third (32.802%) interest in the Anglia gas field was Santos' major investment during 1994. The acquisition has given entree into the growing UK gas industry through a significant interest in a producing field and facilities.

The field is located in the southern gas basin of the North Sea approximately 50 km from the Norfolk coast in a water depth of 33m. Ranger Oil is the operator of the field.

Santos' reserves in the field were increased subsequent to purchase by the success of the B2 development well. The effect of the upgrade was an increment of 10 PJ to Santos' share of Anglia's reserves, more than 20% of the estimate at purchase date and double the production during 1994.

Anglia is the first investment by the company in the UK since Santos targeted the UK as a source of future growth and initiated an investigation of acquisition opportunities.

United Kingdom – Southern Gas Basin



Santos believes the company can profit through participating in the growth of the UK gas sector and applying the company's expertise in gas exploration, production and marketing. For Santos, UK reserve acquisition opportunities have the added advantage of: building on the company's existing business in the country; providing a tax offset for the UK exploration expenditure; and balancing the UK exploration portfolio through the addition of lower risk acreage offering targets around existing fields.

Anglia possessed some other particularly attractive features: production forecasts and reserve estimates were supported by two years of production history; relatively low operating costs; and the long term operating arrangements and contracts for transporting, processing and sale of gas were in place. Potential exists, through development and exploration, for reserves to be increased. The level of equity acquired in Anglia permits Santos to have a significant level of participation in the management of the joint venture without the responsibility of operatorship.

The company is investigating other opportunities in the UK oil and gas sector with the view to making further acquisitions in the near term.

QCT Resources Ltd

Santos is the major shareholder in QRL, holding 28.4% of its issued share capital. This holding was increased during the year from a level of 22.7% at the end of 1993.

QRL participates in coal production for export in the Bowen Basin in Queensland, one of the world's premier coal producing regions, through its 27.8% interest in the Central Queensland Coal Associates and Gregory Joint Ventures and the 100% owned South Blackwater mine. In 1994, QRL's share of shipments from these interests was 10.6 million tonnes. Most of this coal is prime quality hard coking coal which is sold to steel mills in Europe, Asia and South America. The remainder is steaming coal which is sold to electricity utilities for power generation and to other industrial users. The proportion of steaming coal produced by QRL is expected to increase in the future in response to strong demand, especially in Asia.

QRL's coal shipments are expected to increase substantially in the next few years as a result of two major development projects. The Crinum underground coal mine is being developed by the Gregory Joint Venture and is expected to produce 2.5 million tonnes of coal per annum for the joint venture (QRL share 27.8%) by mid-1996. The South Blackwater mine is to be significantly expanded by the development of the Kenmare underground mine, which is expected to add 2.5 million tonnes per annum to QRL's output by mid-1996.

QRL's most recent earnings have been adversely affected by reduced coal prices and the appreciation in the Australian dollar. However, Santos is confident that the outlook for QRL is favourable, given the scheduled expansion in production and the expectation of a recovery in both coking and steaming coal prices. In the medium to long term, QRL is well placed to benefit from the growth in demand for energy in the Asian region.

Oil Company of Australia

Santos is the owner of approximately 12.5% of the issued shares of Oil Company of Australia (OCA) which is 85% owned by Boral Ltd. OCA holds interests in the Surat Basin, Denison Trough, the South-west Queensland Gas Centre, and 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.

Community

Santos seeks to participate in the community life of the regions in which the company's major business interests lie.

In 1994, Santos involved itself, through sponsorship, donations or support, in a wide range of cultural, educational, health and environmental activities in South Australia, Queensland and the Northern Territory.

The major sponsorships for the year included the Royal Flying Doctor Service of Australia's Aircraft Replacement Appeal, the Adelaide Festival, the St Peter's Cathedral Restoration Fund and the Australian Minerals and Energy Environment Foundation.

Other significant sponsorships and donations were made to organisations including the Art Gallery of South Australia, University of Queensland, Investigator Science Centre, Minda Incorporated and the Hansen Centre for Cancer Research. Commitments were also made to provide significant sponsorship support in 1995 to the Queensland Art Gallery and the Come Out Youth Arts Festival.

Above Central Australia. The Royal Flying Doctor Service attends an injured stockman. In recognition of the Service's contribution to the remote locations where Santos operates, the company has contributed $250,000 over the last five years to the RFDS Aircraft Replacement Appeal.

Environment

Santos regards responsible environmental management as a fundamental part of the day-to-day management of its operations.

The company has developed codes of conduct for employees and contractors, supported by training, monitoring and external audits to ensure field practice satisfies Santos' standards and the relevant regulatory requirements. In many instances Santos' internal standards exceed legislative obligations.

Santos restructured its environmental management during the year. Professional environmental staff were devolved to the South Australian, and Queensland and Northern Territory business units, fully integrating environmental management into the day-to-day management of the company's operations. A small corporate environmental group has retained responsibility for policy issues. Additionally, in recognition of the importance placed on good environmental practice, a Committee of Directors was constituted for the purpose of ensuring the effectiveness of the company's environmental management system. The committee comprises the Chairman, Managing Director, Mr J J Kennedy and Mr S Gerlach.

NRAdler

N R Adler
Managing Director

Outlook and Opportunities for Santos' Gas Business

Finding, producing and selling gas is Santos' core activity and the key to its future. Expansion of the company's gas business is now the foremost element of its business plan, a priority which reflects the potential growth that can flow to Santos through the realisation of emerging opportunities in the Australian and international energy sector.

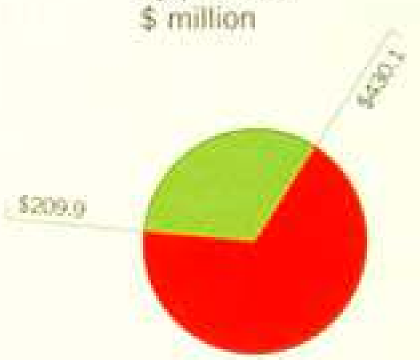
The next ten years are expected to see the Australian gas sector undergo the greatest changes it has experienced since it began, bringing new challenges and opportunities to gas producers.

Santos' gas business has already changed significantly in recent years and new business projects and investment plans promise more change.

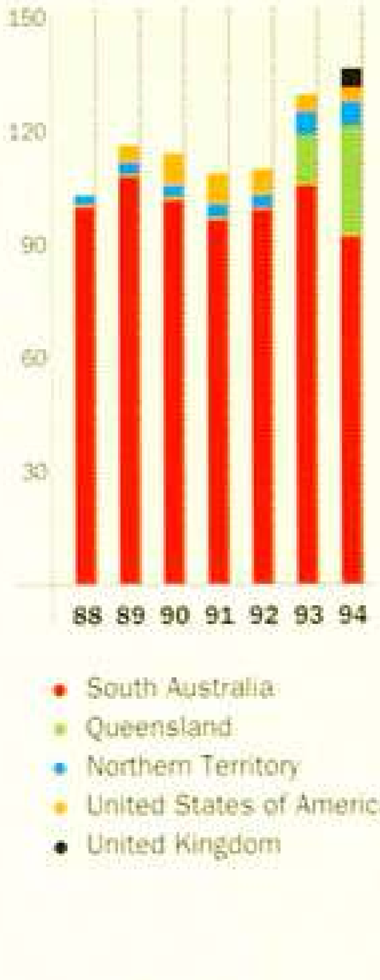
This special feature summarises the state of Santos' gas business today, its outlook and the opportunities for growth that the company is planning to realise.

1994 marked the twenty-fifth anniversary of Santos' first gas sales. Since 1969 the company has remained Australia's major independent sales gas producer. This achievement was made possible by the quality of Santos' Cooper Basin assets, long term contracts for the supply of Cooper Basin gas won against fierce competition from other fuels and other sources of gas, and the commitment and success of the company's exploration in the region.

1994 sales revenue by product
$ million



Gas sales volume by region
PJ
1988–1994



Santos is now building a larger, more broadly-based, international gas business.

Over the last two years, the volume and value of Santos' gas business has grown by 25%. At the same time, the company's reliance on the South Australian Cooper Basin has declined from 90% to 67% through the acquisition of new producing assets and the development of new regions for production.

Santos' exploration programs have also changed. In 1992 exploration for gas accounted for one-quarter of the total exploration expenditure, and was entirely devoted to locating incremental reserves for existing businesses in South Australia and the USA.

However, by 1994, gas exploration accounted for over half of the total exploration expenditure and the majority of this expenditure was for drilling in areas from which Santos believes it can generate new businesses, such as south-west Queensland, the Bonaparte Gulf and the United Kingdom. This has taken place without any major reduction to the exploration effort in South Australia, which remains an area of prime importance for the company.

SANTOS' UNCONTRACTED GAS (PJ)

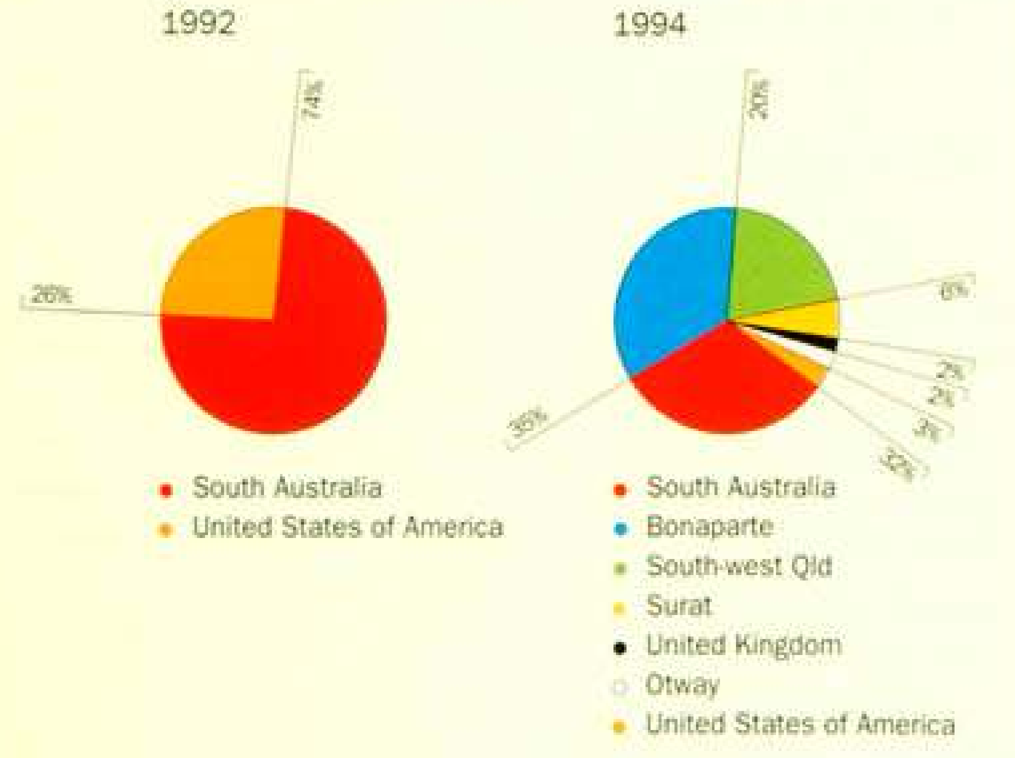
Opportunities in Australia

The future for the Australian gas sector is both challenging and exciting. A number of gas supply opportunities are expected to emerge over the next five to ten years and the sector is undergoing change on several fronts: major pipelines have been, or are in the process of being, privatised; new pipelines are being proposed and constructed; and open access regimes for pipelines are being introduced nationally. Additionally, the move towards the policy of 'free and fair' trade in natural gas under the Council of Australian Governments process offers the opportunity for Santos to freely sell gas reserves interstate. Some benefit of this has already been seen in South Australia.

Santos is well positioned for the major contract opportunities anticipated in the states of Queensland, South Australia and New South Wales.

At the end of 1994, the company held approximately 1500 PJ of uncommitted gas reserves onshore Australia. All of this gas is in relatively close proximity to recovery and processing infrastructure. In addition, further large volumes of gas are expected to be discovered through vigorous exploration programs.

Regional share of gas exploration expenditure
%



Queensland

Approximately 620 PJ of this gas is in Queensland, the area presenting the best growth prospects for Santos. The company is currently pursuing opportunities in the state which could add significantly to the company's gas sales. Queensland offers Santos two immediate avenues by which the company can increase its gas sales: first, through winning contracts with existing gas consumers in Brisbane for the sale of south-west Queensland gas; and secondly, through the creation of new demand in south-east Queensland and the fast developing minerals province of the state's north-west. A detailed discussion on the anticipated growth in Queensland gas consumption and the opportunities this presents the company is contained in the Queensland and Northern Territory Business Unit Report.

South Australia

In South Australia, Santos has contracts and reserves dedicated for the supply of two-thirds of the state's demand until 2004.

Additionally, the Cooper Basin Producers have set aside 400 PJ of gas (with Santos' share being 200 PJ) for sale to end-users of gas in the state for the period 2004–2013 and is currently engaged in the process of pursuing contracts for this gas. The company's South Australian reserves are well located, being already developed or in the vicinity of the infrastructure currently supplying gas to consumers in South Australia. Compared with other sources of gas, the Cooper Basin is relatively close to potential new sources of gas demand for mineral processing in the state's north.

New South Wales

New contract opportunities will also emerge in New South Wales. The Cooper Basin currently supplies demand in New South Wales under a contract scheduled to expire in 2006, although additional sources of supply are expected to be required from the turn of the century.

Santos expects to remain a significant supplier of gas to New South Wales well beyond 2006. The use of gas for electricity generation is expected to create new sales opportunities in the State.

Santos currently has around 370 PJ of gas available from the South Australian Cooper Basin with which it can pursue additional sales. Successful gas exploration will add further marketable reserves.

Amadeus and Bonaparte

In the Amadeus Basin Santos currently has approximately 270 PJ of uncontracted gas. In the longer term this gas is expected to be contracted for sale to consumers in the Northern Territory.

In addition, Santos holds interests of 50.5% and 70% in the large Bonaparte Gulf gas fields, Petrel and Tern. Market options for this gas resource, estimated to contain between 1100–3500 PJ of recoverable gas are being investigated. Development options include export LNG production for sale to Asian consumers, methanol production, or domestic sales gas supply.

International Growth

Santos is growing its gas business outside Australia with the United Kingdom and United States being the principal focus of this strategy. The demand for gas in the UK is forecast by British Gas Transco, the operator of the UK gas transmission and storage network, to grow at an average rate of 3.7% per annum from 1993/94 to 2002/03.

Santos is planning to participate in this growth by building on its existing presence in the UK with the acquisition of high grade producing assets and through exploration and development. The purchase of a one-third interest in the producing Anglia gas field in the North Sea was the first step in the process and the company is investigating further opportunities.

In the United States Santos participates in gas exploration and production and sales in both onshore and offshore locations. Santos is also evaluating opportunities to participate in the expanding South-East Asian gas sector, particularly Indonesia.

Conclusion

The strength of Santos' gas business today is that growth no longer depends on incremental demand by existing customers but can come from a number of opportunities which the company is actively pursuing.

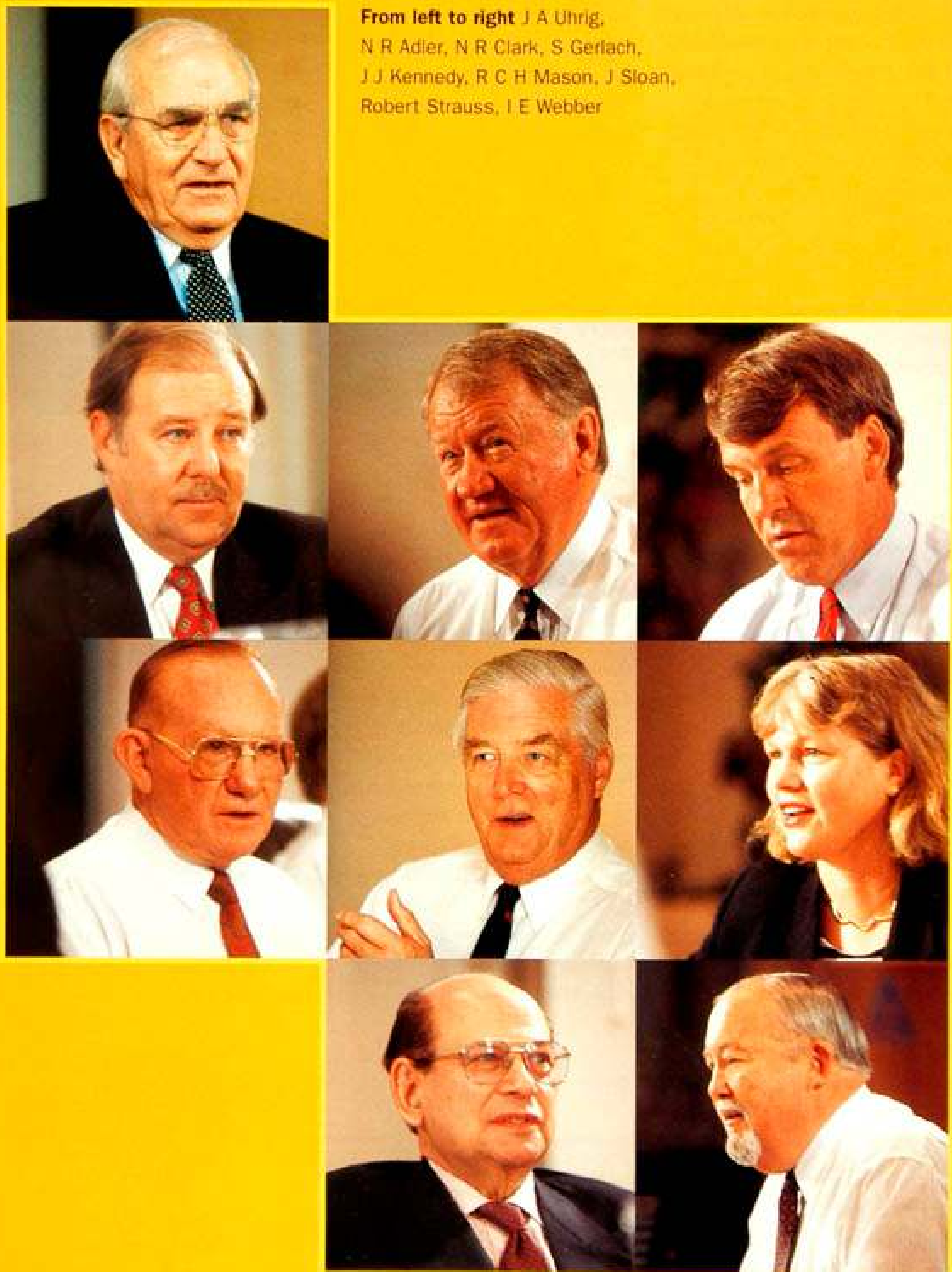
Santos has set itself the goal of realising these opportunities which will provide the foundation for the company's growth into the twenty-first century.

Santos' Interest in Uncontracted Australian Gas* Reserves⁺ *PJ*

	Total Gas Reserves in Santos' Acreage	Santos' share of Gas Reserves	Uncontracted Gas in Santos' Acreage	Santos' share of Uncontracted Gas
South Australia	3190	1820	1000	570
South-west Queensland	1330	780	1060	620
Surat/Bowen	200	100	30	10
Amadeus	680	370	450	270
Total	5400	3070	2540	1470

* *Includes ethane*
⁺ *Excludes gas yet to be found through exploration*

Board of Directors



From left to right J A Uhrig, N R Adler, N R Clark, S Gerlach, J J Kennedy, R C H Mason, J Sloan, Robert Strauss, I E Webber

John Allan Uhrig AO, DUniv, BSc, FAIM
Age 66. Director since 3 December 1991 and Chairman since 15 February 1994. Chairman of the Environment Committee of the Board and also Chairman of Santos Finance Ltd. Chairman of CRA Ltd, Westpac Banking Corporation, Amdel Ltd and The Australian Minerals and Energy Environment Foundation. Until 1985 was Managing Director of Simpson Holdings Ltd.

Norman Ross Adler B Com, MBA
Age 50. Managing Director since 7 November 1984, member of the Audit and Environment Committees of the Board and also Chairman of other Santos Ltd subsidiary companies. Director of the Commonwealth Bank of Australia, QCT Resources Ltd Group and Australian Institute of Petroleum Ltd. 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 65. Director since 2 October 1990 and Deputy Chairman since 29 April 1994. Chairman of the Audit Committee of the Board. Chairman of Foster's Brewing Group Ltd, Sun Alliance Insurance Group Australia, Graduate School of Management Foundation Ltd and Ashton Mining Limited. Director of Amcor Limited, Mayne Nickless Ltd and Graduate School of Management Ltd. Former Managing Director of National Australia Bank Ltd.

Stephen Gerlach LLB
Age 49. Director since 5 September 1989 and a member of the Audit and Environment Committees of the Board. Mr Gerlach is a Company Director, Corporate Advisor and former Managing Partner and now consultant to the Adelaide legal firm, Finlaysons. Chairman of Equitorial Mining N.L., Forwood Products Ltd and South Australian Timber Corporation. Deputy Chairman of Elders Australia Ltd. Director of AMP Australia, Southcorp Holdings Ltd, Amdel Limited, Penrice Limited and Brunner Mond Holdings Limited (UK).

James Joseph Kennedy
AO, CBE, FCA, CPA, ASIA, FAMI, FAIM
Age 60. Director since 2 February 1988. Member of the Environment Committee of the Board. Mr Kennedy is a Chartered Accountant. Director of Australian Stock Exchange Ltd, Pacific Dunlop Ltd, Commonwealth Bank of Australia, QCT Resources Ltd, Industrial Property Management Limited and GWA International Ltd. Chairman of Queensland Investment Corporation.

Richard Chapman Hope Mason
AM, OBE
Age 70. Director since 2 September 1986. Chairman of The Australian Gas Light Company Group. 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.

Professor Judith Sloan
BA (Hons), MA, MSc
Age 40. Director since 5 September 1994. Professor Sloan has since 1989 been Professor of Labour Studies at the Flinders University of South Australia and Director of the National Institute of Labour Studies. Director of South Australian Ports Corporation and member of the executive of the S.A. Centre for Economic Studies.

Robert Strauss MBE, FCA, FCPA, FCIS
Age 69. Director since 4 October 1983. Mr Strauss is a Chartered Accountant. Chairman of John Kaldor Fabricmaker Ltd Group and Director Gibson Holdings Inc. Chairman of the Council of the Australian Simon University. Former Executive Chairman of Bridge Oil Limited.

Ian Ernest Webber
AO, BE, ATS, FCIT, FAIM
Age 59. Director since 16 February 1993 and member of the Audit Committee of the Board. Chairman of Mayne Nickless Ltd Group, United Australian Automotive Industries Ltd, South Australian Development Council and ASEA Brown Boveri Advisory Board. Director of Pacific Dunlop Ltd. Former Managing Director and Deputy Chairman of Chrysler Australia Ltd and Managing Director of Mitsubishi Motors Australia Ltd.

Company Structure and Management

Structure

Santos is built around four business units, each responsible for the management and growth of the company's business in its areas of interest.

Superior financial performance is the core value of the business unit structure. Each business unit is accountable for its profitability and the identification and development of future sources of growth. Business units compete for exploration and development capital with allocations only being made to those projects offering the best projected returns.

Overall management of the company, and the provision of corporate services, audit and review of the business units' exploration, technical, financial and environmental performance, is provided by a small corporate division.

Management

The company's management structure has been designed to:

- facilitate enterprise within the business units;
- provide the appropriate level of control and co-ordination;
- ensure that the appropriate level of skills and relevant regional knowledge is brought to the company's management of its assets.

Management Committees chaired by the company's Managing Director reinforce control and co-ordination across the activities of the Australian business units. Each committee effectively acts as a board for its respective business unit and is drawn from the company's senior management.

Management arrangements for the company's Americas and Europe Business Unit vary slightly, reflecting the use of subsidiary companies and Santos' policy of involving the appropriate level of local industry experience. Further details of the arrangements for the Santos Americas and Europe Business Unit are contained in the Business Unit Report on page 38.

General Managers of each business unit and corporate department report directly to the Managing Director.

Managing Director

Ross Adler

Executive General Managers

John McArdle
Executive General Manager, Commercial

Peter Maloney
Executive General Manager, Finance

Business Unit General Managers

John Armstrong
General Manager, Americas and Europe

Mike Hannell
General Manager, South Australia

Garry O'Meally
General Manager, Queensland and Northern Territory

Lloyd Taylor
General Manager, Offshore Australia

Corporate General Managers

Denis Dare
General Manager, Petroleum Development

Jeremy Lawrance
General Manager, Liquids Marketing

Mike Roberts
Group General Counsel and Company Secretary

Lloyd Taylor
General Manager, Exploration

Licence Areas and Interests

South Australia

	Interest
South Australia	
PELs 5 & 6	
Clifton	55.2500
Haddon	56.5000
Koonchera	55.2500
Patchawarra Central	37.7500
Patchawarra East	69.3522
Merrimelia Innamincka	75.2500
Patchawarra South West	50.2500
Lake Hope	55.2500
Murta	54.2500
Moomba	55.2500
Nappacoongee Murteree	67.2500
Toolachee	55.2500
Tinga Tingana	54.2500
SA Unit	54 (Avg)
PEL 39	37.5000
PEL 40	35.0000
Victoria	
PEP 119	60.0000
PEP 126	50.0000

Queensland and Northern Territory

	Interest
Queensland	
ATP 259P	
50/40/10	60.0000
Naccowlah	55.5000
Total 66	70.0000
Innamincka	65.0000
Aquitaine A	52.5000
Aquitaine B	55.0000
Wareena	59.2000
ATP 488P	
Alkina	60.0000
Aquitaine C	47.8000
Jackson Moonie Pipeline	82.7500
SWQ Unit	58.8625
PL 1 (Cabawin)	100.0000
PL 1 (Moonie Field)	100.0000
PL 2 (Alton)	100.0000
PL 2 (Kooroon)	52.5000
PL 2 (Alton Farmout)	51.0000
PL 3 (Timbury)	85.0000
PL 4 (Pine River)	85.0000
PL 5 (Barcoo)	85.0000
PL 6 (Roma)	85.0000
PL 7 (Richmond)	85.0000
PL 8 (Wallumbilla)	85.0000
PL 9 (Maffra)	85.0000
PL 10 (Bony Creek)	85.0000
PLs 10-12	46.2500
PL 11 (Tarrawonga)	85.0000
PL 12 (Trinidad)	96.5000
PL 13 (Grafton)	85.0000
PL 17 (Leichhardt)	70.0000
PL 18 (Avondale)	46.2500
PLs 10, 11, 12, 28 & 69	46.2500
Moonie Brisbane Pipeline	100.0000
ATP 244P	20.0000
PLs 21, 22, 27 and 64	12.5000
PLs 41, 42, 43, 44, 45 & 54	50.0000
PL 49	20.0000
ATP 267P (Nockatunga)	59.0640
ATP 269P (Bodalla)	5.2560
ATP 299P (Tintaburra)	89.0000
ATP 336P (Kalima)	76.5000
ATP 336P (Roma)	85.0000
ATP 336P (Spowers)	85.0000
ATP 336P (Waldegrave)	46.2500
ATP 337P (Denison)	50.0000
ATP 378P (Scotia)	67.5000
ATP 451P (Denison)	50.0000
ATP 470P (Redcap)	10.0000
ATP 471P (Wenbone)	5.9100
ATP 471P (Myall)	27.7800
ATP 512P	66.7000
ATP 516P	100.0000
ATP 535P (Denison)	50.0000
ATP 553P	50.0000
ATP 577P	7.0000
ATP 579P	50.0000
Northern Territory	
OL 3 (Palm Valley)	37.3540
OLs 4 & 5 (Mereenie)	65.0000
NT/RL 2	52.9330
Mereenie-Brewer Estate Pipeline	67.0000

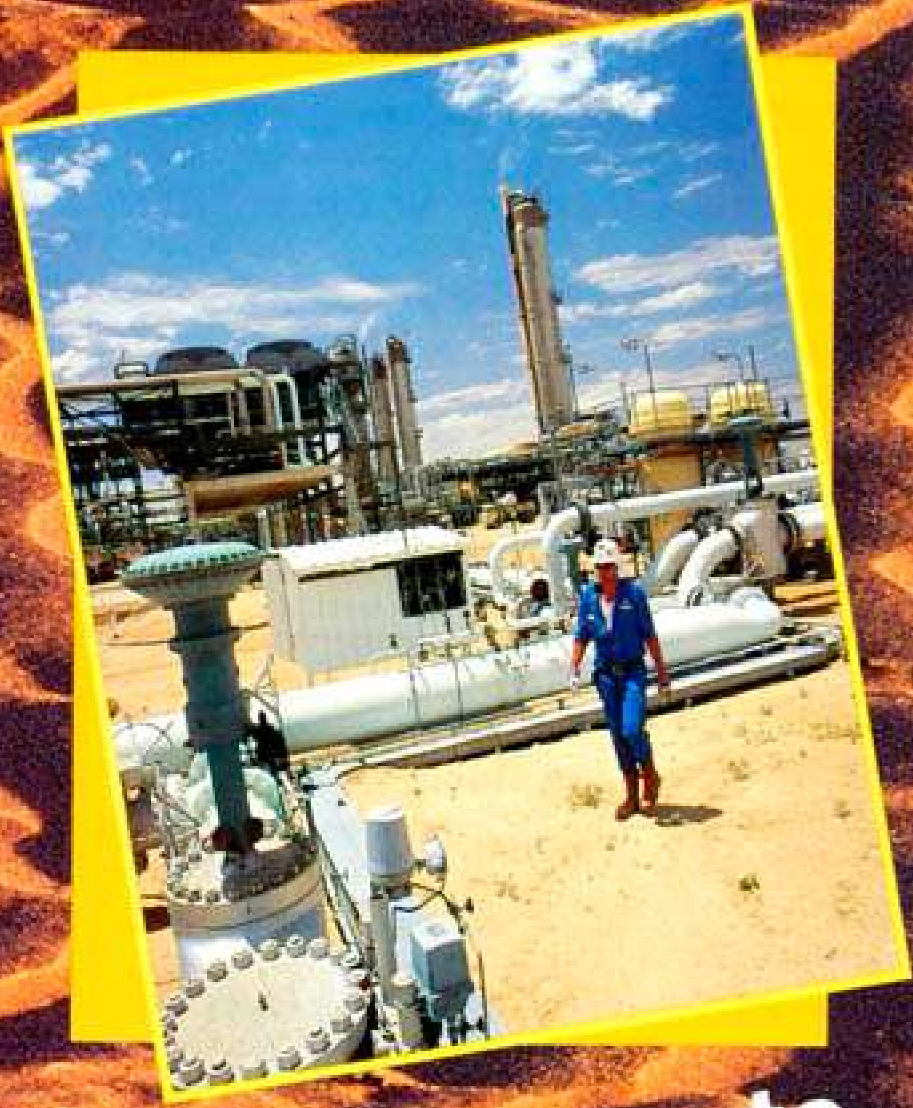
Offshore Australia

	Interest
Australia	
AC/P2	7.7567
AC/L4 (Skua)	30.5887
AC/L 1 (Jabiru)	10.3125
VIC/RL 3	25.0000
NT/RL 1 (Petrel)	50.4900
NT/P4	100.0000
WA 1P	22.5600
WA 191P	27.3684
WA 8L (Talisman)	27.3684
WA 18P	70.0000
WA 209P (Stag)	33.3330
WA 222P (West Petrel)	50.4900
WA 6R	50.4900
EP 129	37.0000
AC/RL 1 (Talbot)	47.7478
AC/L2	10.3125
AC/L3 (Challis)	10.3125
AC/P6 (Oliver)	38.0000
Papua New Guinea	
PPL 157	100.0000
PPL 158	45.0000
PPL 106	20.0000
Zone of Co-operation	
ZOCA 91-01	20.0000
ZOCA 91-10	*25.0000
ZOCA 91-11	*15.0000
ZOCA 91-12	21.4260
Indonesia	
Seram	2.5000
Buia	100.0000
Malaysia	
PM 14 (participating)	15.0000
(contributing)	20.0000

Santos Americas and Europe

	Interest
United Kingdom	
22/22c	16.6700
22/27a	11.7500
23/27	3.7500
41/10	12.5000
48/18b	32.8020
48/19b	32.8020
102/10	12.5000
103/1, 6	12.5000
106/18, 19, 23, 27	12.5000
110/17	12.5000
Irish Blocks	
50/9	10.0000
50/10	10.0000
United States of America	
Mississippi Smackover	36.3100
East Texas Cretaceous	11.0500
South Texas Wilcox	38.1200
Lobo Trend – Texas	93.1200
Miocene Trend – Offshore Texas	50.0000
Palaeozoic Trend – Texas	48.3900
Anadarko Basin – Oklahoma	11.3900
Arkoma Basin – Oklahoma	63.2100
Arkoma Basin – Arkansas	61.6000
Ewing Bank 989 – Offshore Louisiana	20.8300
West Delta 152	6.1718

** Offered to surrender subject to Joint Authority Approval.*



Business Unit Reports

South Australia
Queensland and Northern Territory
Offshore Australia
Americas and Europe

Inset Sales Gas Meter Station, Moomba Plant. Santos employee Lee Bawden conducts routine operational check.

South Australia

Contract signed for ethane sales
Restrictions lifted on Cooper Basin gas sales
100% success in Cooper Basin gas exploration

The change in total production from South Australia in 1994 was largely due to the transfer of supply for one-third of the Pipelines Authority of South Australia's (PASA) demand to Santos' south-west Queensland operations. Production of gas and gas liquids from the company's South Australian interests fell by 2.9 million boe as a result. Crude oil production was lower than in 1993 due to the natural decline of producing fields.

Production South Australia	**1994**	1993
Sales gas *PJ*	**91.8**	105.3
Crude oil *million barrels*	**3.1**	3.5
Condensate *million barrels*	**1.7**	2.0
LPG *thousand tonnes*	**209.6**	243.2
Total *million boe*	**22.2**	25.5

Exploration

All 11 gas exploration wells drilled in the company's South Australian Cooper Basin acreage during the year were successful. The reserves added by the program exceeded the target for the year, thereby maintaining the reserves cover sufficient for 10 years' supply to PASA, extending that contract by a further year.

The gas exploration program included a well drilled to test the economic recovery of deep gas from low permeable reservoirs in the Nappamerri Trough region. The well, Bulyeroo-1, was successfully drilled and cased for testing in 1995.

Oil exploration recorded three successes from four wells, with the results from the Patchawarra East block being the highlight. Santos drilled two oil exploration wells in this block in 1994, both of which recorded strong test results. Keleary-2 flowed oil from two zones at a combined rate of 5615 bpd and Telopea-1 discovered a new field, flowing oil at 2100 bpd. Both fields were brought into production with permanent facilities scheduled to be installed early in 1995.

The company participated in one unsuccessful gas exploration well in the onshore Otway Basin licence PEL 40.

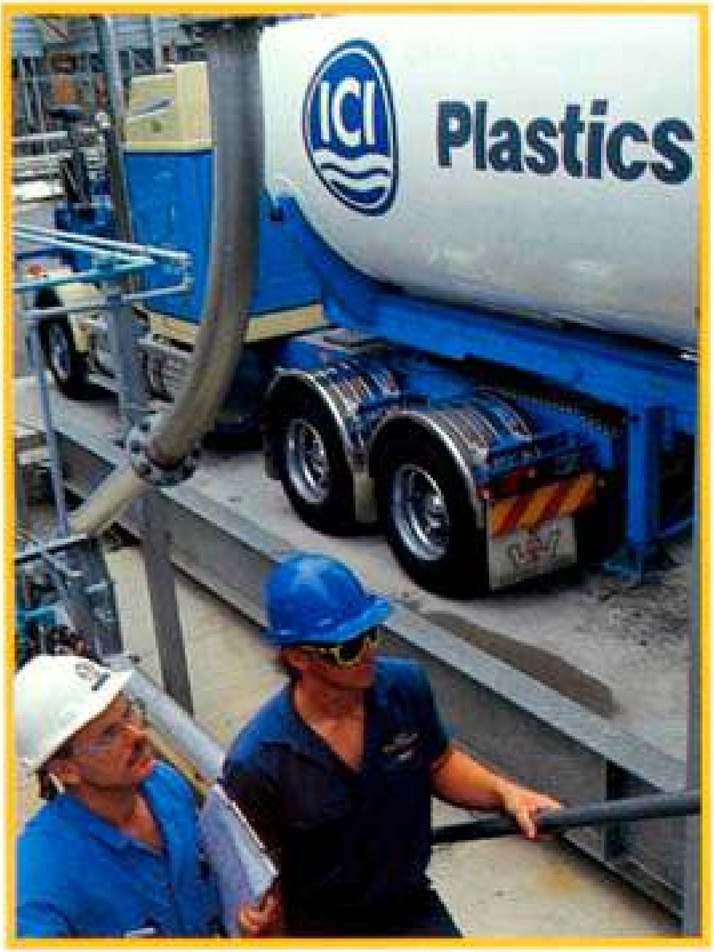
Ethane Contract

The contract for the sale of Cooper Basin ethane to ICI Australia and the associated agreement on gas marketing with the South Australian Government, are landmark commercial achievements for Santos' South Australian interests.

The contract with ICI will enable the development of a new business selling a new product, ethane concentrate, under a long-term agreement. Under the terms of the contract, the South Australian Cooper Basin Unit Producers will supply ICI with 16 PJ of ethane concentrate per annum for a minimum of 10 years, commencing mid-1996.

Santos' share of the ethane concentrate to be supplied to ICI is expected to be approximately 8.5 PJ per annum. These sales will be incremental to existing business and are equivalent to a 6.8% increase on the company's production levels from South Australia in 1994.

The agreed price for the ethane concentrate, which includes an adjustment mechanism based on movements in the West Texas Intermediate oil price, is broadly equivalent to the Cooper Basin gas price.



Above Bulk Loading Area, ICI Botany, Sydney. The signing of contracts to supply Cooper Basin ethane to ICI was a highlight for the South Australia Business Unit during 1994.

Modifications to the Moomba plant to allow production and delivery of the ethane concentrate to ICI will begin in 1995. Santos' share of the necessary capital expenditure is approximately $14 million.

SA Gas Contracts

The success of the year's gas exploration has led to the sales contract with PASA being extended by a further year to 2004.

The longer term marketability of South Australian Cooper Basin gas has been considerably enhanced by the agreement reached between the Cooper Basin Producers and the South Australian Government during the year. Restrictions on the marketing of the gas have been removed, subject to the Cooper Basin Producers establishing and committing reserves of up to an aggregate volume of 400 PJ (Santos' share 200 PJ) to be available for South Australian end-users of gas in the period 2004–2013 at rates up to 50 PJ per annum. This quantity had been established by year-end.

The Special Purchase Agreement with the Pipelines Authority of South Australia was amended and extended. The agreement provides for the sale of ethane additional to the gas that will be supplied under the Producers' 10 year contract with PASA. The re-negotiated agreement provides for PASA to purchase a gross additional quantity of between 6 PJ and 11 PJ per annum for the period 1995–1998.

NSW Gas Sales

The medium term outlook for demand for Cooper Basin gas from New South Wales was enhanced by the announcement of an electricity co-generation project to be developed by Sithe Energies Australia Pty Ltd. The project is expected to be commissioned in 1996 and use an estimated 10 PJ of gas per annum. Santos has been advised that this gas is expected to be supplied by the Australian Gas Light Company, and sourced from the South Australian Cooper Basin under existing contracts for at least four years, after which Sithe would purchase the gas from an alternative supplier.

Safety

During 1994, there were two lost time accidents in South Australia, neither of which resulted in serious injury, compared with three in 1993. The safety performance of Santos' contractors also improved with lost time injuries reducing from nine to seven in 1994. Safety will continue to be a major focus of South Australian operations in 1995, and a comprehensive safety management plan has been agreed with employees' representatives to guard the health, safety and welfare of all associated with the company's operations and to ensure that all legislative requirements are met.

Environmental management will also continue to be a major focus with further initiatives planned to enhance the high standards already being achieved in all field locations.

1995 Outlook

Santos' plans for its South Australian assets in 1995 are focused largely on three long-term objectives: fully and economically exploiting the exploration potential in PELs 5 and 6; realising opportunities for the selling of the company's gas reserves in the region; and achieving further cost reductions and productivity improvements.

Gas marketing in 1995 will target both existing and potential gas buyers. The company will be seeking to conclude contracts with South Australian end-users of gas for supply over the period 2004–2013. New sales prospects will also be actively sought out and pursued. A number of industrial opportunities both within and outside South Australia are already being addressed.

South Australia

The changes occurring in the Australian energy industries and the agreement with the South Australian Government during 1994 have increased the sales opportunities for Santos' South Australian gas reserves. In recognition of this, Santos has increased the resources and priority it applies to fully contracting its remaining uncommitted South Australian gas reserves.

1995 Drilling

Drilling activity in South Australia is budgeted to increase in 1995. The company has scheduled 19 exploration wells for its Cooper/Eromanga Basin acreage. Gas exploration in the region will be expanded with 14 wells having been programmed to increase the volume of gas reserves which the Cooper Basin Producers are able to offer for sale to energy consumers within and outside South Australia.

The five oil wells planned for the region in 1995 will target extensions of existing producing fields.

In the Otway Basin, a total of two gas exploration wells are planned for the onshore permits PEP 126 and PEP 119.

Production

Santos' production from South Australian acreage in 1995 is expected to be broadly in line with the previous year, with growth forecast for 1996 when sales of ethane concentrate to ICI commence.

Queensland and Northern Territory

Gas and gas liquids sales began from SW Qld

Production by the business unit rose by 64%

Production South-west Queensland	**1994**	1993
Sales gas *PJ*	**15.0**	-
Crude oil *million barrels*	**2.8**	2.5
Condensate *million barrels*	**0.6**	-
LPG *thousand tonnes*	**59.5**	0.6
Total *million boe*	**6.5**	2.5
Production Surat/Bowen Basin		
Sales gas *PJ*	**14.0**	13.2
Crude oil *million barrels*	**0.2**	0.2
Total *million boe*	**2.6**	2.5
Total Queensland Production	**9.1**	5.0

Santos' total production of oil and gas from Queensland grew by 82.0% in 1994. Most of this growth came from the company's south-west Queensland operations. Production and sales of gas and gas liquids began in the region on January 1 with output from these products totalling 3.6 million boe for the year. South-west Queensland crude oil production increased by 12%, reflecting the impact of a full year's contribution from the oil producing assets acquired in the region in the second half of 1993 and strong performance from the Cook field where good appraisal drilling results were achieved.

Exploration

Good success rates were achieved, with seven of the 10 gas wells and five of the eight oil wells drilled during the year proving successful.

Acquisition

Santos increased its equity in the oil producing permits ATP 267P and ATP 299P by 10.0% and 7.8% respectively during the year. Santos now holds a 59.1% interest in ATP 267P and an 89.0% interest in ATP 299P.

SE Qld Gas Contracts

As the Queensland Government's call for tenders for the development of gas pipelines was not resolved until late 1994, contracts for the sale of south-west Queensland gas could not be concluded during the year. Negotiations are in progress with major gas consumers in Brisbane, and the outlook for the further development of the company's south-west Queensland gas reserves is bright.

Additional sources of gas supply will be required for south-east Queensland by early 1997. South-west Queensland provides the most accessible and reliable source of new supply and Santos is confident that the region will be supplying gas to consumers in the east of the state within two years.

The gradual replacement of sales from the Surat Basin will provide volume benefits to Santos through the company's higher interest (58.9%) in south-west Queensland gas compared with its 30% share of the existing gas supply from the Surat Basin.

Queensland and Northern Territory

New Gas Sales

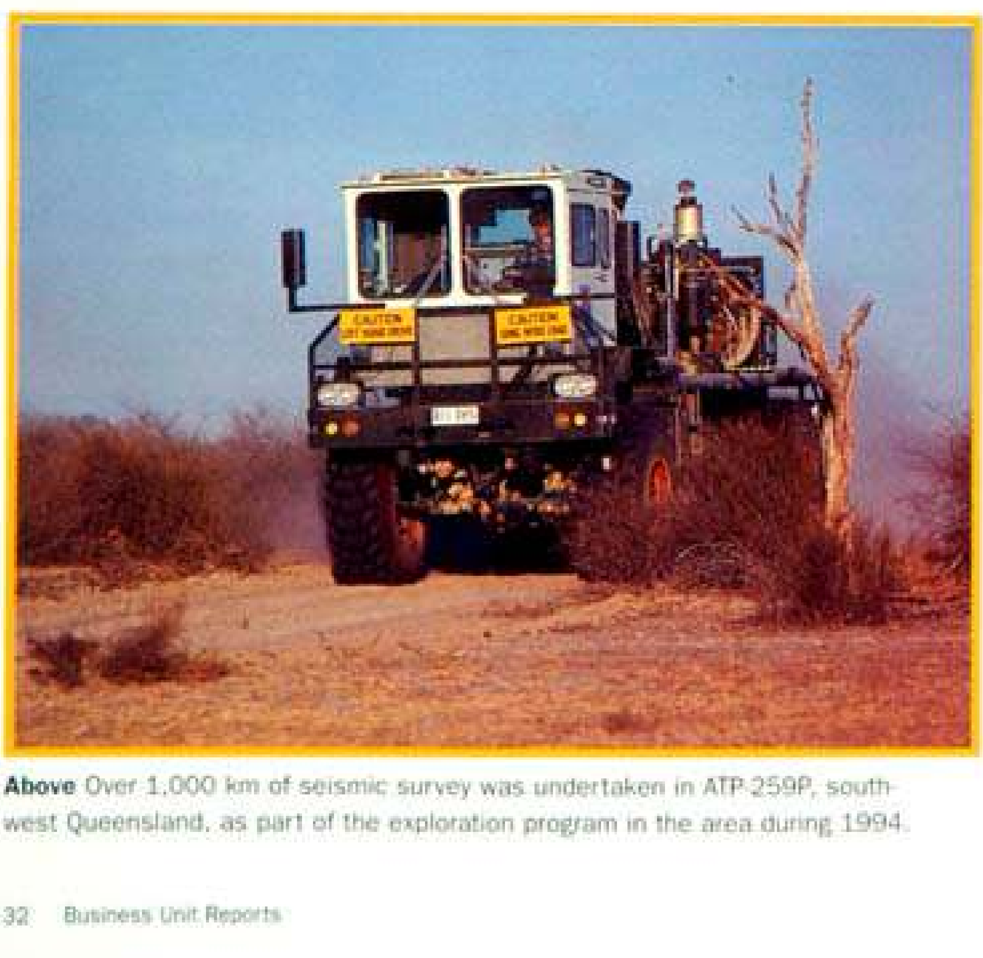
Further growth is expected to come from the stimulation of new demand from energy users who do not currently consume gas and new projects made viable by the assurance of long-term gas supplies.

The most significant opportunities of this nature exist in the Mt Isa region of north-west Queensland. At the end of 1994, the Queensland Government appointed a preferred developer for a gas pipeline proposed to link the south-west Queensland gas fields with Mt Isa. Negotiations with potential customers in north-west Queensland are continuing and it is hoped that gas sales agreements will be forthcoming during 1995.

The accompanying discussion of growth opportunities in Queensland gas consumption (refer box opposite page) outlines the potential for the state's gas consumption to increase by up to another 60 PJ per annum. For Santos, these opportunities mean that the company could increase its existing share of Queensland gas sales by 20–40 PJ per annum. Potential growth exists in other applications such as power generation.

The nature of the gas business means additional sales will be achieved progressively, in some instances over several years, and that full realisation will, to some extent, depend on the initiation of projects and maturing of projected demand. Santos is prepared for the sustained long-term exploration, development and marketing effort that will enable the benefits of south-west Queensland gas to be fully realised.

The company's uncommitted gas reserves in south-west Queensland represent the company's greatest potential source of growth in the medium and long-term. The further expansion and development of these reserves and the securing of contracts for their supply to customers within the state is one of the company's foremost priorities for 1995 and the following years.



Above Over 1,000 km of seismic survey was undertaken in ATP 259P, south-west Queensland, as part of the exploration program in the area during 1994.

Northern Territory

Increased demand for Amadeus Basin gas and higher crude oil production from the Mereenie oil field enabled a 6.3% rise in the company's production from its Northern Territory assets compared with 1993.

The improvement in crude oil production from Mereenie is the result of the ongoing development drilling and fracture stimulation program the company has conducted in the field.

Production Northern Territory	**1994**	1993
Sales gas *PJ*	**6.4**	6.1
Crude oil *million barrels*	**0.6**	0.5
Total *million boe*	**1.7**	1.6

Growth opportunities in Queensland gas consumption

Consumption of gas in Queensland is currently 40 PJ per annum, 25 PJ of which is consumed in south-east Queensland in and around Brisbane, with most of the balance being used in the Gladstone/Rockhampton region.

Santos expects that the availability of a competitively priced gas supply has the potential to enable an expansion in gas demand from these regions through the stimulation of demand from energy consumers who do not currently use gas and the introduction of new gas consuming industries particularly in central Queensland.

Further growth is also expected to be generated as a result of bringing south-west Queensland gas to the state's north-west. This area is currently unserviced by gas but presents the opportunity of new sales of over 30 PJ per annum through the sale of gas to Mt Isa and the mineral development projects being developed and proposed for the surrounding region.

It is possible that total gas demand in Queensland could rise from 40 PJ per annum to as much as 90 PJ shortly after the turn of the century.

Santos' share of any gas sales from south-west Queensland is 58.9%.

1995 Outlook

Exploration activity by Santos in Queensland in 1995 will focus largely on the south-west Queensland permit ATP 259P.

The south-west Queensland gas exploration program will continue for the third year with 10 gas exploration wells.

Oil exploration is budgeted to involve the drilling of six exploration wells in ATP 259P, three of which are intended to further assess the Cook field.

No exploration is planned for the company's Northern Territory acreage.

Production from Queensland and the Northern Territory in 1995 is expected to be similar to the levels recorded in 1994.

Offshore Australia

Discovery of Elang and Kakatua oil fields

Successful appraisal of the Elang and Stag oil fields and the Petrel and Tern gas fields

The reduction in crude oil production attributable to the company's Offshore Australia Business Unit largely reflects the natural decline of the producing Timor Sea oil fields which account for 80% of the business unit's production. Santos' share of production from the Canning Basin permit EP 129 in 1994 was 26,000 barrels.

In Indonesia, the company restructured its oil production operations at Bula on the island of Seram. Material improvements were consequently realised in efficiency and in returns from the operations, acquired with AGL's upstream assets in 1993.

Timor Gap – Elang

As noted earlier in this report, drilling in the company's Timor Gap acreage in 1994 yielded two oil discoveries, Elang and Kakatua. Both fields are located in the contract area ZOCA 91-12 in which Santos holds a 21.4% interest.

Elang, which flowed 57° API oil at 5800 bpd when first tested, was successfully appraised later in the year. Elang-2, located 1.7 km from the discovery well, flowed oil at 5300 bpd and 5970 bpd in tests of two separate intervals.

Production Crude oil	**1994**	1993
Timor Sea *million barrels*	**1.9**	2.6
Indonesia *million barrels*	**0.4**	0.4
Total *million barrels*	**2.3**	3.0

On the basis of the results recorded from Elang to date, Santos expects that the field will prove to be a commercial discovery. Development options for Elang are currently under evaluation. Subject to further successful appraisal drilling in 1995 and the conclusion of engineering feasibility studies, Elang could begin production early in 1997.

Santos has estimated its share of the field's proved and probable reserves at year-end to be 3.6 million barrels of oil, based on the area of the discovery drilled to that date. Santos believes there is a high probability that Elang's recoverable reserves will ultimately prove to be greater than indicated by this estimate.

Kakatua Oil Field

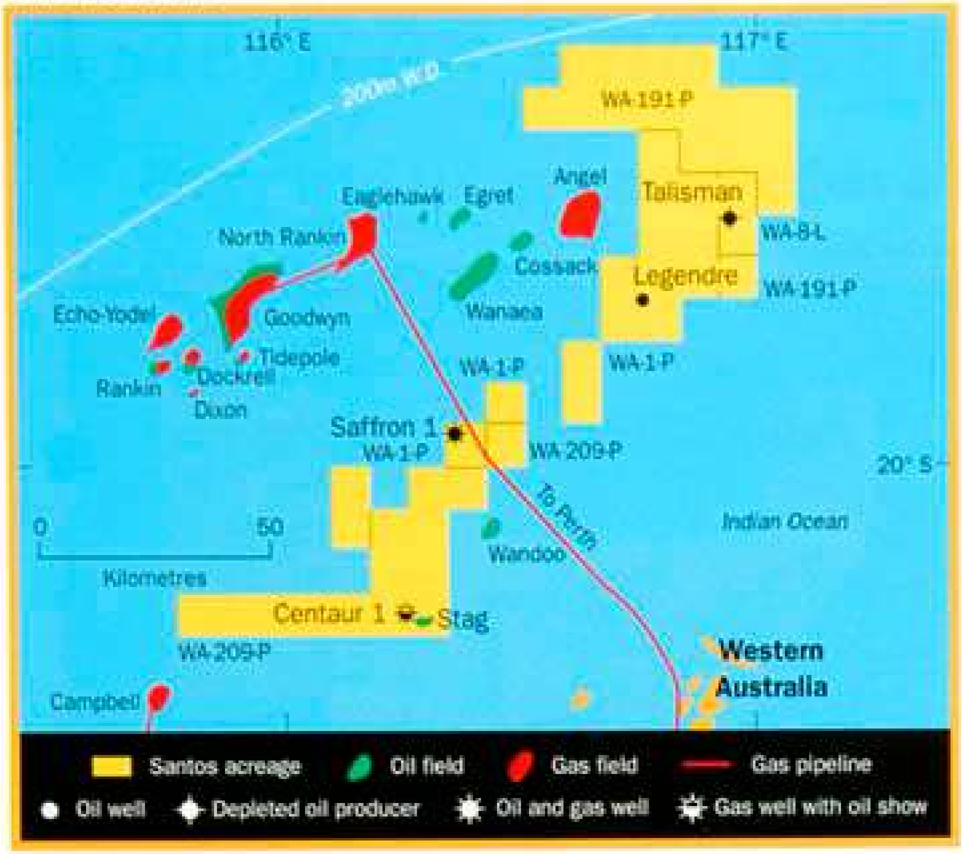
The Kakatua discovery, made 12 km north-west of Elang, flowed 53° API oil at 8100 bpd during testing of the Kakatua-1 well. The economics of developing Kakatua are expected to be enhanced by the field's proximity to Elang. It is anticipated that any development of Elang will also involve an associated development and tie-in of Kakatua, which is assessed to be a smaller accumulation than Elang.

Santos participated in four other exploration wells in the Timor Gap during the year, all of which were plugged and abandoned.

Acreage Consolidation

Santos moved to consolidate its Timor Gap portfolio in the western area of the region, which has yielded all the oil discoveries made in the region. Following the discovery of Elang, Santos increased its interest in the adjoining permit ZOCA 91-01 from 7.0% to 20.0%. The company has also offered to surrender its interests in ZOCA 91-10 and 91-11. Drilling has indicated these contract areas are significantly less prospective than the acreage held by the

Carnarvon Basin



company in the western portion of the Timor Gap region. The offer to surrender is still being considered by the Timor Gap Joint Authority.

Carnarvon Basin

Santos participated in the drilling of five exploration wells in its Carnarvon Basin acreage, four of which encountered hydrocarbons.

Three wells were drilled to appraise the Stag oil field in WA-209-P. Two were successful. Stag-2, located 2.5 km south-east from Stag-1, flowed 19° API oil at a stabilised rate of 1056 bpd and gas at 6.5 mmcfgd. Stag-4 subsequently confirmed a northern extension of the oil column, 1.8 km to the north-east of Stag-1. The Stag-3 appraisal well was plugged and abandoned.

The Stag appraisal program proved the existence of a significant oil field capable of producing at potentially commercial rates from its reservoir. Further appraisal drilling and extended production testing to confirm deliverability will be required prior to a decision to develop the field. Should development of the field proceed, Stag could begin production as early as 1997, subject to the date of commitment to the project.

Santos increased its interest in WA-209-P, the permit containing Stag, by 3.6% to 33.3% prior to the commencement of the appraisal program.

Centaur-1, drilled adjacent to Stag, intersected a five metre gas column overlying a one metre oil column before being plugged and abandoned. Saffron-1 made a gas and oil discovery in WA-1-P which is currently assessed to be sub-commercial but which has enhanced adjacent prospects. Santos has a 22.6% interest in WA-1-P.

Timor Sea

Santos participated in the drilling of two oil exploration wells in the Timor Sea in 1994, both of which were plugged and abandoned. The company continued to rationalise its Timor Sea holdings and, a carried equity of 7.8% in AC/P2 is the only exploration interest remaining in the company's Timor Sea portfolio. Santos' interests in the production licences containing the Jabiru and Challis (10.3% interest) and Skua (30.6% interest) oil fields, have remained unchanged.

Bonaparte Gas Appraisal

Two wells were drilled during the year to appraise the Petrel and Tern gas fields in the Bonaparte Basin, offshore north-west Australia. Santos has interests of 50.5% in Petrel and 70% in Tern.

The wells, Petrel-5 and Tern-4, flowed gas at rates up to 34.6 mmcfgd and 5.4 mmcfgd respectively with the former rate restricted to the limit of the testing equipment aboard the rig. The results from the wells are being analysed, as are marketing options, with a view to identifying the most appropriate development by the conclusion of 1995.

South-East Asia

In Papua New Guinea, Santos participated in the drilling of one unsuccessful exploration well, Menga, in PPL106.

In Indonesia, Santos holds a 2.5% interest in a production sharing contract (PSC), on the island of Seram. The PSC contains the Oseil oil discovery which flowed oil at 2850 bpd on pump at the beginning of the year. Negotiations for an extension of the PSC beyond 1999 are being undertaken prior to any decision being made on an appraisal program for the Oseil discovery.

1995 Outlook

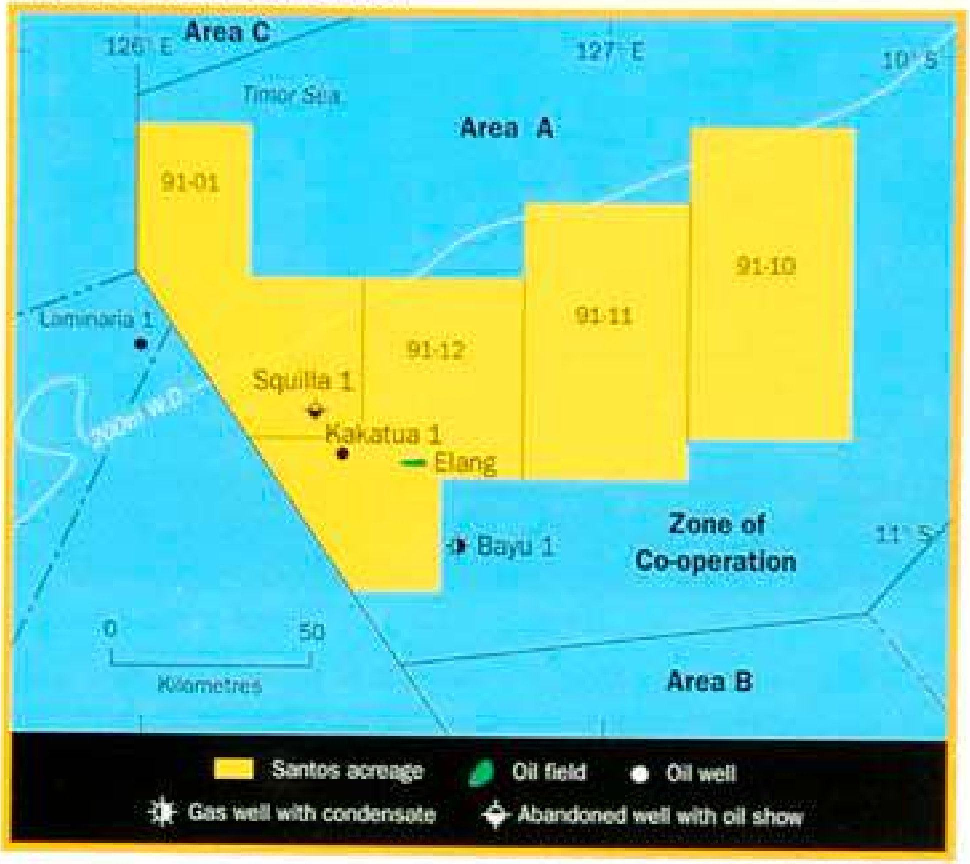
The focus of the company's plans for its Offshore Australia operations in 1995 will be on the maturation of existing undeveloped discoveries and the securing of new business opportunities through exploration and acquisition.

In particular, the company will be seeking to advance the evaluation of the Elang, Kakatua and Stag oil discoveries to the point where development can be agreed to. Marketing and development studies on the Bonaparte gas fields will be vigorously pursued.

New avenues for growth beyond those in the existing portfolio will be pursued through the evaluation of opportunities to acquire additional producing reserves and prospective exploration acreage.

Santos' principal areas of interest in these investigations are Australia's Northwest Shelf and Indonesia.

Timor Gap Zone of Co-operation



1995 Drilling

Six exploration wells are budgeted for Santos' offshore Australia acreage in 1995.

In the Timor Gap, at least one appraisal well will be drilled on the Elang oil field and up to two exploration wells will test nearby prospects in ZOCA 91-12.

Two wildcat wells and one appraisal well are planned for the company's Carnarvon Basin acreage. Further appraisal drilling and testing on the Stag oil field has been scheduled and an adjacent prospect in WA-209-P is expected to be the subject of a wildcat well. One exploration well is likely in WA-1-P to pursue prospects enhanced by the Saffron-1 discovery.

Production from the company's offshore Australia interests in 1995 is expected to be below that achieved in 1994 because of the natural decline in production from the Timor Sea oil fields.

Above Timor Gap, Offshore Australia. Drilling in ZOCA 91-12 during 1994.

Americas and Europe

Entry into UK gas production and sales

Dragon gas discovery

Ewing Bank project completed and producing on schedule

Production USA & UK	1994	1993
Sales gas *PJ*	**9.1**	4.5
Crude oil *million barrels*	**0.3**	0.4
Total *million boe*	**1.9**	1.2

The 41.7% increase in production by the Americas and Europe Business Unit is entirely attributable to the gas production added by the interest acquired in the Anglia gas field during the year.

United Kingdom

Santos Europe Limited, a wholly-owned subsidiary, conducts gas production and oil and gas exploration and production in the United Kingdom.

Exploration

The company participated in four exploration wells on the UK Continental Shelf and in Irish waters during the year. Three wells were drilled in largely frontier acreage west of England, yielding one gas discovery. This discovery, Dragon, located in the St Georges Channel Block 103/1-1, flowed gas and condensate at rates up to 21 mmcfgd and 120 bpd. Santos is assessing the commercial significance of the discovery. An unsuccessful gas exploration well was drilled in Block 41/10 of the Southern Gas Basin of the North Sea.

Three dimensional seismic surveys were conducted over Blocks 22/22C, 22/27a and St Georges Channel Block 103/6.

Strategic Focus

The company's UK business is now focused on the Central North Sea and Southern Gas Basin of the North Sea. The emphasis on these regions reflects two corporate objectives: participation in the forecast growth in demand for UK gas; and the development of the UK business as an energy supplier growing through a mixture of acquisition, development projects and low to medium risk exploration.

The Southern Gas Basin, which contains Anglia, holds a large number of developed and undeveloped gas discoveries, extensive gas production, and processing and transportation infrastructure. The Central North Sea also contains a number of developed and undeveloped gas fields, and large and medium sized oil fields. These regions are expected to be the major source of supply for the UK's growing gas demand.

Above Anglia, North Sea, United Kingdom.
Helicopter landing on production facility – Anglia field.

1995 Outlook

Santos expects marginally higher production and sales volumes from the Anglia field in the UK in 1995.

Santos will be seeking to use 1995 to expand its UK business further and complete the redirection of its focus to the North Sea. The company has not budgeted to drill any exploration wells during the year.

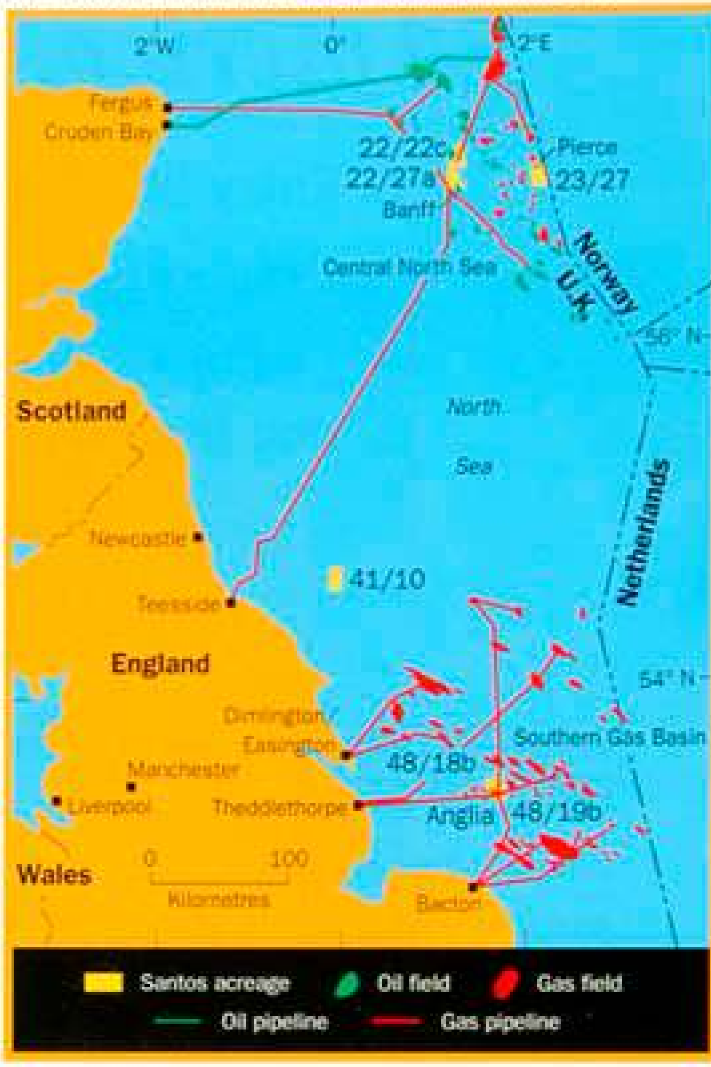
Santos is continuing to seek out and evaluate opportunities in the Central North Sea and Southern Gas Basin with a view to making an acquisition of similar scale to the interest acquired in Anglia. The company will seek opportunities in these regions to farm-in to prospective acreage, or purchase undeveloped reserves that will enter production in the near term.

Development Proposals

The operator of Block 23/27 has proposed a development well and a three month extended production test for the Pierce oil discovery before making a commitment to proceed with full development of the field. Santos has a 3.75% interest in Pierce.

A development plan, including an extended production test, has also been proposed for the Banff field, discovered in Block 29/2 and later found to extend into Block 22/27a in which Santos holds an 11.75% interest. The production test is expected to be confined initially to the portion of the field lying in Block 29/2, in which Santos holds no interest. If successful, the production test will be extended to Block 22/27a on a unitised field basis.

UK – Southern Gas Basin and Central North Sea



USA and UK Management

In the USA, Weeks Exploration Company (a wholly-owned subsidiary of Santos Americas and Europe Corp) and in the United Kingdom, Santos Europe Limited, participate in oil and gas exploration and production. Santos Americas and Europe Corp and Santos Europe Ltd are wholly-owned subsidiaries of Santos International Holdings, which in turn is a wholly-owned subsidiary of Santos Ltd.

There are non-executive directors on the Boards of these overseas companies to increase the local knowledge, geological and other expertise brought to the management of the UK and USA assets. These non-executive directors are:

- **Dr Myles Bowen** is a geologist with extensive experience in international oil and gas exploration, particularly in the North Sea. He was Exploration Director for Enterprise Oil plc for seven years and directed North Sea exploration by Royal Dutch Shell for eight years.
- **Dr Ed Hickam** is a geologist who also has substantial experience in international oil and gas exploration including nine years as President of the Oil and Gas Division of Texas Eastern Corporation where Mr Hickam had significant experience in North Sea exploration and production.
- **Mr Charles Woodhouse** is a solicitor with 28 years' experience in commercial law in the United Kingdom.

The expertise of these non-executive directors, particularly in their experience and understanding of UK and USA oil and gas exploration and production, will assist with the future development of these companies.

United States of America

In the USA a wholly-owned subsidiary, Weeks Exploration Company, participates in exploration, production and development of oil and gas. The fall in crude oil production from the USA in 1994 is due to natural decline and is expected to be reversed in 1995 as a result of the Ewing Bank oil and gas field commencing production.

Ewing Bank, located in the Gulf of Mexico, began operations late in December 1994. The field was developed using sub-sea completion and connection to the Boxer platform nearby, with Weeks' share of its development costs being A$8 million.

United States of America

Weeks' 20.8% interest in Ewing Bank is expected to yield production averaging 800 bpd and 2 mmcfgd in 1995.

Exploration

Exploration involved drilling five exploration wells, four of which proved successful. Through use of farm-out arrangements Santos was carried in four of the five wells.

USA Strategy

In 1994, Weeks restructured and focused its activities on three regions: the Arkoma Basin, the Gulf Coast region of Texas and the shallow waters of the Gulf of Mexico (up to 600' deep). The restructuring reflects Weeks' strategy of devoting its resources to acreage in those areas in which the company has geological and operating experience and in which the anticipated returns and technical and commercial risk fit within the company's strategy. Acreage and assets which do not meet these criteria are being divested and during 1994, Weeks sold six properties and relinquished a further six from its acreage portfolio. The properties include Weeks' interest in the South Timbalier 265/278 oil and gas discovery in the Gulf of Mexico, in which further development was assessed to be uneconomic.

1995 Outlook

Weeks' exploration plans for its USA acreage in 1995 involve the drilling of three gas wells and three oil wells, all in onshore acreage. Production is expected to increase slightly in 1995.

The company will also search out opportunities to acquire producing reserves in its area of interest.

Ten Year Summary

	1985	1986	1987	1988	1989	1990	1991	1992	1993	**1994**
Crude oil price *(A$/bbl)*	37.55	25.70	29.61	19.26	23.44	30.72	28.00	28.65	27.64	**23.64**
Profit and Loss *($million)*										
Sales revenue	506.5	400.4	530.7	436.1	560.6	709.5	655.9	689.8	680.2	**640.0**
Total operating revenue	578.2	483.3	589.2	465.6	603.0	812.9	705.9	752.0	943.2	**728.3**
Operating profit before abnormal items										
Operating profit before tax	232.7	164.4	199.3	122.9	146.6	254.8	223.5	281.9	289.2	**249.6**
Income tax on operating profit	95.9	82.3	102.9	53.8	61.7	112.0	106.8	119.3	104.8	**94.8**
Operating profit after tax	136.8	82.1	96.4	69.1	84.9	142.8	116.7	162.6	184.4	**154.8**
Abnormal items										
Abnormal gains/(losses)	(46.2)	(27.2)	18.1	(122.7)	55.7	18.5	(284.9)	(64.3)	(9.3)	**57.0**
Abnormal income tax items	-	27.3	7.6	61.5	(21.8)	-	60.0	14.4	44.2	**(21.4)**
Abnormal items after tax	(46.2)	0.1	25.7	(61.2)	33.9	18.5	(224.9)	(49.9)	34.9	**35.6**
Operating profit/(loss) after tax and abnormal items	90.6	82.2	122.1	7.9	118.8	161.3	(108.2)	112.7	219.3	**190.4**
Outside equity interest in operating profit/(loss)	-	-	5.0	5.7	1.7	5.3	2.7	-	-	**-**
Profit/(loss) attributable to shareholders	90.6	82.2	117.1	2.2	117.1	156.0	(110.9)	112.7	219.3	**190.4**
Balance sheet *($million)*										
Total shareholders' equity	466.0	597.3	860.3	1,106.8	1,123.8	1,380.2	1,215.1	1,231.7	1,380.6	**1,532.2**
Total assets	1,924.9	1,883.6	2,378.7	2,849.0	2,931.6	2,962.5	2,797.6	2,821.8	2,831.2	**2,897.2**
Net debt	717.1	593.7	864.7	919.3	1,116.1	772.4	755.0	797.4	711.2	**619.9**
Exploration										
Number of wells drilled	82	48	97	120	133	119	80	41	66	**63**
Expenditure *($million)*	71.7	43.2	55.6	90.9	109.2	97.5	79.8	76.7	79.6	**91.9**
Reserves *(MMBOE)*	422	412	552	623	671	646	623	670	675	**663**
Production *(MMBOE)*	24.9	25.5	30.6	30.6	35.6	36.0	34.2	34.6	36.3	**37.2**
Capital expenditure *($million)*										
Field developments	29.3	14.9	13.6	20.1	54.9	88.9	51.9	33.2	40.0	**52.2**
Buildings, plant and equipment	61.9	21.9	63.4	40.4	59.7	60.9	69.1	75.6	80.6	**30.5**
Share Information										
Share issues	1 for 4 rights	-	1 for 10 rights/ Exploration purchase/ Executive share plan	1 for 10 bonus/ 1 for 4 rights/ Private placement	Executive share plan	1 for 10 rights/ Dividend reinvestment plan/ Executive share plan	Dividend reinvestment plan/ Executive share plan	Dividend reinvestment plan/ Executive share plan	Dividend reinvestment plan/ Executive share plan	**Dividend reinvestment plan/ Executive share plan**
Number of issued shares at year end *(million)*	240.0	240.0	273.8	403.3	404.3	450.4	473.0	498.6	517.9	**539.6**
Weighted average number of shares *(million)*	249.7	275.5	301.7	330.3	415.1	425.3	463.6	481.3	503.7	**523.5**
Dividends per share – ordinary *(¢)*	20.0	16.0	19.0	19.0	19.0	19.0	19.0	21.0	22.0	**22.0**
– special *(¢)*	-	-	-	-	-	-	-	-	5.0	**-**
Dividends – ordinary *($million)*	38.4	38.4	55.7	68.9	76.0	85.5	88.5	102.7	112.3	**117.2**
– special *($million)*	-	-	-	-	-	-	-	-	25.8	**-**
Ratios and Statistics										
Earnings per share										
– before abnormal items *(¢)*	54.8	29.8	30.3	19.7	20.0	32.3	24.6	33.8	36.6	**29.6**
– after abnormal items *(¢)*	36.3	29.8	38.8	0.7	28.2	36.7	(23.9)	23.4	43.5	**36.4**
Return on total income *(%)*	23.7	17.0	16.4	14.8	14.1	17.6	16.5	21.6	23.9	**21.3**
Return on shareholders' equity *(%)*	29.4	13.7	12.0	6.4	8.0	10.6	9.7	13.2	13.4	**10.1**
Net debt/equity *(%)*	153.9	99.4	100.5	83.1	99.3	56.0	62.1	64.7	51.5	**40.5**
Net interest cover *(times)*	4.2	5.5	4.5	2.6	2.0	3.2	4.1	6.6	8.6	**7.2**
General										
Number of employees	1,323	1,263	1,561	1,547	1,655	1,683	1,570	1,468	1,526	**1,492**
Number of shareholders	24,665	26,653	25,267	27,113	26,499	26,251	29,706	35,492	42,068	**50,595**
Market capitalisation *($million)*	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	**1,868.2**

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

Financial Statements

for the year ended 31 December 1994

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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 1994 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	11,438
Gerlach	Stephen	3,826
Kennedy	James Joseph	3,826
Mason	Richard Chapman Hope	1,000
Sloan	Judith	–
Strauss	Robert	8,044
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 22 and 23 of this Annual Report.
Mr Stanley David Martin Wallis and Mr Keith Woodward Peterson retired as Directors of the Company during the year.
Professor Judith Sloan was appointed a Director of the Company on 5 September 1994.

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:

		Directors' Meetings		Audit Committee		Environmental Committee	
Surname	Other Names	No. of Meetings Attended	No. of Meetings Held*	No. of Meetings Attended	No. of Meetings Held*	No. of Meetings Attended	No. of Meetings Held*
Uhrig	John Allan	11	11			1	1
Adler	Norman Ross	11	11	4	5	1	1
Clark	Neil Rex	8	11	5	5		
Gerlach	Stephen	10	11	5	5	1	1
Kennedy	James Joseph	10	11			1	1
Mason	Richard Chapman Hope	10	11				
Peterson	Keith Woodward	3	3	2	2		
Sloan	Judith	4	4				
Strauss	Robert	11	11				
Wallis	Stanley David Martin	1	1				
Webber	Ian Ernest	10	11	1	2		

Reflects the number of meetings held during the time the Director held office during the year.
As at the date of this report, the Company had an audit committee of the Board of Directors.

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 1994 after providing for income tax and abnormal items was $190.4 million.

4. Dividends

In respect of the year ended 31 December 1994:

(a) the Directors on 15 March 1995 declared a fully franked final dividend of 11 cents per fully paid share be paid on 16 June 1995 to members registered in the books of the Company as at close of business on 24 May 1995 and declared that such dividend be a Class A franked dividend to the extent of 11.7% and a Class B franked dividend to the extent of 88.3%. This final dividend amounts to approximately $59.1 million; and

(b) a fully franked interim dividend of $58.1 million (11 cents per share) was paid to members in November 1994.

A fully franked final dividend of $56.6 million on the 1993 results (11 cents per share) and a fully franked special dividend of $25.8 million (5 cents per share) were paid in June 1994. Indication of these dividend payments was disclosed in the 1993 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.

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 1994 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 this report was so included and the information has been excluded in accordance with Section 306 of the Corporations Law.

9. Directors' Interests and Benefits
(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 22 and 23 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.

(c) 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 or she is a member or with an entity in which he or she has a substantial financial interest except that:

(i) as disclosed in the Directors Report dated 15 March 1994, Mr S. D. M. Wallis was following his retirement during the year paid a retirement benefit pursuant to an agreement entered into with members' approval at the 1989 Annual General Meeting; and

(ii) Mr K. W. Peterson 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;

(iii) an agreement was entered into on 5 September 1994 with Professor J. Sloan in accordance with members' approval at the 1989 Annual General Meeting providing for payment of a sum on retirement from office as a Director.

10. Share Options
There are no unissued shares under option.

11. Rounding
The Company is a company of the kind referred to in Class Order No. 94/1252 dated 17 August 1994 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 1995 in accordance with a resolution of the Directors.

J. A. Uhrig

J. A. Uhrig, Director
15 March 1995

N R Adler

N. R. Adler, Director

Santos Ltd and controlled entities

Profit and Loss Accounts

for the year ended 31 December 1994

	Note	Consolidated 1994 $million	Consolidated 1993 $million	Santos Ltd 1994 $million	Santos Ltd 1993 $million
Operating revenue	(2)	**728.3**	943.2	**504.9**	597.7
Operating profit before abnormal items	(3)	**249.6**	289.2	**248.9**	167.1
Abnormal items	(3)	**57.0**	(9.3)	**(23.0)**	6.4
Operating profit before income tax		**306.6**	279.9	**225.9**	173.5
Income tax attributable to operating profit before abnormal items	(4)	**(94.8)**	(104.8)	**(43.9)**	(50.0)
Abnormal income tax items	(3)	**(21.4)**	44.2	**0.7**	36.7
Income tax attributable to operating profit		**(116.2)**	(60.6)	**(43.2)**	(13.3)
Operating profit after income tax attributable to shareholders of Santos Ltd	(19)	**190.4**	219.3	**182.7**	160.2
Retained profits at the beginning of the year		**157.9**	76.7	**49.5**	27.4
Total available for appropriation		**348.3**	296.0	**232.2**	187.6
Dividends provided for or paid	(5)	**(117.2)**	(138.1)	**(117.2)**	(138.1)
Retained profits at the end of the year		**231.1**	157.9	**115.0**	49.5

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

Santos Ltd and controlled entities

Balance Sheets

at 31 December 1994

		Consolidated		Santos Ltd	
	Note	**1994 $million**	1993 $million	**1994 $million**	1993 $million
Current assets					
Cash		**118.7**	105.9	**6.9**	-
Receivables	(6)	**110.2**	89.2	**47.0**	38.2
Investments	(7)	**-**	17.4	**-**	-
Inventories	(8)	**52.4**	50.7	**25.7**	26.4
Other	(9)	**-**	-	**147.3**	63.8
Total current assets		**281.3**	263.2	**226.9**	128.4
Non-current assets					
Receivables	(6)	**20.2**	21.2	**14.3**	15.0
Investments	(7)	**304.1**	241.2	**1,644.1**	1,480.7
Property, plant and equipment	(10)	**2,193.0**	2,165.8	**1,031.5**	1,050.9
Intangibles	(11)	**89.7**	98.7	**-**	-
Other	(9)	**8.9**	41.1	**-**	-
Total non-current assets		**2,615.9**	2,568.0	**2,689.9**	2,546.6
Total assets		**2,897.2**	2,831.2	**2,916.8**	2,675.0
Current liabilities					
Creditors and borrowings	(12)	**77.8**	194.0	**54.3**	38.1
Provisions	(13)	**135.5**	167.9	**115.5**	148.8
Other	(14)	**-**	-	**1,091.2**	970.8
Total current liabilities		**213.3**	361.9	**1,261.0**	1,157.7
Non-current liabilities					
Creditors and borrowings	(12)	**737.4**	692.1	**0.7**	0.7
Provisions	(13)	**414.3**	380.8	**237.1**	231.9
Other	(14)	**-**	15.8	**-**	12.7
Total non-current liabilities		**1,151.7**	1,088.7	**237.8**	245.3
Total liabilities		**1,365.0**	1,450.6	**1,498.8**	1,403.0
Net assets		**1,532.2**	1,380.6	**1,418.0**	1,272.0
Shareholders' equity					
Share capital	(15)	**134.2**	128.8	**134.2**	128.8
Reserves	(16)	**1,166.9**	1,093.9	**1,168.8**	1,093.7
Retained profits		**231.1**	157.9	**115.0**	49.5
Total shareholders' equity		**1,532.2**	1,380.6	**1,418.0**	1,272.0

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

Santos Ltd and controlled entities

Statements of Cash Flows

for the year ended 31 December 1994

	Note	Consolidated 1994 $million	Consolidated 1993 $million	Santos Ltd 1994 $million	Santos Ltd 1993 $million
Cash flows from operating activities					
Sales receipts		**604.8**	680.2	**319.5**	370.4
Dividends received		**18.0**	20.8	**46.5**	87.2
Interest received		**7.2**	6.5	**0.3**	0.6
Overriding royalties received		**10.3**	13.6	**12.2**	16.8
Pipeline tariffs and other receipts		**36.1**	43.9	**8.4**	3.6
Proceeds/(payment) for settlement with Cooper Basin joint venture party		**(0.9)**	35.2	**(0.9)**	35.2
Operating costs paid		**(170.3)**	(163.9)	**(74.8)**	(86.7)
Government royalties and resource rent tax paid		**(31.5)**	(51.0)	**(20.2)**	(25.9)
Interest paid		**(47.2)**	(55.0)	**(56.7)**	(62.2)
Income taxes paid		**(63.0)**	(102.5)	**(48.5)**	(53.4)
Net cash provided by operating activities	(22)	**363.5**	427.8	**185.8**	285.6
Cash flows used in investing activities					
Payments for:					
Land and buildings, plant and equipment		**(35.1)**	(80.2)	**(18.0)**	(46.6)
Exploration		**(85.1)**	(81.2)	**(35.5)**	(23.6)
Development		**(42.5)**	(35.3)	**(15.4)**	(20.0)
Proceeds from sale of:					
Investments		**-**	178.3	**9.0**	178.2
Other non-current assets		**2.9**	1.2	**0.9**	0.7
Compensation for release of contractual rights		**10.7**	-	**8.1**	-
Payments for:					
Acquisitions of controlled entities	(22)	**-**	(126.7)	**-**	(130.0)
Acquisitions of oil and gas assets		**(95.7)**	(81.3)	**(0.7)**	(19.5)
Share subscriptions in controlled entities		**-**	-	**(137.0)**	(79.1)
Other investments		**(48.8)**	(46.6)	**(48.8)**	(46.6)
Net cash used in investing activities		**(293.6)**	(271.8)	**(237.4)**	(186.5)
Cash flows used in financing activities					
Dividends paid		**(140.5)**	(110.2)	**(140.5)**	(110.2)
Proceeds from issues of shares		**80.5**	67.7	**80.5**	67.7
Net drawdown/(repayment) of borrowings		**6.0**	(124.4)	**-**	-
Advances to/(from) related entities		**-**	-	**119.2**	(59.3)
Net cash provided by/(used in) financing activities		**(54.0)**	(166.9)	**59.2**	(101.8)
Net increase/(decrease) in cash		**15.9**	(10.9)	**7.6**	(2.7)
Cash at the beginning of the year		**105.2**	116.0	**(0.7)**	2.0
Effects of exchange rate changes on the balances of cash held in foreign currencies		**(2.4)**	0.1	**-**	-
Cash at the end of the year	(22)	**118.7**	105.2	**6.9**	(0.7)

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

for the year ended 31 December 1994

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. The term "economic entity" used throughout these financial statements means the chief entity and its controlled entities. A listing of the 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 associated companies are included in non-current investments using the cost method of accounting and dividend income only is brought to account. Information, determined in accordance with the equity method of accounting, about the economic entity's interests in associated companies is contained in note 20.

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 21.

(d) Goodwill

On 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. The unamortised balance of goodwill is reviewed at each balance date and charged to profit and loss to the extent that the balance exceeds the value of expected future benefits.

(e) Foreign currency transactions

Transactions in foreign currencies are translated to Australian currency at the exchange rate in effect at the date of each transaction. Monetary assets and liabilities held in foreign currencies at balance date are translated at the rates of exchange ruling on that 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 translated 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.

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 charged against 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) Depreciation and depletion of property, plant and equipment

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

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.

(j) 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) 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.

(k) 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.

(l) Other provisions

Employee entitlements

A provision is made for amounts of annual and long service leave and workers' compensation to which employees are legally entitled. No provision is made for sick leave.

Doubtful debts

A provision is made for any doubtful debts based on a review of collectability of outstanding amounts at balance date. Bad debts are written off when they are identified.

Restoration

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

(m) 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 in 1993 between Santos Ltd and Crusader Resources N.L.

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.

(n) Comparatives

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

2. Operating Revenue

	Consolidated		Santos Ltd	
	1994 $million	1993 $million	**1994 $million**	1993 $million
Sales revenue	**640.0**	680.2	**330.7**	361.6
Other revenue				
Dividends received from:				
– wholly-owned controlled entities	**–**	–	**114.2**	8.5
– other than related parties	**18.0**	21.5	**18.0**	21.5
Interest received or due and receivable from:				
– wholly-owned controlled entities	**–**	–	**–**	0.1
– other than related parties	**6.4**	6.4	**0.3**	0.5
Overriding royalties	**11.1**	11.5	**12.9**	15.1
Pipeline tariffs received	**12.3**	19.2	**–**	–
Proceeds from sale of non-current assets:				
– property, plant and equipment	**5.8**	1.2	**0.9**	0.7
– investments	**–**	178.3	**9.0**	178.2
Compensation for release of contractual rights	**10.7**	–	**8.1**	–
Hotel revenue	**12.3**	12.4	**–**	–
Other income	**11.7**	12.5	**10.8**	11.5
	728.3	943.2	**504.9**	597.7

	Consolidated		Santos Ltd	
3. Operating Profit	**1994 $million**	1993 $million	**1994 $million**	1993 $million
Operating profit before income tax is arrived at after crediting the following item:				
Profits from the sale of non-current assets	**-**	1.4	**0.1**	1.3
Operating profit before income tax is arrived at after charging/(crediting) the following items:				
Depreciation, depletion and amortisation of property, plant and equipment:				
- depreciation	**97.5**	100.0	**53.7**	58.5
- depletion	**99.8**	92.9	**30.1**	26.9
- amortisation of capitalised leases	**0.9**	0.6	**0.5**	0.6
Amortisation of goodwill	**9.0**	9.0	**-**	-
Government royalties and resource rent tax	**33.4**	45.4	**18.9**	24.5
Increase/(decrease) in provisions:				
- deferred income	**(15.8)**	0.7	**(12.7)**	0.6
- doubtful debts	**0.4**	0.8	**-**	0.3
- future restoration costs	**2.6**	6.1	**1.5**	1.7
- non-executive Directors' retirement and employee benefits	**1.3**	2.3	**0.9**	1.9
- stock obsolescence	**(0.4)**	0.5	**(0.1)**	0.1
Net foreign currency exchange losses	**-**	7.3	**-**	-
Operating lease rentals	**6.2**	5.8	**3.0**	2.8
Interest paid or due and payable to:				
- wholly-owned controlled entities	**-**	-	**52.9**	54.1
- other than related parties:				
- on loans	**45.8**	52.3	**0.1**	3.1
- on finance leases	**1.1**	1.1	**0.1**	0.2
- less interest capitalised	**-**	(8.8)	**-**	(2.9)
Net interest paid or due and payable	**46.9**	44.6	**53.1**	54.5
Abnormal items				
Operating profit before income tax is arrived at after crediting/(charging) the following abnormal items:				
Net foreign currency exchange gains (refer below)	**66.3**	-	**-**	-
Write-down of exploration expenditure	**(20.0)**	(55.9)	**(3.8)**	(0.3)
Write-down of investments in controlled entities	**-**	-	**(27.3)**	(39.9)
Compensation for release of contractual rights	**10.7**	-	**8.1**	-
Net gain on sale of investment in Sagasco Holdings Ltd	**-**	46.6	**-**	46.6
Abnormal items before income tax	**57.0**	(9.3)	**(23.0)**	6.4

3. **Operating Profit** continued	Consolidated 1994 $million	Consolidated 1993 $million	Santos Ltd 1994 $million	Santos Ltd 1993 $million
Abnormal income tax items				
Income tax attributable to above abnormal items:				
Net foreign currency exchange gains (refer below)	**(22.1)**	–	–	–
Write-down of exploration expenditure	**0.7**	0.1	**0.7**	–
Write-down of investments in controlled entities	–	–	–	–
Compensation for release of contractual rights	–	–	–	–
Net gain on sale of investment in Sagasco Holdings Ltd	–	–	–	–
Income tax attributable to above abnormal items	**(21.4)**	0.1	**0.7**	–
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)	**(21.4)**	44.2	**0.7**	36.7

During 1994 the economic entity reduced its US dollar liabilities through repayment of US$95.5 million of borrowings. As a result, of the $66.3 million of foreign exchange gains, $11.4 million ($7.6 million after income tax of $3.8 million) was crystallised during the year.

4. Taxation

Income tax attributable to operating profit	Consolidated 1994 $million	Consolidated 1993 $million	Santos Ltd 1994 $million	Santos Ltd 1993 $million
The prima facie income tax attributable to operating profit before abnormal items differs from income tax expense and is calculated as follows:				
Prima facie income tax at 33%	**82.4**	95.4	**82.1**	55.1
Tax effect of permanent and other differences which increase/(decrease) income tax expense:				
Non-deductible depreciation and depletion of property, plant and equipment	**14.5**	14.7	**3.8**	3.9
Amortisation of goodwill	**3.0**	3.0	–	–
Development/investment allowance	**(0.8)**	(1.9)	**(0.5)**	(1.0)
Non-assessable income	–	(0.4)	–	(0.4)
Non-deductible items	**0.4**	0.7	**0.4**	0.6
Rebate on dividend income	**(4.6)**	(5.2)	**(42.3)**	(8.1)
Income tax under/(over) provided in prior years	**(0.1)**	(1.5)	**0.4**	(0.1)
Income tax attributable to operating profit before abnormal items	**94.8**	104.8	**43.9**	50.0
Abnormal income tax items	**21.4**	(44.2)	**(0.7)**	(36.7)
Income tax attributable to operating profit after abnormal items	**116.2**	60.6	**43.2**	13.3
Income tax attributable to operating profit after abnormal items comprises amounts set aside to:				
Provision for current income tax	**52.4**	59.9	**36.5**	46.7
Provision for deferred income tax	**30.3**	(46.2)	**6.7**	(33.4)
Future income tax benefits	**33.5**	46.9	–	–
	116.2	60.6	**43.2**	13.3

	Consolidated		Santos Ltd	
5. Dividends	**1994 $million**	1993 $million	**1994 $million**	1993 $million
Dividends provided for or paid by Santos Ltd are:				
Interim dividend of 11.0 cents per share, fully franked (1993 – 11.0 cents per share, fully franked)	**58.1**	55.7	**58.1**	55.7
Final dividend of 11.0 cents per share, fully franked (1993 – 11.0 cents per share, fully franked plus 5.0 cents per share special dividend, fully franked)	**59.1**	82.4	**59.1**	82.4
	117.2	138.1	**117.2**	138.1

Franking credits

Santos Ltd has $222.5 million of franking credits at 33% available as at 15 March 1995. After deducting franking credits to be used in payment of the 1994 final dividend, $163.4 million of franking credits will be available for future distribution as franked dividends.

6. Receivables

Current				
Trade debtors	**54.3**	50.6	**27.2**	29.3
Sundry debtors and prepayments	**57.1**	39.6	**19.5**	8.7
Less provision for doubtful debts	**(2.2)**	(1.8)	**(0.4)**	(0.4)
Security deposits (refer below)	**1.0**	0.8	**0.7**	0.6
	110.2	89.2	**47.0**	38.2
Non-current				
Security deposits (refer below)	**19.7**	20.7	**13.8**	14.5
Other loans (refer note 23)	**0.5**	0.5	**0.5**	0.5
	20.2	21.2	**14.3**	15.0

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.

7. Investments

Current				
Deposits	**-**	17.4	**-**	-
Non-current				
Investments in controlled entities (refer note 19)	**-**	-	**1,340.0**	1,239.5
Listed shares and notes in other entities	**304.1**	241.2	**304.1**	241.2
	304.1	241.2	**1,644.1**	1,480.7
Total market value of investments in listed shares and notes in other than controlled entities	**314.4**	307.5	**314.4**	307.5

8. Inventories

Petroleum products	**29.2**	26.2	**14.9**	15.4
Drilling and maintenance stocks	**24.8**	26.5	**11.8**	12.1
Provision for obsolescence	**(1.6)**	(2.0)	**(1.0)**	(1.1)
	52.4	50.7	**25.7**	26.4

	Consolidated		Santos Ltd	
9. Other Assets	**1994 $million**	1993 $million	**1994 $million**	1993 $million
Current				
Amounts owing by wholly-owned controlled entities	**–**	–	**147.3**	63.8
Non-current				
Future income tax benefits	**8.9**	41.1	**–**	–

10. Property, Plant and Equipment

	Consolidated 1994 $million	Consolidated 1993 $million	Santos Ltd 1994 $million	Santos Ltd 1993 $million
Land and buildings				
At cost (refer below)	**54.3**	52.3	**34.6**	33.4
Less accumulated depreciation	**(27.8)**	(25.8)	**(20.1)**	(18.8)
	26.5	26.5	**14.5**	14.6
Plant and equipment				
At cost	**1,681.6**	1,603.5	**1,032.2**	1,021.9
At independent valuation – 1977	**35.2**	35.2	**35.2**	35.2
Capitalised leases	**20.7**	27.4	**3.4**	9.6
	1,737.5	1,666.1	**1,070.8**	1,066.7
Less accumulated depreciation	**(890.0)**	(805.0)	**(581.8)**	(537.0)
	847.5	861.1	**489.0**	529.7
Total land and buildings, plant and equipment	**874.0**	887.6	**503.5**	544.3
Exploration, evaluation and development expenditure				
Areas of interest in which production has commenced:				
At cost	**2,156.7**	2,061.7	**794.8**	758.4
Less accumulated depletion and write-downs of carrying value	**(985.8)**	(895.1)	**(335.0)**	(305.0)
	1,170.9	1,166.6	**459.8**	453.4
Areas of interest in the exploration and/or evaluation stage:				
At cost	**148.1**	111.6	**68.2**	53.2
Total exploration, evaluation and development expenditure	**1,319.0**	1,278.2	**528.0**	506.6
Total property, plant and equipment	**2,193.0**	2,165.8	**1,031.5**	1,050.9

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

11. Intangibles

	Consolidated 1994 $million	Consolidated 1993 $million	Santos Ltd 1994 $million	Santos Ltd 1993 $million
Goodwill, at cost	**160.2**	160.2	**–**	–
Less accumulated amortisation	**(70.5)**	(61.5)	**–**	–
	89.7	98.7	**–**	–

12. Creditors and Borrowings	Consolidated 1994 $million	Consolidated 1993 $million	Santos Ltd 1994 $million	Santos Ltd 1993 $million
Current				
Bank overdrafts	-	0.7	-	0.7
Bonds	-	140.6	-	-
Trade creditors	**46.1**	35.5	**19.3**	14.1
Sundry creditors and accruals				
- wholly-owned controlled entities	-	-	-	3.8
- other than related parties	**30.5**	16.1	**34.6**	19.1
Lease liabilities	**1.2**	1.1	**0.4**	0.4
	77.8	194.0	**54.3**	38.1
Non-current				
Bank loans	**301.2**	270.1	-	-
Long term notes	**218.9**	250.4	-	-
Commercial paper	**202.0**	155.6	-	-
Lease liabilities	**15.3**	16.0	**0.7**	0.7
	737.4	692.1	**0.7**	0.7

Details of major credit facilities

(i) Bank loans

The economic entity has access to the following committed revolving facilities:
Revolving facilities at 31 December 1994

Maturity Date	Currency	Amount A$million	Amount drawn at 31 December 1994 A$million
15 July 1997	Multi option	**276.3**	**86.2**
15 July 1996	Multi option	**5.0**	-
27 August 1996	US dollars	**128.8**	-
15 July 1999	Multi option	**276.3**	**86.2**
31 October 1998	Multi option	**100.0**	-
		786.4	**172.4**

In addition to the revolving facilities the economic entity has fully drawn a US$100.0 million (1994 - A$128.8 million, 1993 - A$147.3 million) syndicated term loan which matures in March 1996.

(ii) Long term notes

US$170.0 million (1994 - A$218.9 million, 1993 - A$250.4 million) of long term notes denominated in US dollars were issued in December 1993 and are repayable in five annual instalments commencing in December 2001.

(iii) Commercial paper

The economic entity has commercial paper programs based in Hong Kong and Australia. The programs which total US$200.0 million (Euro Commercial Paper) and A$400.0 million (Promissory Notes) are supported by the revolving facilities referred to in (i) above. At 31 December 1994, A$202.0 million (1993 - A$155.6 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.

13. Provisions	Consolidated 1994 $million	1993 $million	Santos Ltd 1994 $million	1993 $million
Current				
Dividends	**59.1**	82.4	**59.1**	82.4
Employee benefits	**22.0**	20.5	**18.2**	17.1
Income tax	**54.4**	65.0	**38.2**	49.3
	135.5	167.9	**115.5**	148.8
Non-current				
Deferred income tax	**361.1**	330.8	**212.5**	208.0
Future restoration costs	**52.4**	49.0	**23.8**	22.9
Non-executive Directors' retirement benefits	**0.8**	1.0	**0.8**	1.0
	414.3	380.8	**237.1**	231.9

14. Other Liabilities

Current				
Amounts owing to wholly-owned controlled entities	**-**	-	**1,091.2**	970.8
Non-current				
Deferred income (refer below)	**-**	15.8	**-**	12.7

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

A portion of banked gas as at 31 December 1993 was delivered to Australian Gas Light Company (AGL) in September 1994. Additionally, deliveries of gas in October and November 1994 were claimed by AGL to include the remaining balances of banked gas.

The company and other South Australian Cooper Basin Producers believe that under the terms of the sales contract, while AGL was allowed to take a portion of the banked gas in September 1994, it would not be allowed to take the remaining balance until subsequent contract year(s).

On 23 December 1994 Justice Lander of the Supreme Court of South Australia found in favour of AGL as to the interpretation of a particular provision of the contract for sale of gas thereby allowing AGL to take its remaining banked gas in October and November 1994. The delivery of the banked gas in October and November 1994 was recognised as sales revenue at the current sales value and the provision for deferred income has been reversed in the Accounts as at 31 December 1994.

The company has appealed against the Court's decision.

While AGL has taken its remaining banked gas at the beginning of the current contract year, based on AGL's forecasts of gas requirements, it is likely that this will result in a situation whereby AGL will not be able to meet its take or pay obligations resulting in payments for undelivered gas at the end of the contract years 1995 and 1996.

15. Share Capital

	Consolidated 1994 $million	Consolidated 1993 $million	Santos Ltd 1994 $million	Santos Ltd 1993 $million
Authorised capital				
1,999,900,000 unclassified shares of 25¢ each	**500.0**	500.0	**500.0**	500.0
100,000 'B' class shares of 25¢ each	**-**	-	**-**	-
	500.0	500.0	**500.0**	500.0
Issued capital				
536,844,418 (1993 – 515,064,672) ordinary shares of 25¢ each	**134.2**	128.8	**134.2**	128.8
100,000 (1993 – 100,000) 'B' class shares of 25¢ each	**-**	-	**-**	-
2,633,000 (1993 – 2,710,750) ordinary shares of 25¢ each paid to 1¢	**-**	-	**-**	-
	134.2	128.8	**134.2**	128.8

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
17 June 1994	13,037,182	$3.47
25 November 1994	8,564,814	$3.41

100,000 ordinary shares (paid to 1 cent) were allotted to senior executives of the company under the Santos Executive Share Plan.

177,750 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.

16. Reserves

	Consolidated 1994 $million	Consolidated 1993 $million	Santos Ltd 1994 $million	Santos Ltd 1993 $million
Share premium	**1,148.2**	1,073.1	**1,148.2**	1,073.1
Asset revaluation	**14.9**	14.9	**14.9**	14.9
Capital	**5.9**	5.9	**5.7**	5.7
Foreign currency translation	**(2.1)**	-	**-**	-
	1,166.9	1,093.9	**1,168.8**	1,093.7
Movement during the year:				
Share premium				
Balance at beginning of the year	**1,073.1**	1,010.3	**1,073.1**	1,010.3
Dividend reinvestment plan	**74.5**	62.2	**74.5**	62.2
Share issues	**0.6**	0.6	**0.6**	0.6
Balance at end of the year	**1,148.2**	1,073.1	**1,148.2**	1,073.1
Foreign currency translation				
Balance at beginning of the year	**-**	-	**-**	-
Transfers to/(from) foreign currency translation reserve arising from exchange rate fluctuations on:				
– overseas net assets	**(18.4)**	1.6	**-**	-
– foreign currency borrowings	**16.3**	(1.6)	**-**	-
Balance at end of the year	**(2.1)**	-	**-**	-

17. Earnings per Share

	Consolidated 1994	1993
Basic earnings per share (cents):		
– before abnormal items	**29.6**	36.6
– after abnormal items	**36.4**	43.5
Weighted average number of ordinary shares on issue used in the calculation of basic earnings per share	**523,458,419**	503,711,878

Santos Ltd has potential ordinary shares on issue, being 2,633,000 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.

18. Foreign Currency Exposure

		Consolidated 1994 $million	1993 $million	Santos Ltd 1994 $million	1993 $million
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:					
Current assets	– United States dollars	**39.5**	36.0	**10.6**	13.1
	– United Kingdom pounds	**9.5**	–	**–**	–
Current liabilities	– United States dollars	**9.5**	152.5	**–**	–
	– United Kingdom pounds	**3.1**	0.2	**–**	–
Non-current liabilities	– United States dollars	**455.0**	520.5	**–**	–
	– United Kingdom pounds	**65.1**	–	**–**	–

The economic entity benefits, in respect to its natural hedges of foreign currency exposure, through its net investments in United States and United Kingdom based assets and through United States dollar receipts from sales of liquid petroleum products and United Kingdom pound receipts from sales of gas. The impact of these natural hedges is not reflected in the above table.

19. Investments in Controlled Entities

		Details of investments in shares					
	Place of incorporation	Beneficial interest		Book value		Contribution to consolidated profit	
Name		1994 %	1993 %	1994 $million	1993 $million	1994 $million	1993 $million
Santos Ltd (Chief Entity)	SA					**96.0**	189.9
Controlled Entities:							
Alliance Oil Development Australia N.L.	VIC	**100**	100	**107.7**	107.7	**2.0**	2.2
Wholly-owned controlled entities of Alliance Oil Development Australia N.L.							
Alliance Minerals Australia N.L.	VIC	**100**	100	**-**	-	**0.5**	0.5
Alliance Petroleum Australia N.L.	VIC	**100**	100	**-**	-	**5.1**	15.2
Alliance Petroleum International Ltd (in liquidation)	VIC	**100**	100	**-**	-	**-**	(0.2)
Alliance Resources Pty Ltd (formerly Alliance Resources Ltd)	VIC	**100**	100	**-**	-	**-**	-
Associated Petroleum Pty Ltd (formerly Associated Petroleum Ltd)	QLD	**100**	100	**117.1**	117.1	**7.6**	10.3
Wholly-owned controlled entities of Associated Petroleum Pty Ltd							
TMOC Exploration Pty Ltd	QLD	**100**	100	**-**	-	**(0.2)**	(0.4)
Wholly-owned controlled entity of TMOC Exploration Pty Ltd							
TMOC Exploration (PNG) Pty Ltd (in liquidation)*	PNG	**100**	100	**-**	-	**-**	-
Santos Petroleum Marketing Pty Ltd (formerly Santos Petroleum Marketing Ltd)	QLD	**100**	100	**-**	-	**0.1**	0.1
Santos Petroleum Management Pty Ltd	QLD	**100**	100	**-**	-	**(0.3)**	(1.8)
Santos Petroleum Operations Pty Ltd (formerly Santos Petroleum Operations Ltd)	QLD	**100**	100	**-**	-	**4.4**	3.4
Santos Petroleum (International) Ltd (in liquidation)*	HK	**100**	100	**-**	-	**-**	-
Wholly-owned controlled entity of Santos Petroleum (International) Ltd							
Santos Petroleum (Asia Pacific) Ltd (in liquidation)*	HK	**100**	100	**-**	-	**-**	-
Boston Long Hedges Finance Pty Ltd	VIC	**100**	100	**-**	-	**0.1**	-
Gnuco Pty Ltd (refer note(i))	WA	**100**	-	**4.5**	-	**-**	-
Moonie Oil N.L.	QLD	**100**	100	**13.2**	11.9	**0.8**	1.4
Moonie Pipeline Co Pty Ltd	QLD	**100**	100	**24.7**	24.7	**9.5**	10.4
Wholly-owned controlled entities of Moonie Pipeline Co Pty Ltd							
Candolia Pty Ltd	ACT	**100**	100	**-**	-	**-**	-
Australian Interstate Pipeline Co Pty Ltd	NSW	**100**	100	**-**	-	**(0.3)**	(0.3)

**Entities audited by overseas KPMG member firms.*

19. **Investments in Controlled Entities** continued

Name	Place of incorporation	Details of investments in shares: Beneficial interest 1994 %	Beneficial interest 1993 %	Book value 1994 $million	Book value 1993 $million	Contribution to consolidated profit 1994 $million	Contribution to consolidated profit 1993 $million
Wholly-owned controlled entity of Australian Interstate Pipeline Co Pty Ltd							
Bridgefield Pty Ltd	QLD	**100**	100	**-**	-	**3.3**	5.3
Peko Oil Pty Ltd (formerly Peko Oil Ltd)	VIC	**100**	100	**232.3**	238.1	**(7.4)**	(7.1)
Wholly-owned controlled entity of Peko Oil Pty Ltd							
Peko Bunyu Pty Ltd (refer note (ii))	VIC	**-**	100	**-**	-	**-**	-
Petromin N.L.	QLD	**100**	100	**5.9**	4.6	**0.5**	0.3
Reef Oil N.L.	NSW	**100**	100	**82.7**	82.7	**0.9**	2.9
Santos (299) N.L. (formerly CPC Petroleum Corporation N.L.)	WA	**100**	100	**2.7**	2.0	**(0.5)**	(0.1)
Santos Exploration Pty Ltd	VIC	**100**	100	**28.4**	3.4	**2.0**	1.4
Santos Facilities Pty Ltd (formerly Santos Facilities Ltd)	SA	**100**	100	**-**	-	**-**	-
Santos Finance Ltd	NSW	**100**	100	**47.7**	47.7	**44.7**	(13.4)
Santos International Holdings Pty Ltd (formerly Santos International Holdings Ltd)	ACT	**100**	100	**188.0**	107.6	**0.5**	-
Wholly-owned controlled entities of Santos International Holdings Pty Ltd							
Peko Offshore Ltd	BER	**100**	100	**-**	-	**(0.2)**	(0.9)
Santos Americas and Europe Corp*	USA	**100**	100	**-**	-	**-**	-
Wholly-owned controlled entities of Santos Americas and Europe Corp							
SAE Management Services Corp*	USA	**100**	100	**-**	-	**(0.4)**	(0.6)
Santos Colombia Exploration Inc*	USA	**100**	100	**-**	-	**(0.1)**	(10.4)
Weeks Exploration Company*	USA	**100**	100	**-**	-	**(8.2)**	(30.4)
Santos Europe Ltd*	UK	**100**	100	**-**	-	**5.4**	(0.1)
Santos Exploration (China) Pte Ltd*	SIN	**100**	100	**-**	-	**-**	-
Santos Niugini Exploration Pty Ltd*	PNG	**100**	100	**-**	8.9	**(1.3)**	(0.1)
Santos Petroleum (Seram) Ltd	HK	**100**	100	**-**	-	**2.4**	-
Santos (N.T.) Pty Ltd	ACT	**100**	100	**42.3**	42.3	**3.7**	6.7
Santos Oil Exploration (Malaysia) Sdn Bhd*	MAL	**100**	100	**9.6**	14.6	**(5.0)**	(0.1)
Santos Petroleum Pty Ltd	NSW	**100**	100	**69.3**	69.3	**3.9**	2.6
Santos Resources Pty Ltd	QLD	**100**	100	**-**	-	**-**	-
Santos (Zoca 91-01) Pty Ltd	ACT	**100**	100	**4.2**	-	**-**	-
Santos (Zoca 91-10) Pty Ltd	ACT	**100**	100	**0.2**	2.3	**-**	-
Santos (Zoca 91-11) Pty Ltd	ACT	**100**	100	**-**	4.3	**-**	0.1
Santos (Zoca 91-12) Pty Ltd	ACT	**100**	100	**8.3**	-	**-**	-

*Entities audited by overseas KPMG member firms.

19. Investments in Controlled Entities continued

Name	Place of incorporation	Beneficial interest 1994 %	Beneficial interest 1993 %	Book value 1994 $million	Book value 1993 $million	Contribution to consolidated profit 1994 $million	Contribution to consolidated profit 1993 $million
Transoil N.L.	QLD	**100**	100	**8.7**	7.8	**(1.6)**	(0.2)
Vamgas Pty Ltd (formerly Vamgas Ltd)	VIC	**100**	100	**206.1**	206.1	**17.7**	26.9
Worldwide Assets Pty Ltd (formerly Worldwide Assets Ltd)	NSW	**100**	100	**95.3**	95.3	**0.9**	0.5
Wholly-owned controlled entity of Worldwide Assets Pty Ltd							
Western Australian Capital Holdings Pty Ltd (formerly Western Australian Capital Holdings Ltd)	WA	**100**	100	**-**	-	**-**	-
Latec Investments Pty Ltd (formerly Latec Investments Ltd)	NSW	**100**	100	**41.1**	41.1	**0.7**	0.5
Wholly-owned controlled entities of Latec Investments Pty Ltd							
Comserv (No. 37) Pty Ltd (in liquidation)	NSW	**100**	100	**-**	-	**-**	(0.1)
Doce Pty Ltd	QLD	**100**	100	**-**	-	**0.3**	1.0
Flinders Petroleum N.L. (in liquidation)	VIC	**100**	100	**-**	-	**-**	-
Wholly-owned controlled entities of Flinders Petroleum N.L.							
Canso Resources Pty Ltd (formerly Canso Resources Ltd)	NSW	**100**	100	**-**	-	**2.0**	2.7
Farmout Drillers N.L.	NSW	**100**	100	**-**	-	**0.9**	1.2
Partly-owned controlled entity							
Mereenie Petroleum Finance & Sales Pty Ltd (refer note (ii))	QLD	**-**	59	**-**	-	**-**	-
				1,340.0	1,239.5	**190.4**	219.3

Notes:

(i) Acquisition of controlled entities

The following controlled entity was acquired during the year:

Name of entity	Date of acquisition	Beneficial interest acquired %	Consideration paid for shares $	Fair value of net assets at time of acquisition $
Gnuco Pty Ltd	21 September 1994	100	2	2

(ii) Disposal of controlled entities

Peko Bunyu Pty Ltd and Mereenie Petroleum Finance & Sales Pty 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

	1994 $	1993 $
Santos Resources Pty Ltd	**2**	2
Boston Long Hedges Finance Pty Ltd	**-**	12

20. Associated Company

Information on investment in an associated company for both the economic entity and chief entity is as follows:

Name of associated company	Country where business carried on	Principal activity	Balance date	Beneficial interest in ordinary shares at 31 December		Ordinary share book value at 31 December (a)		Contribution to consolidated profit (b)	
				1994 %	1993 %	1994 $million	1993 $million	1994 $million	1993 $million
QCT Resources Limited	Australia	Coal mining	30 June	28.4	22.7	238.8	177.6	15.1	13.5

Supplementary equity accounting information (c):	1994 $million
Share of associated company's operating profit after income tax and abnormal items	6.7
Deduct amortisation of excess of fair values of net assets of associated company over its book values of net assets	(3.1)
Deduct ordinary share dividend income from associated company	(6.0)
Equity adjustment to operating profit after income tax	(2.4)
Add share of associated company's retained profits at the beginning of the year	-
Total of post-acquisition increase in associated company's retained profits at the end of the year	(2.4)
Investment in ordinary shares in associated company as included in Santos consolidated accounts	238.8
Aggregate carrying value of investment in associated company as determined under the equity method of accounting	236.4

(a) In addition to ordinary shares the economic entity and chief entity hold an investment of $36.3 million (1993 - $35.9 million) in non-maturing subordinated unsecured convertible notes issued by QCT Resources Limited.

(b) Represents dividends received of $12.4 million (1993 - $10.9 million) on holdings of ordinary shares and interest received or receivable after tax of $2.7 million (1993 - $2.6 million) on holdings of non-maturing subordinated unsecured convertible notes.

(c) QCT Resources Limited has been deemed to become an associated company of the Santos Group as at 1 January 1994. Accordingly, the supplementary equity accounting information for this associated company is provided only for the current year. Under the equity accounting method only ordinary share dividends paid from the associated company's post acquisition profits are included as an adjustment to the equity accounted value of the investment in the associated company. The financial information used for this purpose is for the twelve month period beginning 1 January 1994.

21. 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	50
Canning Basin	Oil and gas exploration and production	37
Carnarvon Basin	Oil and gas exploration	28
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	59
Cooper/Eromanga Basins Block Operations		
– South Australia	Oil and gas exploration and production	57
– Queensland	Oil and gas exploration and production	57
Denison Trough	Oil and gas exploration and production	50
Gulf Coast – USA	Oil and gas exploration and production	44
Indonesia	Oil and gas exploration and production	3
Jackson Moonie Pipeline	Oil transportation	83
Malaysia (PM14)	Oil and gas exploration	15
Mereenie	Oil and gas production	65
Mereenie Pipeline	Oil transportation	67
Moonie Oil Fields	Oil and gas exploration and production	53
Otway Basin	Oil and gas exploration	46
Palm Valley	Gas production	37
Papua New Guinea	Oil and gas exploration	33
Roma Gas Fields	Oil and gas exploration and production	68
Timor Gap	Oil and gas exploration	20
Timor Sea	Oil and gas exploration and production	19
United Kingdom	Oil and gas exploration and production	17

21. **Interests in Joint Ventures** continued	Consolidated **1994** **$million**	1993 $million	Santos Ltd **1994** **$million**	1993 $million
(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:				
Non-current assets				
Buildings, plant and equipment	**818.4**	828.6	**493.2**	533.8
Exploration, evaluation and development expenditure	**1,315.1**	1,271.8	**527.9**	504.8
Receivables	**19.7**	20.7	**13.8**	14.5
Total non-current assets	**2,153.2**	2,121.1	**1,034.9**	1,053.1
Current assets				
Cash	**20.0**	6.9	**8.3**	-
Receivables	**16.6**	11.9	**1.7**	1.3
Inventories	**21.8**	22.5	**10.8**	11.0
Total current assets	**58.4**	41.3	**20.8**	12.3
Total assets	**2,211.6**	2,162.4	**1,055.7**	1,065.4
Current liabilities				
Creditors and borrowings	**43.6**	30.4	**37.3**	32.2
Net investments in joint ventures	**2,168.0**	2,132.0	**1,018.4**	1,033.2
(c) The amount of contingent liabilities and capital expenditure commitments in respect of unincorporated joint ventures is:				
Capital expenditure commitments	**13.5**	19.0	**3.7**	11.8
Contingent liabilities	**7.1**	20.9	**5.7**	15.4

(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.

Notes to and forming part of the financial statements continued

for the year ended 31 December 1994

22. Notes to Statements of Cash Flows

	Consolidated		Santos Ltd	
	1994 $million	1993 $million	1994 $million	1993 $million
Reconciliation of net cash provided by operating activities to operating profit after income tax				
Operating profit after income tax	**190.4**	219.3	**182.7**	160.2
Add/(deduct) non-cash items:				
Depreciation, depletion and amortisation of property, plant and equipment	**198.2**	193.5	**84.3**	86.0
Amortisation of goodwill	**9.0**	9.0	**-**	-
Decrease in income taxes payable	**(10.6)**	(42.6)	**(9.8)**	(6.7)
Increase/(decrease) in provisions	**(11.9)**	10.4	**(10.4)**	4.6
Interest capitalised	**-**	(8.8)	**-**	(2.9)
Foreign currency exchange losses/(gains)	**(66.3)**	7.3	**-**	-
Write-down of exploration expenditure	**20.0**	55.9	**3.8**	0.3
Write-down of investments in controlled entities	**-**	-	**27.3**	39.9
Deduct items classified as investing/financing activities:				
Profit on sale of non-current assets	**-**	(48.1)	**(0.1)**	(47.9)
Compensation for release of contractual rights	**(10.7)**	-	**(8.1)**	-
Net cash provided by operating activities before change in assets or liabilities	**318.1**	395.9	**269.7**	233.5
Add/(deduct) change in assets or liabilities:				
Decrease/(increase) in receivables	**(25.2)**	36.7	**1.7**	37.2
Decrease/(increase) in inventories	**(2.7)**	1.0	**0.5**	(0.5)
Decrease/(increase) in other assets	**-**	-	**(85.6)**	57.8
Increase/(decrease) in creditors	**9.5**	(6.5)	**(5.0)**	(9.0)
Net increase/(decrease) in deferred taxes payable and future income tax benefits	**63.8**	0.7	**4.5**	(33.4)
Net cash provided by operating activities	**363.5**	427.8	**185.8**	285.6

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	**118.7**	105.9	**6.9**	-
Bank overdrafts	**-**	(0.7)	**-**	(0.7)
	118.7	105.2	**6.9**	(0.7)

	Santos Ltd	
22. Notes to Statements of Cash Flows continued	**1994 $million**	1993 $million
Acquisition of controlled entities		
Santos Ltd acquired controlled entities as disclosed in note 19. Details of the acquisitions are as follows:		
Fair value of net assets acquired		
Property, plant and equipment	**3.2**	169.0
Cash	**-**	3.3
Trade debtors	**-**	11.5
Inventories	**-**	3.7
Future income tax benefits	**1.3**	1.5
Intercompany loan with parent and related entities	**(4.5)**	35.3
Bank loans	**-**	(17.8)
Trade creditors	**-**	(7.9)
Provisions	**-**	(12.8)
Provision for deferred income tax	**-**	(17.7)
Total consideration	**-**	168.1
Less: Intercompany loan assumed by Santos Ltd	**-**	(38.1)
Cash consideration paid	**-**	130.0
Outflow of cash to acquire net assets, net of cash acquired		
Cash consideration	**-**	130.0
Less cash balances acquired	**-**	(3.3)
Outflow of cash	**-**	126.7

23. Related Parties

Directors of Santos Ltd and their shareholdings in Santos Ltd are disclosed in the Directors' Statutory Report which accompanies these financial statements.

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 20 as to investments in associated companies and interest, dividends and other payments received from associated companies
Note 24 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 $261,703 (1993 – $236,658).

(ii) Included in other loans is an amount of $506,000 (1993 – $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 (1993 – $32,890).

(iii) Mr T G O'Meally retired on 31 March 1994 as a director of Associated Petroleum Ltd (Group), Santos (299) 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 from Santos Ltd by Directors of Santos Ltd and their director-related entities was 1,879 fully paid ordinary shares (1993 comparative – 2,971), all of which 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 203,134 fully paid ordinary shares (1993 – 226,559) and 610,000 Executive Share Plan Shares paid to 1 cent (1993 – 610,000).

	Santos Ltd	
	1994	1993
	$million	$million
(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:		
Amounts owing to wholly-owned controlled entities	**941.7**	819.1

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

(vii) Mr M May is a director of Santos Niugini Exploration Pty Ltd. A director-related entity of Mr May, Blake Dawson Waldron of Papua New Guinea, of which Mr May is the Managing Partner, provided legal services to the economic entity on normal commercial terms and conditions.

(viii) The aggregate amount of each different type of transaction with Directors and their director-related entities were as follows:

	Consolidated		Santos Ltd	
	1994	1993	**1994**	1993
	$000	$000	**$000**	$000
Provision of management services	**70**	196	**–**	109
Provision of legal services	**7**	–	**–**	–

24. Executives' and Directors' Remuneration

	Consolidated		Santos Ltd	
	1994 $000	1993 $000	**1994 $000**	1993 $000
Executives				
Amounts received from Santos Ltd or its controlled entities by executive officers domiciled in Australia whose income is $100,000 or greater.	**5,097**	5,463	**5,097**	4,769
Number of executive officers whose remuneration was within the following bands:				
$000	**No.**	No.	**No.**	No.
100-110	**7**	10	**7**	7
110-120	**3**	2	**3**	2
120-130	**3**	4	**3**	3
130-140	**5**	3	**5**	3
140-150	**1**	2	**1**	1
150-160	**-**	3	**-**	3
160-170	**2**	2	**2**	2
170-180	**2**	1	**2**	1
190-200	**-**	1	**-**	1
200-210	**1**	1	**1**	1
210-220	**1**	-	**1**	-
240-250	**-**	1	**-**	1
250-260	**1**	-	**1**	-
260-270	**-**	1	**-**	1
270-280	**1**	-	**1**	-
340-350	**1**	1	**1**	1
780-790	**-**	1	**-**	1
830-840	**1**	-	**1**	-

	Consolidated		Santos Ltd	
24. Executives' and Directors' Remuneration continued	**1994 $000**	1993 $000	**1994 $000**	1993 $000
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.	**1,326**	1,499	**1,210**	1,194

Number of Directors whose remuneration was within the following bands:

$000	**No.**	No.
10-20	**2**	1
20-30	**1**	1
30-40	**4**	5
40-50	**1**	1
50-60	**1**	1
80-90	**1**	-
100-110	**-**	1
780-790	**-**	1
830-840	**1**	-

Pursuant to an ASC Class Order dated 13 October 1994, relief was granted from complying with Accounting Standard AASB1017 paragraphs 11 to 18. As a result, all payments which do not require shareholder approval which were made to superannuation plans in connection with the retirement of the Directors and the Executive Director of Santos Ltd and entities in the Economic Entity and previously had been aggregated as superannuation and retirement benefits are now included in the above bands for Executive Directors' and Directors' Remuneration.

	Consolidated		Santos Ltd	
	1994 $000	1993 $000	**1994 $000**	1993 $000
Superannuation and retirement benefits Superannuation contributions provided and retirement benefits paid in respect of Directors, being amounts that have been previously approved by shareholders in a general meeting. The Directors believe that the provision of full particulars would be unreasonable.	**475**	162	**475**	162

25. Remuneration of Auditors	Consolidated 1994 $million	1993 $million	Santos Ltd 1994 $million	1993 $million
Amounts received or due and receivable by the auditors of Santos Ltd for:				
– audit services	**0.4**	0.4	**0.2**	0.2
– other services	**0.4**	0.5	**0.2**	0.3
	0.8	0.9	**0.4**	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	**0.1**	0.2	**-**	-
	0.2	0.3	**-**	-

26. 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. Operations are also conducted in the United States and United Kingdom but are not material to the Group results. Revenue is derived from the sale of gas and liquid hydrocarbons and transportation of crude oil.

27. Commitments for Expenditure

	Consolidated 1994 $million	1993 $million	Santos Ltd 1994 $million	1993 $million
(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	**13.5**	19.0	**3.7**	11.8
(b) Lease commitments				
Finance leases:				
Due not later than one year	**2.4**	2.1	**0.5**	0.5
Due later than one year but not later than two years	**2.7**	1.9	**0.7**	0.3
Due later than two years but not later than five years	**14.2**	16.1	**-**	0.5
Total commitments under finance leases	**19.3**	20.1	**1.2**	1.3
Less future finance charges	**(2.8)**	(3.0)	**(0.1)**	(0.2)
Finance lease liability	**16.5**	17.1	**1.1**	1.1
Operating leases:				
Due not later than one year	**5.5**	5.4	**3.2**	3.1
Due later than one year but not later than two years	**4.9**	5.3	**2.7**	2.9
Due later than two years but not later than five years	**9.3**	10.8	**4.6**	5.3
Due later than five years	**0.1**	2.1	**-**	0.7
Total commitments under operating leases	**19.8**	23.6	**10.5**	12.0

(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.

28. Superannuation Commitments

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

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

	Santos Retirement Plan	Santos Staff / Executive Superannuation Fund
Type of benefit	Cash accumulation benefit	Defined benefits and cash accumulation
Basis of contributions	Percentage of member's wage contributed by member and employer	Percentage of member's salary contributed by member and employer. The employer's percentage reflects the amount to provide an accumulation and the amount to provide the defined benefit as recommended by the Actuary.
Employer's legal obligation to contribute	Enforceable subject to right to cease contributions on not less than one month's notice to the Trustee	Enforceable subject to right to cease contributions on written notice to the Trustees. The most recent actuarial review concluded that the Fund has a surplus of assets over liabilities and recommended that Santos Ltd reduce employer's contributions up until the results of the next actuarial review are known. This independent advice has been accepted and defined benefit and accumulation contributions have been suspended accordingly.
Last actuarial assessment		
- date	Not applicable	1 January 1994
- name of valuer and qualifications	Not applicable	G Robinson, BSc, FIAA

29. Contingent Liabilities

	Consolidated		Santos Ltd	
	1994 $million	1993 $million	**1994 $million**	1993 $million
Contingent liabilities arising in respect of other persons:				
(i) Performance guarantees	**5.9**	3.7	**5.2**	3.1
(ii) Employee service agreements	**1.5**	1.5	**1.5**	1.5
(iii) Claims have been lodged including the following:				
(a) claims for breach of contract and public liability	**3.2**	1.4	**1.8**	0.6
(b) claims for loss of contract	**-**	17.4	**-**	12.9
	10.6	24.0	**8.5**	18.1

Legal advice in relation to the claims lodged above indicates that on the basis of available information, liability in respect of these claims is unlikely to exceed $475,000 on a consolidated basis.

In June 1991, the Supreme Court of South Australia made an order concerning the validity of an adjustment to the participation factors in the Cooper Basin Joint Venture, as at 1 January 1987, the effect of which is that those participation factors are to be redetermined. As discussed in note 1(m), the Directors believe that the 1 January 1987 participation factors when redetermined will not vary significantly from those factors as previously calculated.

30. Economic Dependency

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

Statement by Directors

1. In the opinion of the Directors of Santos Ltd:
   (a) the financial statements set out on pages 44 to 70 are drawn up so as to give a true and fair view of the results and cash flows for the financial year ended 31 December 1994, and the state of affairs at 31 December 1994, of the Company and the economic entity;
   (b) the consolidated accounts have been made out in accordance with Divisions 4A and 4B of Part 3.6 of the Corporations Law; and
   (c) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.
2. The financial statements have been made out in accordance with applicable Accounting Standards.

Dated at Adelaide this 15th day of March 1995.

Signed in accordance with a resolution of the Directors:

J A Uhrig
Director

N R Adler
Director

Independent Auditors' Report

To the Members of Santos Ltd

Scope

We have audited the financial statements of Santos Ltd for the financial year ended 31 December 1994, consisting of the Profit and Loss Accounts, Balance Sheets, Statements of Cash Flows, accompanying notes, and the Statement by Directors set out on pages 44 to 71. The financial statements comprise the accounts of the Company and the consolidated accounts of the economic entity, being the Company and its controlled entities. The Company's Directors are responsible for the preparation and presentation of the financial statements and the information they contain. We have conducted an independent audit of these financial statements in order to express an opinion on them to the members of the Company.

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

The names of the controlled entities audited by overseas KPMG member firms or of which we have not acted as auditors are set out in note 19. We have received sufficient information and explanations concerning these controlled entities to enable us to form an opinion on the consolidated accounts.

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

Audit Opinion

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

(a) so as to give a true and fair view of:
   i) the state of affairs of the Company and the economic entity at 31 December 1994 and the results and cash flows of the Company and the economic entity for the year ended on that date; and
   ii) the other matters required by Divisions 4, 4A and 4B of Part 3.6 of the Corporations Law to be dealt with in the financial statements;

(b) in accordance with the provisions of the Corporations Law; and

(c) in accordance with applicable Accounting Standards.

KPMG

KPMG
Chartered Accountants
Adelaide,
15 March 1995

W J Stevens
Partner

Stock Exchange and Shareholder Information

Listed on Australian Stock Exchange at 1 March 1995 were 536,918,418 ordinary shares. Unlisted are 100,000 class 'B' shares, 1,337,250 partly paid Plan '0' shares and 1,221,750 partly paid Plan '2' shares. There were 51,946 holders of all classes of issued shares (including 1 B Class shareholder and 58 holders of Plan '0' shares and 50 holders of Plan '2' shares) compared with 43,303 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 48.1% of the total voting power in Santos (last year 51.7%).

The 20 largest shareholders in Santos as shown in the Company's Register of Members at 28 February 1995 were:

Name	Number of fully paid Shares	% of Voting Capital
ANZ Nominees Limited	49,184,642	9.2
National Nominees Limited	48,966,283	9.1
Westpac Custodian Nominees Limited	33,210,254	6.2
Permanent Trustee Company Limited (BTEQUI A/C)	17,005,753	3.2
State Authorities Superannuation Board	16,559,535	3.1
Australian Mutual Provident Society	13,180,824	2.4
Chase Manhattan Nominees Limited	12,648,742	2.4
Queensland Investment Corporation	11,262,854	2.1
Pendal Nominees Pty Limited	9,578,194	1.8
MLC Life Limited	8,886,163	1.6
Perpetual Trustees Nominees Limited	6,359,807	1.2
CBA Nominees Limited	5,937,202	1.1
Perpetual Trustees Victoria Limited	4,608,900	0.9
Norwich Union Life Australia Limited	3,840,278	0.7
Citicorp Nominees Pty Limited	3,718,414	0.7
The National Mutual Life Association of Australasia Limited	2,958,443	0.5
BT (Queensland) Pty Limited	2,877,840	0.5
Perpetual Trustees Nominees Limited (MBA A/C)	2,695,827	0.5
Australian Foundation Investment Company Limited	2,648,678	0.5
Victorian Superannuation Board	2,250,748	0.4
	258,379,381	48.1

The following interests are recorded in the Company's Register of Substantial Shareholders at 28 February 1995.

Name	Address	No. of Voting Shares Held
Bankers Trust Australia Limited	c/- The Chifley Tower 2 Chifley Square SYDNEY NSW 2000	27,693,614
The Capital Group Inc.	333 South Hope Street LOS ANGELES California 90071 USA	25,001,726

Analysis of the Listed Shares – Range of Shares Held

	Fully Paid Ordinary Shares	% of Holders	% of Shares held
	(Holders)		
1 - 1,000	15,770	30.4	1.63
1,001 - 5,000	28,179	54.4	12.66
5,001 - 10,000	4,899	9.4	6.53
10,001 - over	2,987	5.8	79.18
Total No.	51,835	100.00	100.00

* There were 1,330 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

°API	degrees API (American Petroleum Institute) is the scale used for expressing the specific gravity (weight) of oils at 60°F developed by the American Petroleum Institute. Higher API ratings indicate lighter oil eg. 10-20°API = heavy crude, >40°API = light crude.
appraisal well	an exploration well drilled for the purpose of identifying extensions to known fields or discoveries.
ATP	Authority To Prospect.
barrel/bbl	the standard unit of measurement for all 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 production 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.
EP	Exploration Permit.
exploration well	a wildcat well or appraisal well drilled to find new reserves of oil or gas.
farm-out (farm-in)	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 liquefied petroleum gases propane and butane.
hydrocarbons	solid, liquid or gas compounds of the elements hydrogen and carbon.
km	kilometres.
LNG	liquefied natural gas.
LPG	liquefied petroleum gas.
m	metre.
mmboe	million barrels of oil equivalent.
mmcfgd	million cubic feet of gas per day. One cubic foot of gas is equal to 0.028 cubic metres of gas.
PEL	Petroleum Exploration Licence.
PEP	Petroleum Exploration Permit.
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 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.
WA-P	Western Australian Permit.
wildcat well	an exploration well drilled to identify new accumulations of oil or gas.
ZOCA	Zone of Co-operation Area.

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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