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David Knox: Good morning. Welcome to Santos' 2009 half year results conference call.

Joining me today is my CFO and EVP, Peter Wasow. I will make some introductory comments and Peter will go through the results. I will then close with some comments on our LNG growth projects and strategy going forward.

Turning to slide three, headline profits are down 66 per cent on last year. The major influence was lower prices across our portfolio with the exception of gas prices which were slightly higher. Operating cashflow was strong at $500 million for the first half. Our strong financial position has enabled the board to maintain the dividend at 22 cents per share. Peter will address the numbers in more detail in his presentation.

I would like to begin by talking about delivery on our strategy.

If you turn to slide four, the contents will be familiar to you. Our strategy is unchanged. It's about delivering on the base business, building the LNG business and focussed growth in Asia. More than anything the first half of 2009 was about making significant progress on all strategic fronts, and I am sure you would agree that we kicked some excellent goals. We made very good progress on delivering the strategy in the first half. We have made significant strides in our LNG growth business. The base business is running well. We're driving costs down in eastern Australia and we're seeking to raise operating efficiency while maintaining a strong, safe culture.

Indonesian delivery is excellent, coming in comfortably above budget. The growth projects in support of the base are on track. On LNG growth I will say more later, but progress has been very good with Santos maintaining the pace of both our Gladstone and Papua New Guinea projects.

In Asia we continue to focus our portfolio. We've exited Egypt, selling our interests to BP. Seismic is complete in the Bay of Bengal and we're currently drilling an oil prospect in the Republic of Kyrgyzstan.

I think it's also worth saying something about the Santos approach to delivering on this strategy. Last year we announced the major partnership with Petronas on Gladstone LNG. This week we announced the second important partnership with GDF SUEZ. In both cases our partners bring skills and technology which enables Santos to unlock its reserves.

Turning to slide five, I'm going to talk about the specific delivery milestones. I'd like to focus on a few and say more about others later. We are on track to deliver 53 to 56 million barrels this year. The next stage of the projects is making very good process with phase two at Oyong starting up next month.

We've demonstrated the willingness and the skills to manage our portfolio. We've exited five assets and we've bought into one. All in all in the first half we've conducted over $1 billion of business selling circa $500 million and buying Gunnedah assets for a similar sum. This has re-focussed our portfolio to match our skills and it's also unlocked some of our contingent resources.

Gladstone LNG is now underwritten and the environmental impact study public consultation has closed, and it closed on Monday.

The upstream FEED contractors have also been appointed. As you know PNG has made very good progress led by Exxon.

The capital raising was a key milestone for us and I thank you for your support. What I'll now do is just pass over to Peter who will take you through the detailed results and then return and discuss more on the strategic themes and LNG progress.

Peter Wasow: Good morning everyone, and thank you David for that introduction.

Just turning to slide seven, the first half of 2009 was certainly a tough half. When the industry was riding the upswing we all enjoyed windfall profits, but when the tide turned, and it certainly did in the beginning of the year, the sudden change in revenues required a lot of close attention by all of us here at Santos and right across the industry. All our cost structures inevitably followed the upswing in the price cycle and it will take a while for us as an industry to establish a new equilibrium. So in the first half of 2009 we focussed on trying to build that equilibrium by focussing very much on rebuilding the base business profitability in a new energy price world, a job that I'll say is not yet complete.

We managed this unprecedented volatility while keeping a close eye on the really big prize which, of course, is transforming our asset base from a domestic gas focus to incorporating not just that but a significant export LNG business too. As David said, headline profits were down by about 66 per cent.

If you look to the right on the first chart, we compare the underlying profits in the two halves, and we see a similar story, although just a little better because we had some one-off gains last year, while this year all our significant items netted out to zero.

You can also see that by far and away the biggest variance has been price with everything else amounting to only a small difference. On subsequent slides I'll detail the movement between underlying profit in the two periods, and in the reference slides you can find details of significant items in both tiers.

Let's turn to the underlying profit, and starting on slide eight, overall production levels held up quite well. We, of course, have lost the volumes we sold to Petronas, and to a lesser degree, the Kakap production that was sold in the half. In fact, in 2009 the Petronas share of coal seam gas production was just a little under a million barrels, so had we not sold that, we would have had no decline.

In addition we were successful in offsetting the field decline that we did have by wringing out more production from two high productivity fields; namely, John Brookes and Maleo, where new volumes were able to be sold. This left us with a strong field performance offshore, being offset by higher plant and field downtime onshore. Year on year, the producing assets that we had and kept in our portfolio delivered a little over 98 per cent of the previous period's volume.

The outlook for 2009 remains intact with new production starting up at Oyong as phase two comes on stream later in the year.

Let's look at how production turned into revenue on slide nine. The average selling price dropped from a little over $50 per barrel equivalent on average to around $35. Liquid prices bottomed at the start of the year, but have recovered significantly in past months. Tempering this sudden drop, an opposite movement in the value of the Australian dollar shielded the local industry from the worst of the volatility. Pleasantly, gas volumes were up significantly over 2008 for a number of reasons: first, higher volumes from John Brookes were possible; second, we continued to sell Petronas' share of higher coal seam gas volumes, and last due to growth in our ongoing merchant gas business.

In total gas sales volumes are up 2.4 million barrels over 2008. However, liquids volumes were down by around 800,000 barrels mostly due to downtime at Mutineer in natural decline. The combination of higher gas volumes and lower liquids have increased the gas mix and this has the effect of reducing average prices as shown on the chart.

Turning to production costs on slide 10, we see the Australian dollar being the main driver of higher costs. In fact, had it not been for the foreign exchange effect, production costs would have declined. The main drivers of underlying production costs were lower work-over expenditure, despite continuing and significant work-over program at Bayu Undan, reduced trucking expenses as the Jackson to Moomba pipeline was commissioned, reduced contract services as a result of renegotiation, and offsetting these gains higher costs at Maleo and John Brookes in light of the higher production.

We undertook a major cost reduction program early in the first half trying to rebalance the business, as I said earlier, and whilst changes have yet to flow through to the bottom line, the early effects are evident in this result.

Let's turn to the next slide where I'll detail some of the efforts we've been making. We did a broad-ranging review of where we spent all our dollars, and that has, as I said, has led to some savings in this half and will lead to more in the future. By way of example, in procurement of materials and services, we've so far engaged with between 60 and 70 of our top 100 contractors seeking to renegotiate terms. In the half we settled about 50 contracts, or 50 renegotiations, that yielded savings between no increase in future costs, as the worst outcome, to savings of up to 30 per cent in the best case. While it's difficult to talk in averages, we figure we made savings of between 10 and 20 per cent of expenditures on the top 50 contracts that we've renegotiated to date.

In terms of people, we've made a significant reduction in both the contractor and employee workforces. Almost 300 service providers or contractors have exited the business, mostly in the Cooper Basin. In terms of employees, we were able to stave off large scale redundancies by pruning our work programs along with capital spending and reducing open positions by a further 300. In addition, we implemented a salary freeze for 2009.

In terms of capital where large amounts were saved, and in addition to focussing on the inputs, we pruned projects to ensure that all base businesses are cash positive in the period 2009-11, even at $50 oil prices. Of course, this has resulted in significant cash conservation over the period when we're focussing on delivering our two LNG projects.

Turning to slide 12, we can bring all this together and look at EBITDAX. It's pleasing to note that despite the impact of lower oil prices, we're still able to report cash margins of 64 per cent. We've seen how oil prices and product mix reduced our average selling price by 30 per cent or $15 per barrel equivalent.

Production costs were helped by lower royalties, making up the variance in operating costs you see, and sales volumes were helped by third party gas purchases, notably from Petronas, and of course these volumes came at a cost, but all in all cash costs, including gas purchases, increased by just 40 cents per barrel allowing us to keep a little over $22 per barrel of product sold. This represents a very healthy cash margin of 64 per cent.

On page 13 we report a new element which is reflecting the way we manage our business in four business units, or segments. The table details highlights from each of the segments, and I'll just pick up on a couple of points.

Eastern Australia outperformed the overall business as it was able to maintain its product mix and had relatively better cost performance. Western Australia and Northern Territory is the most liquids-rich part of the business and therefore suffered disproportionately due to the lower oil price. The drop in Asia-Pacific profits was in line with the overall portfolio and GLNG, which reports production from Fairview, had higher costs and lower volumes as a result of the sale to Petronas and expanding field level operations.

Turning to DD&A on slide 14 and moving away from cash profit, I'm very pleased to be able to report we had a reasonable result on this, which is our largest expense item. After many, many years of the DD&A rate moving up, we can report a decline in the result for the first half and a revised and improved outlook for the whole year. There are two elements to the reduction in DD&A.

Lower production volumes obviously in asset sales had the effect of reducing the charge by $16 million, but more pleasingly the rate also reduced. This is due to a review of asset lives and future development costs and comes despite the impact of lower Australian dollar and higher restoration costs. As a result, we've lowered the guidance for full year DD&A to $12.20 per barrel.

Turning to cashflow on slide 15, a quick look at cash tells the same story that we've seen unfold in profit. However, the fall has been muted to some extent. On the chart we can see how lower prices, which is the main driver of the lower cash earnings, has flowed through, but we can also see how the business' working capital requirement has also deflated with lower prices, releasing pre-paid taxes and creditors back into our cash account.

What I should also point out is that we paid the taxes we owed on the Petronas sale this year of around $500 million, but it's not shown as an operating cashflow item; it's shown as an investing cashflow item in our cashflow statement in the accounts.

Turning to slide 16, the first half was clearly tough on companies whose revenues were dependent on oil prices, such as ourselves, but it was also tough on companies who entered the period undercapitalised or carrying too much refinancing risk.

Pleasingly I can report that our strategy has always been based on the premise that this is a volatile business with high amplitude cycles and lumpy investment requirements. What that means, put simply, is that we don't chase the last few basis points in trying to maximise our gearing or minimising our tenor. We would rather have a debt profile that is in line with the life of our assets, and we would prefer to have sufficient equity and liquidity to take advantage of investment opportunities when they arise.

Just a couple of highlights on this page. We're very well capitalised to undertake the PNG LNG project with lenders now confirming their acceptance of covenant light terms for Santos, reflecting our financial strategy and position. What this means is that we can undertake the rest of our business free of any new constraints imposed by the PNG project lenders. In fact, we've agreed a covenant package which is exactly in line with our existing debt portfolio.

We have almost recouped the Gunnedah investment on an after-tax basis through other sales leaving a deficit of around $150 million. This means that we have effected a portfolio swap focussing where we have advantage and letting our new partner, in this case GDF SUEZ, focus on where they have advantage.

We've declared an unchanged dividend of 22 cents. While this represents a high payout ratio on the half's profit, we expect a stronger second half obviously dependent on your view of Australian dollar oil prices. Earnings will be further boosted by the profit on the Petrel, Tern and Frigate sale.

In addition we have significant undistributed franking credits and as a result of the Petronas profit, a healthy retained earnings balance.

I make this point quite clearly, please, that we will not underwrite the DRP as previously advised since we're significantly in funds and would rather see how oil prices and projects unfold before we seek any further shareholder's equity, and as previously announced we will redeem the FUELS out of the proceeds of the share issue.

On that note I'll hand back to David.

David Knox: Thank you very much, Peter.

I'd now like to make some comments about our LNG growth portfolio, and I'm going to be on slide 18.

Santos is building an LNG growth portfolio that's unique, I think, for a company of our size. We now have significant involvement in four LNG projects. This portfolio has the ultimate potential to approach about eight million tonnes of Santos net equity LNG capacity by somewhere around 2020. It's obviously underpinned by our cornerstone interest in Gladstone LNG which I still believe is the leading CSG to LNG project in Queensland, and by our significant interest in PNG LNG.

Darwin has obviously been in production for some years now, and only this week we added a fourth project which we've called Bonaparte LNG.

Another highlight of our LNG portfolio is the company we keep. Our partners in these projects include Petronas, Exxon Mobil, Conoco Phillips and now GDF SUEZ. All are very major players in the global gas industry.

We're very excited about how our LNG portfolio is fast developing.

On slide 19 I want to talk about Gladstone LNG. We firmly believe that Gladstone LNG is the leading CSG project in Queensland. 2008 was a hugely successful year in moving this project forward, and we have kept the pace up in the first half of 2009. Of course, we have to continue this track record if we're to deliver FID in the first half of 2010. I personally am committed to making sure that this occurs.

Key project delivery milestones are highlighted on this slide, and I think you will agree that it's been a very busy and successful half year for the GLNG team. In June I was delighted to sign the binding heads of agreement with Petronas for GLNG off take. This agreement underpins our first train. The picture shows the signing ceremony in the Petronas Towers in Kuala Lumpur with Datuk Wan Zulkiflee, Petronas' vice-president of the gas business. Petronas has proved to be an outstanding partner and we're both committed to deliver the project on schedule.

Slide 20 provides an update on upstream activities. We drilled 90 exploration, appraisal and development wells in the GLNG acreage in the first half, which is in line with our target. You can add another 20 wells in other CSG acreage, including Gunnedah. We have 11 drilling rigs operating which is sufficient for our business needs. This fleet includes two new built rigs which were commissioned during the first half.

We're achieving record drilling times and drilled over 80 km of hole in our CSG areas in the first half. We're on track to exceed the total wells drilled in 2008.

The GLNG EIS was submitted to the Queensland Government and released for public submissions, and these closed on Monday this week. We're very pleased to have Fluor and Foster Wheeler join the GLNG team as dual upstream FEED contractors. They will undertake FEED work on the infrastructure and services required to take the gas from the well head to the inlet flange of the pipeline to Gladstone. This work will get underway in earnest in the current quarter.

As we have said previously, our next reserves update will be in early 2010 in accordance with our normal practice. While I'm not providing numbers today, I can assure you that our reserves are very much on track.

Turning to GLNG downstream on slide 21, we have applied in our EIS for three trains on our site, which would give us 10 million tonnes of capacity. We believe the site can ultimately accommodate up to five trains. Our pipeline and downstream FEED studies are progressing well. Bechtel are doing a two-train FEED which is now 40 per cent complete. The pipeline FEED undertaken by GHD is now 50 per cent complete. All of this work is tracking in line with our first half 2010 FID target.

On marketing, as I said previously, the binding HOA with Petronas underpins our first train. We believe this is the largest LNG deal signed this year. We are continuing to market with strong engagement from a number of other Asian buyers.

I turn to slide 22. As I said earlier, PNG LNG has continued to make excellent progress in 2009. We have a strong operator in Exxon. Four Asian buyers have agreed terms for the full 6.3

million tonne capacity, a significant milestone for the project. We've also committed to early works in the first half. Exxon are leading the project financing and as Peter says, both us and them are making good progress, and, of course, our share of equity financing was resolved by a successful equity-raising in May. With a fair wind, all of this will lead us to a final investment decision by the end of this year.

Turning to slide 23, on Tuesday this week we announced a milestone partnership with GDF SUEZ. This transaction is significant for Santos in a number of key respects.

Santos sold 60 per cent of its interest in the Petrel, Tern and Frigate gas fields to GDF SUEZ for up to $US370 million. This comprised an upfront payment of $US200 million, and full carry to FID and an additional payment of $US170 million at FID.

GDF SUEZ and Santos will develop Bonaparte LNG as a two million tonne floating LNG project. For Santos the transaction maintains the upside value in the project and we also gain access to the technology. This transaction is consistent with Santos' corporate strategy. It unlocks over 200 million barrels of contingent resources. GDF SUEZ is a world-class partner providing leading complimentary competencies, and it deepens LNG options.

GDF SUEZ is one of the largest gas companies. They're the largest gas company in Europe with over 200,000 employees and 60 gigawatts of power production. They're globally positioned through the LNG value chain and the third largest importer of LNG after Kogas and Tepco. GDF SUEZ is a leader in floating LNG technology. They're currently developing two floating re-gas terminals, one in Boston in the US and the other in Chile, and they have a third one planned for Italy.

I have to say I'm delighted that we're able to form a partnership to develop the Bonaparte LNG.

On slide 24 we talk about Burnside, our discovery which we also announced very recently. 65 metres of column with a high net gross is very encouraging. However we need to follow-up with an appraisal well before we determine the full potential of this discovery. I think you will all agree that this discovery has an excellent street address which is a very good starting point.

On slide 25 I want to briefly talk about Gunnedah. Santos has built a basin master position in this quality basin with an ultimate resource potential in excess of 50 tcf of gas, or if you prefer eight billion barrels of oil equivalent. Let me update you briefly on our progress. We are a 48 per cent economic interest in Eastern Star Gas operated permits following our transaction in July. Eastern Star Gas has successfully tested lateral technology and is achieving very good results. Intersecting cleats perpendicular to the master cleat system they have now gas production that has reached 250,000 standard cubic feet a day. High water rates, which are very similar to our Queensland gas wells at this stage in their life.

Following this success, just yesterday Eastern Star Gas announced a 79 per cent increase in 2P reserves and a 51 per cent increase in three 3P reserves.

In our operated areas we're more than halfway through our initial exploration program and we've drilled 15 wells to date. Again the results are encouraging. We have thick coils of up to 60 metres in the Black Jack fairway with all good permeability, gas content up to six metres cubed per tonne and a methane content that's above 90 per cent on average. So we continue to target a contingent resource booking for later this year.

Finally, in conclusion, the first half has been highlighted by strong progress and delivering on our strategic milestones. While our profits in the half were lower driven by lower prices, we remain focussed on delivery against our targets. We're committed to doing this safely and sustainably and by doing so we will deliver superior shareholder returns.

That concludes our formal presentation.

I know that Peter and I would be very happy to take any questions which you might have. If I can have the first question, thank you?

Question: First of all, just a question on the Petrel, Tern, Frigate fields. I'm just wondering whether they've been fully appraised and whether there's any further resource upside, and also whether you could just expand on the rationale for selling-down 60 per cent. Did you consider selling out entirely?

David Knox: We have got over two tcf in 2C contingent resources in the fields. We've got six wells in Petrel, some wells in Tern and one well in Frigate. We're planning actually as part of the FEED to drill another couple of appraisal wells. There is always some upside, but I think two and a half TCF is a good working number for the 2P. We did consider selling more, depending upon what the partners wished to do. In this particular case GDF SUEZ were very keen to have a partner, an Australian partner. They wanted to have a 60/40-type relationship. We were very comfortable with that, and of course we gain enormous upside from being part of the technology, staying in the project as well and, of course, they're carrying us all the way to FID.

So I think this is a very good outcome for us and also an excellent outcome for GDF SUEZ because they've been working on the floating technology for a number of years and the belief is that these fields, these three fields are an ideal place to apply it.

Question: Just in terms of your other resources up in that geography: Evans Shoal, Caldita, Barossa, were they ever part of the sale process? Are they still for sale, those assets, and do you believe they are saleable given the higher C02 levels?

David Knox: As you can see, just looking at the map, on slide 25, there's a clear, fairly sizeable distance between our Petrel, Tern and Frigate fields and the Evans Shoal, Barossa and Caldita fields. Evans Shoal, Caldita and Barossa sort of go together, both because of the ownership across those fields, and Petrel, Tern and Frigate obviously are separate.

So what we're looking to do is to find a way to monetise the value in Evans Shoal, Caldita and Barossa so I'll be asking John Anderson who runs the business in the West to work hard on options for those fields to get them developed as well, and clearly one option from them is to participate in the second train of Darwin would be a very obvious thing to do, but as you've probably seen, we're prepared to be innovative. What we really want to see is forward movement.

Question: So there's no active sort of sale process for those assets at this stage; is that right?

David Knox: Not at present no, but obviously we are looking to monetise them.

Question: Just another one if I could, I just noted the EBITDAX drop in the segments for Gladstone LNG from $38 million first half of 2008 to $8 million. I was wondering if you could expand on the reason for that drop. I understand you've farmed down 40 per cent to Petronas, but outside of that the margin appears to be down. Should we be concerned about that? Is there a reason for the higher costs or are these sort of costs that you're carrying as you're developing up the Gladstone LNG project?

Peter Wasow: I think that latter part of your question, actually, is the answer, and that as the level of field operations continues to ramp-up quite markedly, you're going to have periods which are more and less efficient until we eventually reach kind of plateau production. So it's really about the expansion of field level operations.

David Knox: Today we're above 110 million standard cubic feet a day or 110 terajoules for Fairview. So it's continuing to ramp-up our production there as we go. We can go up to 145 as we draw-up the wells.

Question:	Just one last one if I could. I think in the cost reductions slide you identified you've taken \$350 million of CAPEX out of the base business, so CAPEX program, but the guidance for the year seems to be about \$1.6 billion and remains at that level. Can you reconcile that to that difference please?
Peter Wasow:	Yeah, the \$350 million number was given at our full-year result presentation and at that time what we said was that we were going to reduce the expenditure in our base business to make sure that each of them were cash positive, so in eastern Australia and WA we took out a little less than \$300 million on a comparative basis, and we put about \$200 million or a bit more into the PNG and Gladstone projects.
Question:	So there's not a real net reduction.
Peter Wasow:	And we're saving it on the base business and investing it in LNG.
David Knox:	Particularly PNG early works.
Question:	Just a couple of questions. First of all, the inevitable question on Gladstone LNG, but we have seen this week that Origin has now secured its site at Laird Point. What are the latest views on consolidation, you know, as the window for that is now fast-closing, and also can you just go into a little bit more detail on the status of the marketing? You say that you are still talking to a few Asian buyers. You know, what's the sort of timeframes, should we expect any news on that now?
David Knox:	On consolidation or collaboration, certainly I firmly believe that if we were able to achieve it, it would improve the capital efficiency. Our site is the the first one as you go into the LNG precinct. We chose it. We were the first to choose it and we secured it in July 2007. So we believe we've got a really excellent site right at the harbour mouth with minimal dredging required. As I say, we would welcome collaboration or consolidation, depending upon your language, if it's possible, but I recognise that as time runs on as we go through to FID in the first half of 2010,

then the window will start to close. I think it's helpful that the others are establishing their positions because then they'll obviously know what ground they have to negotiate from, but right now we would welcome it if it's possible to do, but it's not a necessary for us. As you say, we're making excellent progress on our own project and we'll continue to do so.

As far as marketing, the Petronas deal is three million tonnes, two plus an option on our side for one, so we've only got half a million tonnes to sell from the first train and we're actively in the market in all the usual areas, but particularly I think in Japan right now would be an area where we're very focussed.

Question: Is that for half a million tonnes or is that for more than that?

David Knox: Well, it could be. It could be anything from one and a half to a half million tonnes, depending upon discussions with Petronas and also depending upon the demands of the buyers.

Question: So you're not at this stage looking to try and sell gas from a potential second train or, indeed, equity?

David Knox: No. We are willing to sell equity. We have always said that at 60 per cent we're very happy to go down to 51 per cent, which we believe is the right level for us in this project. In exchange for equity, we will be seeking gas contracts both in this first train and also in future trains, and particularly in the train two. Of course, we are doing a two-train FEED, and we are 40 per cent right now through a two-train FEED on this project.

Question: Then finally, last question, just to do with the asset sale process, could we expect any assets from perhaps Western Australia to be sold? I mean obviously Burnside would look like an obvious target given that Inpex has suggested it's looking to buy acreage in the area and already has a 20 per cent stake in that licence.

Are there any other assets that you think could make sense to sell from Santos' perspective?

David Knox: Well, we're not talking about specific assets. You know, what we're seeking to do, exactly as Peter has said, we're seeking to focus our portfolio to areas where we really have competencies and exit areas where they're better in other people's hands. We've demonstrated, I think, in the first half with $1 billion of assets acquisitions and disposals, and our strategy will continue throughout the year.

Now the timing, of course, is uncertain, but we will continue to work our portfolio hard, both in and out, and make sure that we're in a really strong position to fund our growth plans.

Question: Peter, just a question if you could just elaborate just on the covenant light terms that you've referred to for PNG, in terms of shall we just view that as getting a bit of extra headroom for funding in various LNGs?

Peter Wasow: Thanks for that question. I'll actually take that opportunity to expand just a little bit because there has been some misconception about what the guarantee, completion guarantee means, and how it impacts on us as a participant.

The covenants that apply to Santos comprise two components. One, there is a common set of obligations on all the sponsors, and then there are a specific set of obligations on each sponsor depending on their particular situation, and so the covenants that I'm referring to are in that second part, the specific set of obligations, and what we have included in there is a requirement that we do not exceed a certain gearing level as the main obligational covenant that we have to undertake as part of the borrowing.

We do not, as some people have put to me in the last little while, have to keep the cash on the balance sheet to give effect to our completion guarantee. The completion guarantee is viewed as a debt, if you like, and we need to maintain a certain financial standing for that guarantee to have effect and substance. So the covenant package ensures from the lender's perspective that

Santos, without keeping the cash on the balance sheet, is actually able to offer a guarantee that is worth something, and because we were able to successfully launch the equity issue, we entered the negotiations from a position of strength and we're able to come out the other side with a very light set of obligations on us as a company.

Question: So I suppose maybe just following on from that then, does that mean asset sales are there as a backstop to help you sort of meet some of those requirements, as one of the other guys asked earlier?

Peter Wasow: Let me take that opportunity to answer another unspoken question, and that is what is the effect of all of this half's activity been on our financing plan.

When we raised the equity originally we said in the various releases, management presentations and cleansing statements that we were looking at asset purchases and asset acquisitions. In fact, we purchased a different asset than we had disclosed in the cleansing statement, but it was in line with our intention, and as David said, we've almost netted off our acquisitions and disposals. So our overall cash position is not really significantly different from that which we intended it to be. We will continue to look at asset sales as means of funding our LNG portfolio as we go forward, but nothing specific at this time.

Question: A few of my questions have been addressed already, but just looking for an update please on some of the non-LNG projects, specifically Kipper, Reindeer, Chim Sao. I think Shaw River – seems to have disappeared completely, just in terms of timing and progress please?

David Knox: We're in FEED on Shaw River, so as you said in spite of us getting our toe in the water of the power business, which we firmly believe is a way of monetising our gas, so we're well into FEED. That FEED will be completed by next year and at that stage we will decide as to what level of working interest and whether we're going forward with the participation we have in Shaw River.

The other projects, Oyong phase two, these are all good projects to fill in, as Peter sometimes calls it, a bit of the valley between now and when the LNG comes on. Oyong phase two has gone very well. It's about to gas up in Indonesia and it will be online by the end of September, so a very good result for us there.

Henry, we're making good progress there. We're out to get the pipeline barge right now so that we can get that completed by the first half of next year.

Kipper, Exxon are making obviously excellent progress for the first half of 2011 and Apache at Reindeer are exactly the same for 2011.

So we've, in fact, got quite a respectful slate of projects and that's before we, of course, get to the Bonaparte LNG which we announced this week. So we've actually got quite a respectful little pipeline of projects in front of us.

Question: Thanks, and also in Chim Sao I think the FID was supposed to have happened. We haven't seen much there.

David Knox: Yeah, Chim Sao we were hoping to get FID at the end of last year. Due to the financial crisis, securing the FPSO has proved a little bit more tricky. There is some progress being made actually right now on that, and if we finally get it over the line then we will be able to FID that project in the near future.

In the meantime, the last six months have been used to optimise the project, optimise the engineering and where we're going to position the wells and the capital costs, and actually that time's been very valuably used in doing that.

So we're hoping to secure an FPSO but it's the financial backing for that FPSO which has proved the most tricky.

Question:	Can you just quickly run through the significant items? I know they're not material, but I just want to get a handle on them.
Peter Wasow:	Sure. That's in the back-up. I'll pull up the slides.
Question:	28.
Peter Wasow:	Okay, so on sale of assets, that's the sale of Egypt, Kakap, Elevala in PNG and Churchie in Queensland. If you look at the directors' statutory statement you'll see the pre-and post tax. The Thevenard asset we impaired – the operator gave us significantly higher restoration/rehabilitation provisions, so when we plugged that into the model we actually had to impair that asset slightly.

Contract losses on rigs and offices, what these refer to are two things. One, we had to get out of a rig contract because we didn't want to drill some of the things that we were expecting to drill because of the change in the oil price environment, so there was a settlement involved there, and that's why the second quarter production report exploration and evaluation expense is different to what you see in the accounts because we've classified that as an exploration expense. That was an exploration rig, or exploration wells. Also we're moving to a new office in Brisbane, so there's a kind of stub left on the existing office.

Foreign currency gains and losses, that's to do with movement in the Australian dollar and the effect on cash balances we hold in US dollars.

Remediation and cost of pipeline incidents, this is largely last year the $16 million for the Moonie to Brisbane pipeline incident and related costs.

Fair value derivatives, that's one of those accounting things.

Income tax, last year we had a capital loss which we were able to bring to account in the Petronas sale, that's the 28, and this year we have the benefit of the investment allowance, the federal government's 30 per cent reduction in additional investment allowance allowed for certain types of capital expenditures. Now we classify that as not underlying profit.

Question: Just one other quick question. I guess it's more for David or your technical guys. Burnside, just a little bit confused. There's been some pretty large numbers mentioned for the potential gas resource there. When you put out your release you said it was relatively low permeability sandstone interval. That doesn't sound like a commercial reservoir to me. Can you please explain what that means?

David Knox: Yeah, the words are correct. It's very deep. You have to remember it's 4,200 metres, so it's a very high pressure, so relatively low permeability will flow quite nicely. As we say, we've reported a 65 metre column. It's a strong net gross area. It's got a great street address.

The issue with exploration is, you know, you've drilled one eight and a half inch hole. We've got to drill at least another one in order to determine how big this is. Pre-drill I think we've said something from 500bcf to 3tcf was the pre-drill size, but you don't know too much about where you are on that range until you've drilled at least another well.

But no, it's very pleasing to drill a sandstone and find it full of gas.

Question: I think my question was, was there marketing on Gladstone train two, but while I've got you on the line, a couple of questions.

Firstly, with regard to the Gunnedah, to what extent do you believe that this basin can become a future resource base for future CSG to LNG projects?

Secondly, you mentioned that you've acquired a seismic in the Bay of Bengal. Can you give any indication of what that seismic indicates and what the potential may be for that region?

David Knox: Yeah, on Gunnedah, obviously it's a very, very large resort and we have a very strong position in that, extremely large resource. We've got three development options, and probably in sort of some form of order perhaps, but the first thing is we're already using the gas for some small power production that Eastern Star Gas do. So clearly power production is going to be an important area, particularly when you consider in New South Wales they basically don't produce any power from gas. So the first thing I think is power production looks like a very obvious source.

Second is the use in domestic gas. It will be a very good source of domestic gas. It's obviously reasonably close to Sydney, so that's the second thing.

The third area is LNG as a potential export route, and whether that's possible or not, we would have to see as to exactly how this resource proves up and at what pace it proves up, but clearly that would be a long-term option or ambition that we might have for this very sizeable resource, but at first I think we're going to be looking for power options, domestic gas options, while keeping a weather eye on LNG if the reserves prove up well.

On Bay of Bengal, we've shot a very large seismic survey, 3D seismic survey, we shot 2D last year, we shot 3D this year in two blocks in relatively deep water, a thousand metres of water in the Indian side in the Bay of Bengal. The seismic's in the office now. It's being interpreted. It's a virgin basin. It's clearly got lots of gas around. The question is can we find traps for that gas, and we won't know that until we probably drill our first well, but it is an exciting area, and the nice thing about exploration, one of the things about exploration is there always is the potential to be an absolutely game changer, and in this particular case we're working on what I would describe as "Big E" in the Bay of Bengal, exposing the company and shareholders to a really big opportunity. But equally that comes with lots of risk, so time will tell, but so far it's very promising. It was a hard fought over set of blocks when we got them as well, very hard find. We did very well to win them.

Question: A couple of questions if I may. Firstly, in terms of Darwin LNG, I just wanted to understand a little bit about the potential for brownfield expansions there and why Petrel and Tern, I understand Petrel and Tern is only 2.1 TCF, but why an expansion of Darwin may not have been considered using Petrel and Tern gas given the proximity to Darwin and then helping expand that. So if you could elaborate on that strategic thinking please.

David Knox: Yes, thank you. We would have been very happy to develop Petrel, Tern and Frigate to a brownfield Darwin. It would have, I think, combined with some extra reserves and some other things I think it would have made good sense, but we weren't able to make any progress, so we took things into our own hands and said we need to monetise this resource and ran a process, which I think resulted in a fantastic outcome for Santos and introducing a really good, really fantastic company in GDF SUEZ and also new technology into Australia.

There are a number of fields in Australia which are sort of in the one to three TCF range where the floating technology will be directly valuable on. So I'm very excited by the fact that we've brought in a new partner, they're bringing in new technology, we can apply it directly to these fields, we can accelerate the monetisation of them and unless you get on with this project, and then furthermore we're giving ourself the option to gain access to that technology for other fields and obviously the previous caller just discussed Burnside.

You know, if Burnside actually was that sort of scale, then clearly it can be applied in that sort of field as well. So it just gives us masses of options, and I spent the day with GDF SUEZ yesterday and this is a highly competent group of people. They've done a lot of work on this FLNG system.

Question: My next question relates to then thinking about funding, more GLNG and beyond, particularly in 2010 if you take the FID decision. Especially in light of, you know, the dividend, you're paying a dividend much higher than your EPS at the moment, so I just wanted to, if you can expand Peter on what are you thinking about funding for GLNG and how that stacks up given you've got PNG sorted for now, so if you can guide us on that please.

Peter Wasow: I'll just expand on that previous answer I gave. I think really our position is not materially different to that which we put in the management presentation at the time of the equity raising. It's true we bought Gunnedah, and people, I think, presumed that that would be just a $500 million hole in our financing plan, but of course the other part to that equation was not only the sale of Petrel, Tern and Frigate, but the other assets that had been sold this year and the other assets that are in our thinking.

So more or less our plan is still intact and at that time we said we would monitor things as to when they went forward and there are key uncertainties that we need to nail down before we can be definitive about funding, and those uncertainties are what will the cost be, what will the oil price be between now and 2014, what will the equity level be, and under certain scenarios we have sufficient capacity to go forward and under different scenarios we may need to come again to the market, but at this point we have nothing further to add to the picture that we painted at the time of the equity raising.

Question: Just an observation, actually, because most of my questions that I was going to ask have been answered already, but in regards to slide 19 when we're having a look at the capital costs for the GLNG projects, and I know FEED's ongoing and so you don't really have a handle on those costs, but when I look at that slide I can see a bridge going across at the moment. If you could just talk about that in terms of are you planning to actually build that bridge, because there's been much talk around actually barging items across to Curtis Island rather than using a bridge.

David Knox: Yeah, a good observation. What you're looking at there is you're looking straight at Hamilton Point with our site just behind it, and the first thing you see is the marine offloading facility, whereas we're not planning on a bridge. So that's how we'll bring all our materials into the site, including – I know it's very likely it will be not stick-built this train, but built in modules, or these trains.

The thing you see behind it which looks a bit like a bridge is the jetty. So the jetty comes out into the channel and we have a big turning circle there, and that's the LNG jetty that comes from the site. It's a bit conceptual rather than anything else.

One of the beauties of being behind Hamilton Point, you can see the tanks basically are hidden from the town of Gladstone by Hamilton Point, so environmentally when you look from Gladstone, you look over Hamilton Point at our plant and it's hidden behind.

Question: So is that correct to say that you will actually be barging items across to Curtis Island?

David Knox: Yeah, the intention is to, initially anyway, is to barge it over. It depends how the Curtis precinct develops as to whether one day there may be a bridge, but from our perspective we can operate just by going back and forward across the harbour.

Question: My next question relates to Burnside. I've noticed that you've said that you've had a very high net to gross in Burnside one in the [unclear] there. I also note that you've actually finished in rock with the gas, so indicates you've got some down [unclear]. I just want to ask a technical question. Is a Burnside one higher than Ichthys on a structural basis?

David Knox: I think it's a little bit lower than Ichthys on a structural basis, but one of the aspects when you do a discovery as such is this, is really to work exactly what is going on. We do have pressure data, which is extremely helpful in sort of defining it, but what we need to do now is have a really good look at the – and incorporate the results of what we've find into our work, remap the field and then decide where we drill an appraisal well, which I hope we can get done in 2010, but maybe over 2011 before we get to that point. But it's always great to have an exploration discovery and it just picks the whole firm up, which is very good news.

In fact, when you look back we've got a couple of good weeks with that two weeks ago, and now GDF SUEZ this week. It's been great.

Question: Just a couple of questions on funding prompted by the cancellation of the underwritten DRP. I would have assumed that would have been a cheaper form of funding than the recent equity issue, so it's equity issuing, so it's sort of raised a couple of question.

Now that the entitlement offer is over, do you feel that the $12.50 issue price was fair, or do you think that that was a tad conservative given market conditions? I suppose sort of drilling into that, who actually advised you on that?

Peter Wasow: I'll take that question. In terms of the DRP versus the equity raised, because we have such high proportion of take-up in the rights offer, all of the discount that we offered, essentially all of it, went to our existing shareholders, so on that basis there was no dilution.

If you contrast that with what happens with DRPs is that because you signal the DRP is coming in advance, traders get set, and while we don't offer a discount on the DRPs or even the underwritten portion of it, there is a bit of pushing of the stock during the pricing period, and so whatever discount that kind of materialises as a result of the trading actually winds up going to traders, not to the long-term shareholders.

In terms of whether the $12.50 was right or not, it was large scale, two for five issue, it was a discount to TERP which was below all the other issues that were happening at that time, and because there was no dilution to our existing shareholders, I think it probably wasn't a bad outcome.

Question: Just a follow-up, just on those covenants from PNG, the individual ones that apply to Santos versus the other sort of joint venture partners, it just seems that you guys have been dealt sort of a more punitive blow because your gearing was never going to get anywhere close to the level of, say, Oil Search in the projects, so can you give us a bit more detail on exactly what cards you were dealt versus the other sort of smaller partners in the project?

Peter Wasow: I can't give you anything on the other partners, but each of the borrowers essentially, or the sponsors I think is a better term of borrower, each of the sponsors has a different arrangement with the lenders reflecting their individual positions. So that's really all I can say. Our position reflected our balance sheet strength and the covenants that we have reflect the...

David Knox: The strong balance sheet, yeah.

Peter Wasow: Reflect that.

David Knox: Thank you very much for joining us this morning. I look forward to meeting you all over the next month. Thank you very much.

End of Transcript