HALF-YEAR REPORT INCORPORATING APPENDIX 4D

Santos Limited and its controlled entities

For the period ended 30 June 2010, under Listing Rule 4.2.

Santos

We have the energy.

Results for announcement to the market

Appendix 4D for the period ended 30 June 2010

				$million
Revenue from ordinary activities	Up	8.2%	to	1,134
Underlying profit after tax	Up	121.1%	to	210
Profit from ordinary activities after tax attributable to members	Up	94.1%	to	198
Net profit for the period attributable to members	Up	94.1%	to	198

Interim Dividends	Amount per security	Franked amount per security at 30% tax
Ordinary securities	22.0¢	22.0¢
Record date for determining entitlements to the dividend	7 September 2010	
Comparison period ended is 30 June 2009		

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Half-year Report 30 June 2010

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About Santos

An Australian energy pioneer since 1954, Santos is one of the Country's leading gas producers, supplying Australian and Asian customers.

Santos has been providing Australia with natural gas from the remote outback for more than 40 years. The company today is the largest producer of natural gas to the Australian domestic market, supplying 17% of the nation's gas needs.

Santos has also developed major oil and liquids businesses in Australia and operates in all mainland Australian states and the Northern Territory.

From this base, Santos is pursuing a transformational liquefied natural gas ("LNG") strategy with interest in four exciting LNG projects.

This strategy is led by the cornerstone GLNG® project in Queensland – a leading project in converting coal seam gas into LNG. Also in Santos' LNG portfolio are the PNG LNG project, which was formally approved in December 2009, Bonaparte LNG, a proposed floating LNG project in the Timor Sea, and Darwin LNG, Santos' first LNG venture, which began production in 2006.

Santos has built a strong and reliable production business in Indonesia and is further developing its Asian business through development projects and exploration investment.

Santos has about 2,200 employees working across its operations in Australia and Asia.

Directors' Report

The Directors present their report together with the financial report of the consolidated entity, being Santos Limited ("Company") and its controlled entities, for the half-year ended 30 June 2010 and the auditor's review report thereon.

1. Strategy

Santos' vision is to be a leading energy company in Australia and Asia. We have a simple and robust strategy to achieve this: drive performance in the base business, deliver a suite of LNG projects and pursue focussed opportunities in Asia.

2. Review and Results of Operations

A review of the operations and of the results of those operations of the consolidated entity during the half-year is as follows:

Summary of results

	2010	2009	Variance
	MMboe	MMboe	%
Production volume	24.2	26.7	(9.4)
Sales volume	28.5	29.0	(1.7)
	$million	$million	
Product sales	1,091	1,024	6.5
EBITDAX	655	647	1.2
Exploration and evaluation expensed	(55)	(113)	(51.3)
Depreciation and depletion	(279)	(317)	(12.0)
Net impairment loss	(38)	(8)	
EBIT	283	209	35.4
Net finance income/(costs)	10	(12)	
Taxation expense	(95)	(95)	-
Net profit for the period	198	102	94.1
Underlying profit for the period*	210	95	121.0

** Please refer to page 4 for the reconciliation from net profit to underlying profit for the period.*

Base Business

First half production of 24.2 million barrels of oil equivalent ("MMboe") was 9% lower compared to the first half of 2009, primarily due to major wet weather and flood events in Central Australia impacting Cooper Basin operations (2.0 MMboe), partially offset by stronger gas production in Western Australia and Indonesia.

Sales volumes for the first half, of 28.5 MMboe, were in line with the first half of 2009. Withdrawal of gas from storage, supplemented by gas purchases, was utilised to meet customer gas demand ex the Cooper Basin.

Higher commodity prices were evident across the Santos portfolio in the first half of 2010. The average realised oil price was A$86.99 per barrel, 19% higher than the first half of 2009, while the average gas price of A$4.37 per gigajoule was 4% higher. Product sales revenue was $1,091 million, 7% higher than the first half of 2009.

LNG Projects

Santos is building a material LNG business with interests in four LNG projects.

> ### GLNG (Santos 60%)

GLNG involves the production of LNG using coal seam gas sourced from the GLNG gas fields in the Bowen and Surat Basins in Queensland. GLNG is making significant progress towards a final investment decision in 2010 with first LNG deliveries scheduled to begin in 2014. The design contemplates a two-train development with a capacity of 7.2 million tonnes per annum ("mtpa") of LNG.

In May 2010, GLNG became Australia's first major coal seam gas to LNG project to receive environmental approval from the Queensland Government. The environmental approval process is continuing with Federal Government consideration of the project. Engineering design works for the project are nearing completion.

GLNG has signed a binding heads of agreement to sell 2 mtpa of LNG to project partner PETRONAS with a sellers' option for an additional 1 mtpa. PETRONAS, the largest LNG producer in Asia, owns 40% of GLNG.

> ### PNG LNG (Santos 13.5%)

Sanctioned in December 2009, the PNG LNG project will develop the gas and condensate resources in the Hides, Angore and Juhu fields and the associated gas resources in the currently operating oil fields of Kutubu, Agogo, Gobe and Moran in the Southern Highlands and Western Provinces of Papua New Guinea. The gas will be transported by pipeline to an LNG facility with a capacity of 6.6 mtpa located northwest of Port Moresby on the coast of the Gulf of Papua.

Early works construction commenced prior to sanction and continues at the upstream and LNG plant locations and for supporting infrastructure.

All of the project's production capacity has been committed with four major LNG buyers in the Asia Pacific region. First LNG deliveries are scheduled to begin in 2014.

> ### Darwin LNG (Santos 11.5%)

The Darwin LNG project, Santos' first producing LNG asset, commenced production in 2006. During the first half of 2010, the asset completed a planned shutdown during which LNG production capacity was upgraded to 3.6 mtpa. Santos' interest in the project has increased this year from 11.4% to 11.5%, subject to regulatory approval.

> ### Bonaparte LNG (Santos 40%)

Santos has partnered with France's GDF SUEZ to study the development of Bonaparte LNG, a proposed floating LNG project located in the Timor Sea off the northern coast of Australia. GDF SUEZ will carry Santos' share of costs until a final investment decision.

Asia

The Company's focused Asia strategy continues to progress, with producing assets delivering strong performance and multiple options for growth. Indonesia continues to be a source of growth with record production from the two operated assets in East Java and the Wortel project progressing towards a final investment decision later in 2010. Construction is progressing to plan on Santos' first oil project in Vietnam, Chim Sao, with first oil expected in the second half of 2011.

Net Profit

The 2010 first half net profit of $198 million is $96 million higher than in 2009, mainly due to higher revenues driven by higher product prices, lower exploration and evaluation expenses, partially offset by current year impairment losses.

As a result of the Company's regular impairment review of assets, the recoverable amount of some assets was assessed to be impaired and impairment losses of $38 million pre-tax ($25 million after tax) have been recognised in the 2010 financial report. The impairments primarily relate to increased restoration obligations for the Jabiru/Challis and Legendre assets.

Net profit includes net loss items before tax of $42 million (after tax $12 million), referred to in the underlying profit table below.

Underlying Profit Table

	2010 $million			2009 $million		
	Gross	**Tax**	**Net**	**Gross**	**Tax**	**Net**
Underlying profit			**210**			**95**
Net (losses)/gains on sales and impairment losses	(40)	13	**(27)**	14	2	**16**
Foreign currency gains/(losses)	5	(2)	**3**	(19)	4	**(15)**
Fair value adjustments on embedded derivatives and hedges*	(13)	4	**(9)**	8	(2)	**6**
Remediation costs and contract losses, net of related insurance recoveries*	6	(2)	**4**	(8)	(2)	**(10)**
Investment allowance	-	17	**17**	-	10	**10**
	(42)	30	**(12)**	(5)	12	**7**
Net profit after tax			**198**			**102**

This table has been prepared in accordance with the AICD/Finsia principles for reporting underlying profit.

**Adjustment to prior year to ensure comparability with current year.*

Equity Attributable to Equity Holders of Santos Limited / Dividends

Equity attributable to equity holders of Santos Limited at 30 June 2010 was $7,021 million.

On 26 August 2010, the Directors resolved that a fully franked interim dividend of 22 cents per fully paid ordinary share be paid on 6 October 2010 to shareholders registered in the books of the Company at the close of business on 7 September 2010.

The 2010 interim dividend of 22 cents per fully paid ordinary share is comparable with the 2009 interim dividend which was also 22 cents per share, fully franked.

Cash Flow

The net cash inflow from operating activities of $537 million was 8% higher than the first half of 2009. This increase is principally attributable to higher cash receipts from customers driven by higher product prices and lower exploration and evaluation expenses, partially offset by increased cash payments to suppliers and employees and income tax and royalty related tax payments.

Portfolio Management

Santos announced the sale of its interest in the NT/P 48 (Evans Shoal) permit in the Bonaparte Basin offshore northern Australia to Magellan Petroleum Australia Limited for up to $200 million. The sale has not been recognised in the financial report at 30 June 2010 pending completion later in the year. The transaction is a further outcome of Santos' ongoing review of commercialisation options for its gas assets in the Bonaparte Basin and follows the sale of 60% of the Petrel, Tern and Frigate fields to GDF SUEZ for up to US$370 million announced in August 2009.

Outlook

Santos maintains production guidance in the range of 49 to 52 MMboe for 2010.

Petroleum Resource Rent Tax

The Australian Federal Government recently proposed that the current Petroleum Resource Rent Tax regime will be extended to all Australian onshore and offshore oil and gas projects to apply from 1 July 2012. The proposal is subject to extensive negotiation, drafting of legislation and approval by Parliament.

Post Balance Day Events

The following events occurred subsequent to 30 June 2010, the financial effects of which have not been brought to account in the half-year financial report for the six months ended 30 June 2010:

- On 19 July 2010 Santos announced it had executed a $2,000 million bilateral bank loan facility. This new facility will be used to replace and extend Santos' existing $700 million of undrawn bilateral bank facilities that matures between 2011 and 2013 and to increase liquidity. The weighted average term of the new facility is five years; and
- On 26 August 2010, the Directors of Santos Limited declared an interim dividend on ordinary shares in respect of the 2010 financial year. Refer to note 14 to the Financial Statements for the details of the dividends declared.

3. Directors

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

Surname	Other Names
Borda	Kenneth Charles
Coates	Peter Roland (Chairman)
Dean	Kenneth Alfred
Franklin	Roy Alexander
Harding	Richard Michael
Hemstritch	Jane Sharman
Knox	David John Wissler (Managing Director)
Martin	Gregory John Walton

Each of the above named Directors held office during and since the end of the half year, except for Ms Hemstritch, who was appointed to the Board on 16 February 2010.

4. Rounding

Australian Securities and Investments Commission Class Order 98/100, dated 10 July 1998, applies to the Company. Accordingly, amounts have been rounded off in accordance with that Class Order, unless otherwise indicated.

5. Auditor's Independence Declaration

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

This report is made out on 26 August 2010 in accordance with a resolution of the Directors.

Director

Director

26 August 2010

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Auditor's Independence Declaration to the Directors of Santos Limited

In relation to our review of the financial report of Santos Limited for the half-year ended 30 June 2010 to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

R J Curtin
Partner
Adelaide, South Australia
26 August 2010

Liability limited by a scheme approved under
Professional Standards Legislation

INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2010

	Note	Consolidated 30 June 2010 $million	30 June 2009 $million
Product sales	4	1,091	1,024
Cost of sales	5	(704)	(691)
Gross profit		387	333
Other revenue	4	43	24
Other income	4	3	28
Other expenses	5	(149)	(176)
Finance incomes	6	55	34
Finance expenses	6	(45)	(46)
Share of net losses of an associate		(1)	-
Profit before tax		293	197
Income tax expense		(81)	(67)
Royalty related taxation expense		(14)	(28)
Total taxation expense		(95)	(95)
Net profit for the period attributable to the equity holders of Santos Limited		198	102
Earnings per share attributable to the equity holders of Santos Limited (¢)			
Basic earnings per share		23.8	12.4
Diluted earnings per share		23.7	12.3
Dividends per share ($)			
Ordinary shares	14	0.20	0.20
Redeemable preference shares	14	-	2.9989

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

STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2010

	Consolidated	
	30 June 2010 $million	30 June 2009 $million
Net profit for the period	198	102
Other comprehensive income, net of tax:		
Net exchange gain/(loss) on translation of foreign operations	43	(192)
Tax effect	-	-
	43	(192)
Net (loss)/gain on foreign currency loans designated as hedges of net investments in foreign operations	(55)	179
Tax effect	17	(54)
	(38)	125
Net change in fair value of available-for-sale financial assets	(1)	-
Tax effect	-	-
	(1)	-
Net actuarial (loss)/gain on the defined benefit plan	(3)	13
Tax effect	1	(4)
	(2)	9
Other comprehensive income, net of tax	2	(58)
Total comprehensive income	200	44

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

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2010

	Note	Consolidated 30 June 2010 $million	31 December 2009 $million
Current assets			
Cash and cash equivalents	8	2,375	2,240
Trade and other receivables		640	917
Inventories		288	273
Other financial assets	9	35	65
Tax receivable		59	24
Total current assets		3,397	3,519
Non-current assets			
Receivables		10	10
Investment in an associate		178	177
Other financial assets	9	186	136
Exploration and evaluation assets	10	975	923
Oil and gas assets	11	6,879	6,317
Other land, buildings, plant and equipment	12	214	200
Deferred tax assets		71	79
Total non-current assets		8,513	7,842
Total assets		11,910	11,361
Current liabilities			
Trade and other payables		803	709
Deferred income		117	83
Interest-bearing loans and borrowings		163	164
Current tax liabilities		40	20
Provisions		104	94
Other financial liabilities		6	10
Total current liabilities		1,233	1,080
Non-current liabilities			
Deferred income		14	17
Interest-bearing loans and borrowings		1,957	1,649
Deferred tax liabilities		851	871
Provisions		826	768
Other financial liabilities		8	9
Total non-current liabilities		3,656	3,314
Total liabilities		4,889	4,394
Net assets		7,021	6,967
Equity			
Issued capital	13	5,003	4,987
Reserves		(279)	(283)
Retained earnings		2,297	2,263
Total equity		7,021	6,967

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

STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2010

	Note	Consolidated **30 June 2010 $million**	 30 June 2009 $million
Cash flows from operating activities			
Receipts from customers		1,205	1,060
Interest received		45	32
Overriding royalties received		5	4
Insurance proceeds received		6	27
Pipeline tariffs and other receipts		23	44
Payments to suppliers and employees		(530)	(420)
Exploration and evaluation - seismic and studies		(55)	(129)
Royalty and excise paid		(26)	(30)
Borrowing costs paid		(23)	(49)
Income taxes paid		(30)	(1)
Royalty related taxes paid		(83)	(39)
Net cash provided by operating activities		537	499
Cash flows from investing activities			
Payments for:			
Exploration and evaluation assets		(87)	(46)
Oil and gas assets		(548)	(695)
Other land, buildings, plant and equipment		(32)	(31)
Acquisitions of oil and gas assets		(4)	(18)
Acquisitions of controlled entities		(3)	(6)
Investment in an associate		(2)	-
Restoration		(6)	(13)
Income taxes paid on disposal of non-current assets		-	(497)
Proceeds from disposal of non-current assets		222	14
Proceeds from disposal of controlled entities		-	25
Other investing activities		-	(1)
Net cash used in investing activities		(460)	(1,268)
Cash flows from financing activities			
Dividends paid		(151)	(124)
Drawdown of borrowings		181	-
Repayments of borrowings		(10)	(45)
Proceeds from maturity of term deposits		30	-
Proceeds from issues of ordinary shares		-	3,002
Proceeds from issues placed on term deposits		-	(1,176)
Net cash provided by financing activities		50	1,657
Net increase in cash and cash equivalents		127	888
Cash and cash equivalents at the beginning of the period		2,240	1,553
Effects of exchange rate changes on the balances of cash held in foreign currencies		8	(24)
Cash and cash equivalents at the end of the period	8	2,375	2,417

The statement of cash flows is to be read in conjunction with the notes to the half-year financial statements.

STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2010

	Issued capital $million	Translation reserve $million	Fair value reserve $million	Retained earnings $million	Total equity $million
Consolidated					
Balance at 1 January 2010	4,987	(281)	(2)	2,263	6,967
Net profit for the period	-	-	-	198	198
Other comprehensive income for the period	-	5	(1)	(2)	2
Total comprehensive income for the period	-	5	(1)	196	200
Transactions with owners in their capacity as owners:					
Shares issued	16	-	-	-	16
Dividends to shareholders	-	-	-	(166)	(166)
Share-based payment transactions	-	-	-	4	4
Balance at 30 June 2010	5,003	(276)	(3)	2,297	7,021
Balance at 1 January 2009	2,531	(187)	(2)	2,136	4,478
Profit for the period	-	-	-	102	102
Other comprehensive income	-	(67)	-	9	(58)
Total comprehensive income for the period	-	(67)	-	111	44
Transactions with owners in their capacity as owners:					
Share options exercised by employees	4	-	-	-	4
Entitlement offer exercised	2,914	-	-	-	2,914
Shares issued	117	-	-	-	117
Dividends to shareholders	-	-	-	(135)	(135)
Share-based payment transactions	-	-	-	5	5
Balance at 30 June 2009	5,566	(254)	(2)	2,117	7,427

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

NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2010

1. Corporate Information

Santos Limited ("the Company") is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange ("ASX") and is the ultimate parent entity in the Group. The consolidated financial report of the Company for the six months ended 30 June 2010 comprises the Company and its controlled entities ("the Group").

The financial report was authorised for issue in accordance with a resolution of the Directors on 26 August 2010.

2. Basis of Preparation and Significant Accounting Policies

Basis of preparation

This general purpose condensed financial report for the half-year ended 30 June 2010 has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001.*

The half-year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the Group as the full financial report.

It is recommended that the half-year financial report be read in conjunction with the annual report for the year ended 31 December 2009 and considered together with any public announcements made by Santos Limited during the half-year ended 30 June 2010 in accordance with the continuous disclosure obligations of the ASX listing rules.

Significant accounting policies

The accounting policies adopted in the half-year financial report are consistent with those applied in the preparation of the Group's financial report for the year ended 31 December 2009, except for the following.

The Group has adopted the following revised standards which have an impact on the Group's accounting policies and presentation and disclosure of the financial report:

- The Group adopted the revised standard AASB 3 *Business Combinations* from 1 January 2010 which introduces significant changes in the accounting for business combinations occurring after this date. Changes affect the valuation of non-controlling interests, the accounting for transaction costs, the initial recognition and subsequent measurement of contingent consideration and business combinations achieved in stages. These changes impact the reported results in the period when an acquisition occurs and future reported results; and
- The Group adopted the revised standard AASB 127 *Consolidated and Separate Financial Statements* from 1 January 2010 which requires the ownership interest in a subsidiary (without a change in control) be accounted for as a transaction with owners in their capacity as owners. Therefore such transactions will no longer give rise to a gain or loss in the statement of comprehensive income. Furthermore, the revised standard changes the accounting for losses incurred by a partially owned subsidiary as well as the loss of control of a subsidiary.

The changes in AASB 3 and AASB 127 will affect future acquisitions, changes in and loss of control of subsidiaries and transactions with non-controlling interests. The changes in accounting policies were applied prospectively.

2. Basis of Preparation and Significant Accounting Policies (continued)

Significant accounting policies (continued)

The following standards and interpretations and all consequential amendments, which became applicable from 1 January 2010, have also been adopted by the Group. These standards and interpretations have not impacted on the accounting policies, financial position or performance of the Group, or on presentation or disclosure in the financial report:

- AASB 2008-3 *Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127;*
- AASB 2008-6 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project;*
- AASB 2008-8 *Amendments to Australian Accounting Standards – Eligible Hedged Items;*
- AASB 2008-13 *Amendments to Australian Accounting Standards arising from AASB Interpretation 17 – Distributions of Non-cash Assets to Owners;*
- AASB 2009-4 *Amendments to Australian Accounting Standards arising from the Annual Improvements Process;*
- AASB 2009-5 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project;*
- AASB 2009-7 *Amendments to Australian Accounting Standards;*
- AASB 2009-8 *Amendments to Australian Accounting Standards – Group Cash-settled Share-based Payment Transactions;*
- AASB 2009-9 *Amendments to Australian Accounting Standards – Additional Exemptions for First-time Adopters;*
- Interpretation 17 *Distributions of Non-cash Assets to Owners; and*
- Interpretation 18 *Transfers of Assets from Customers.*

The Group has not elected to early adopt any new standards or amendments that are issued but not yet effective.

Significant accounting judgements, estimates and assumptions

The significant accounting judgments, estimates and assumptions adopted in the half-year financial report are consistent with those applied in the preparation of the Group's financial report for the year ended 31 December 2009.

The Australian Federal Government recently proposed that the current Petroleum Resource Rent Tax regime will be extended to all Australian onshore and offshore oil and gas projects to apply from 1 July 2012. The proposal is subject to extensive negotiation, drafting of legislation and approval by Parliament. Consequently the financial statements have been prepared in accordance with current tax legislation.

3. Segment Information

The Group has identified its operating segments to be the four business units of Eastern Australia, Western Australia and Northern Territory ("WA & NT"), Asia Pacific, and Gladstone LNG ("GLNG®"), based on the different geographical regions and the similarity of assets within those regions. The other and unallocated segment comprises the activities undertaken by the Group's technical, exploration and corporate functional groups. This is the basis on which internal reports are provided to the Chief Executive Officer for assessing performance and determining the allocation of resources within the Group.

The Asia Pacific operating segment includes operations in Indonesia, Papua New Guinea, Vietnam, India, Bangladesh, Kyrgyz Republic and Egypt.

The Group operates primarily in one business, namely the exploration, development, production, transportation and marketing of hydrocarbons. Revenue is derived primarily from the sale of gas and liquid hydrocarbons.

3. Segment Information (continued)

	Eastern Australia		WA & NT		Asia Pacific		GLNG		Other and unallocated		Total	
	2010 $million	2009 $million	**2010 $million**	2009 $million	**2010 $million**	2009 $million	**2010 $million**	2009 $million	**2010 $million**	2009 $million	**2010 $million**	2009 $million
Revenue												
Sales to external customers	544	482	423	386	90	88	10	51	24	17	1,091	1,024
Inter-segment sales	-	-	5	6	-	-	43	13	(48)	(19)	-	-
Other revenue from external customers	24	16	4	1	-	1	8	4	7	2	43	24
Total segment revenue	568	498	432	393	90	89	61	68	(17)	-	1,134	1,048
Results												
Earnings before interest, tax, depreciation, depletion, exploration and impairment ("EBITDAX")	278	303	312	285	64	75	15	6	(14)	(22)	655	647
Depreciation and depletion	(153)	(191)	(78)	(83)	(21)	(21)	(19)	(14)	(8)	(8)	(279)	(317)
Exploration and evaluation expensed	-	-	-	-	-	-	-	-	(55)	(113)	(55)	(113)
Net impairment loss	-	-	(34)	(8)	(4)	-	-	-	-	-	(38)	(8)
Earnings before interest and tax ("EBIT")	125	112	200	194	39	54	(4)	(8)	(77)	(143)	283	209
Finance income											55	34
Finance expenses											(45)	(46)
Profit before tax											293	197
Income tax expense											(81)	(67)
Royalty related taxation expense	2	(2)	(16)	(26)	-	-	-	-	-	-	(14)	(28)
Total taxation expense											(95)	(95)
Net profit for the period											198	102

3. Segment Information (continued)

	Eastern Australia		WA & NT		Asia Pacific		GLNG		Other and unallocated		Total	
	2010 $million	2009 $million	**2010 $million**	2009 $million	**2010 $million**	2009 $million	**2010 $million**	2009 $million	**2010 $million**	2009 $million	**2010 $million**	2009 $million
Amounts included in profit before tax that are unusual because of their nature, size or incidence:												
(Loss)/gain on sale of oil and gas assets	-	-	-	-	(1)	34	-	1	(2)	-	(3)	35
Loss on sale of controlled entity	-	-	-	-	-	(13)	-	-	-	-	-	(13)
Insurance recoveries from incidents	6	6	-	-	-	-	-	-	-	-	6	6
Change in provisions of remediation and related incidents	-	3	-	-	-	-	-	-	-	-	-	3
Provision for contracting losses	-	-	-	-	-	(15)	-	(1)	-	-	-	(16)

	Consolidated	
	30 June 2010 $million	30 June 2009 $million
4. Revenue and Other Income		
Product sales:		
Gas, ethane and liquefied gas	584	540
Crude oil	297	308
Condensate and naphtha	122	91
Liquefied petroleum gas	88	85
	1,091	1,024
Other revenue:		
Overriding royalties	4	3
Pipeline tariffs and processing tolls	25	10
Trading revenue	8	7
Other	6	4
	43	24
Total revenue	1,134	1,048
Other income:		
Insurance recoveries	6	6
Net loss on sale of controlled entities	-	(13)
Net (loss)/gain on sale of non-current assets	(2)	35
Other	(1)	-
	3	28
5. Expenses		
Cost of sales:		
Cash cost of production:		
Production costs:		
Production expenses	234	231
Production facilities operating leases	42	35
	276	266
Other operating costs:		
Pipeline tariffs, processing tolls and other	55	37
Royalty and excise	21	25
	76	62
Total cash cost of production	352	328
Depreciation and depletion	277	314
Third party gas purchases	70	56
Decrease/(increase) in product stock	5	(7)
Total cost of sales	704	691

		Consolidated	
		30 June 2010 $million	30 June 2009 $million
5.	**Expenses (continued)**		
	Other expenses:		
	Selling	6	4
	Corporate	40	37
	Depreciation	2	3
		48	44
	Foreign exchange (gains)/losses	(5)	19
	Losses/(gains) from change in fair value of derivative financial assets designated as at fair value through profit or loss	4	(4)
	Fair value hedges, (gains)/losses:		
	On the hedging instrument	(45)	121
	On the hedged item attributable to the hedged risk	54	(125)
	Exploration and evaluation expensed	55	113
	Net impairment loss on oil and gas assets	27	8
	Net impairment loss on receivables	11	-
	Total other expenses	149	176
6.	**Net Finance Costs**		
	Interest income	(55)	(34)
	Finance income	(55)	(34)
	Interest paid to third parties	26	43
	Less borrowing costs capitalised	-	(14)
		26	29
	Unwind of the effect of discounting on provisions	19	17
	Finance expense	45	46
	Net finance (income)/costs	(10)	12

	Consolidated	
	30 June 2010 $million	30 June 2009 $million
7. Earnings		
EBITDAX is calculated as follows:		
Profit before tax	293	197
Deduct:		
Net financing income/(costs)	10	(12)
EBIT	283	209
Add back:		
Depreciation and depletion	279	317
Exploration and evaluation expensed	55	113
Net impairment loss on oil and gas assets	27	8
Net impairment loss on receivables	11	-
EBITDAX	655	647

	30 June 2010 $million	31 December 2009 $million
8. Cash and Cash Equivalents		
Cash at bank and in hand	249	234
Short-term deposits	2,126	2,006
	2,375	2,240
9. Other Financial Assets		
Current – other financial assets		
Term deposits	30	60
Interest rate swap contracts	1	3
Cross currency swap contracts	1	-
Other	3	2
	35	65
Non-current – other financial assets		
Interest rate swap contracts	177	123
Receivables due from other related entities	7	10
Available-for-sale investment	1	2
Other	1	1
	186	136

		Consolidated	
		30 June 2010 $million	31 December 2009 $million
10.	**Exploration and Evaluation Assets**		
	Balance at the beginning of the period	923	493
	Acquisitions of controlled entities	-	8
	Acquisitions of exploration and evaluation assets	3	351
	Additions	84	230
	Exploration and evaluation expensed	(7)	(63)
	Disposals and recoupment	-	(24)
	Transfer to oil and gas assets	(33)	(38)
	Exchange differences	5	(34)
	Balance at the end of the period	975	923
	Comprising:		
	Acquisition related costs	515	535
	Successful exploration wells	214	199
	Exploration and evaluation assets pending determination of success	246	189
		975	923

		Consolidated	
		Six months ended 30 June 2010 $million	Twelve months ended 31 December 2009 $million
11.	**Oil and Gas Assets**		
	Assets in development		
	Balance at the beginning of the period	768	587
	Additions	420	335
	Disposal and recoupment	-	(48)
	Transfer from exploration and evaluation assets	29	1
	Exchange differences	41	(107)
	Balance at the end of the period	1,258	768
	Producing assets		
	Balance at the beginning of the period	5,549	5,603
	Acquisition of oil and gas assets	-	9
	Additions	324	762
	Transfer from exploration and evaluation assets	4	37
	Disposals	-	(48)
	Depreciation and depletion expense	(264)	(590)
	Net impairment losses	(27)	(37)
	Exchange differences	35	(187)
	Balance at the end of the period	5,621	5,549
	Total oil and gas assets	6,879	6,317
	Comprising:		
	Exploration and evaluation expenditure related to these assets pending commercialisation	34	31
	Other capitalised expenditure	6,845	6,286
		6,879	6,317

12.	**Other Land, Buildings, Plant and Equipment**		
	Balance at the beginning of the period	200	160
	Additions	29	69
	Depreciation	(15)	(29)
	Balance at the end of the period	214	200

		Consolidated	
		30 June 2010 $million	31 December 2009 $million
13.	**Issued Capital**		
	Ordinary Shares	5,003	4,987
	Redeemable convertible preference shares	-	-
		5,003	4,987

	Six months ended 30 June 2010	Twelve months ended 31 December 2009	**Six months ended 30 June 2010**	Twelve months ended 31 December 2009
	Number of Shares		**$million**	$million
Movement in fully paid ordinary shares				
Balance at the beginning of the period	831,834,626	584,812,875	4,987	1,947
Santos Employee Share Acquisition Plan	-	101,376	-	2
Santos Employee Share Purchase Plan	-	18,400	-	-
Shares issued on exercise of options	9,668	427,050	-	4
Shares issued on vesting of Share Acquisition Rights	381,500	303,085	-	-
Santos Executive Share Plan	-	-	-	-
Non-executive Director Share Plan	1,671	20,390	-	-
Entitlement offer	-	237,287,762	-	2,914
Dividend Reinvestment Plan ("DRP")	1,123,176	2,005,880	16	30
DRP underwriting agreement	-	6,857,808	-	106
Transfer from redeemable convertible preference shares	-	-	-	(16)
Balance at the end of the period	833,350,641	831,834,626	5,003	4,987
Redeemable convertible preference shares				
Balance at the beginning of the period	-	6,000,000	-	584
Redeemable convertible preference shares bought back at face value and cancelled	-	(6,000,000)	-	(600)
Transfer to fully paid ordinary shares	-	-	-	16
Balance at the end of the period	-	-	-	-

	Dollars per share	Total $million	Franked/ unfranked	Payment date
14. Dividends				
Dividends recognised in the current period by the Company are:				
2010				
Final 2009 ordinary	$0.20	166	Franked	31 Mar 2010
2009				
Final 2008 redeemable preference	$2.9989	18	Franked	31 Mar 2009
Final 2008 ordinary	$0.20	117	Franked	31 Mar 2009
		135		
Franked dividends paid during the period were franked at the tax rate of 30%.				
After the end of the reporting period the following dividends were proposed by the Directors. The dividends have not been provided for and there are no income tax consequences.				
Interim 2010 ordinary	0.22	183	Franked	6 Oct 2010

The financial effect of these dividends has not been brought to account in the financial report for the six months ended 30 June 2010 and will be recognised in subsequent financial reports.

15. Acquisitions / Disposals of Controlled Entities

There were no acquisitions or disposals of controlled entities during the six months ended 30 June 2010.

16. Commitments

The PNG LNG Joint Venture entered into operating leases of LNG tankers and drilling rigs during the six months ended 30 June 2010. The Group's share of the minimum operating lease commitment is $121 million extending for 15 years from delivery date. There has been no other material change to the commitments disclosed in the most recent annual financial statements.

17. Contingent Liabilities

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

18. Financial Risk Management

There has been no material change to the fair values of the financial instruments disclosed in the most recent annual financial report.

19. Events After the End of the Reporting Period

The following events occurred subsequent to 30 June 2010, the financial effects of which have not been brought to account in the half-year financial report for the six months ended 30 June 2010:

(a) On 19 July 2010 Santos announced it had executed a $2,000 million bilateral bank loan facility. This new facility will be used to replace and extend Santos' existing $700 million of undrawn bilateral bank facilities that mature between 2011 and 2013 and to increase liquidity. The weighted average term of the new facility is five years; and

(b) On 26 August 2010, the Directors of Santos Limited declared an interim dividend on ordinary shares in respect of the 2010 financial year. Refer to note 14 above for the details of the dividends declared after 30 June 2010.

DIRECTORS' DECLARATION

FOR THE SIX MONTHS ENDED 30 JUNE 2010

In accordance with a resolution of the Directors of Santos Limited, we state that:

In the opinion of the Directors of Santos Limited:

1. The financial statements and notes of the consolidated entity are in accordance with the *Corporations Act 2001*, including:

   (a) Giving a true and fair view of the consolidated entity's financial position as at 30 June 2010 and the performance for the half-year ended on that date; and

   (b) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*; and

2. There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Dated this 26th day of August 2010.

On behalf of the Board

Director **Director**

Adelaide, South Australia

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To the members of Santos Limited

Report on the Half-year Financial Report

We have reviewed the accompanying half-year financial report of Santos Limited, which comprises the statement of financial position as at 30 June 2010, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the Company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the Half-year Financial Report

The Directors and the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the Directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of Interim and Other Financial Reports Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 30 June 2010 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001* . As the auditor of Santos Limited and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the Directors of the Company a written auditor's independence declaration, a copy of which is included in the directors' report.

Liability limited by a scheme approved under
Professional Standards Legislation

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Santos Limited is not in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2010 and of its performance for the half-year ended on that date; and

b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Ernst & Young

RJ Curtin
Partner
Adelaide, South Australia
26 August 2010

Appendix 4D

for the period ended 30 June 2010

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

NTA backing

	30 June 2010	30 June 2009
Net tangible asset backing per ordinary security	N/A	N/A

Change in ownership of controlled entities

There were no entities over which the Group gained or lost control during the period ended 30 June 2010.

Dividends

Refer to note 14 in the Half-year Financial Report for the dividends paid and payable during the period. None of these dividends are foreign sourced.

Dividend Reinvestment Plan

The Santos Dividend Reinvestment Plan is in operation. Shares are allocated at the daily weighted average market price of the Company's shares on the Australian Stock Exchange over a period of seven business days commencing on the business day after the Dividend Record Date. The Board has determined that no discount will apply. The last date for receipt of election notices for the dividend reinvestment plan is 7 September 2010.

Details of joint venture entities and associates

Joint venture entities

	Percentage of ownership interest held at end of period or date of disposal	
Name of entity	**30 June 2010**	30 June 2009
Darwin LNG Pty Ltd*	11.5%	11.4%
Papua New Guinea Liquefied Natural Gas Global Company LDC	13.5%	N/A
Easternwell Drilling Services Holdings Pty Ltd	50.0%	50.0%
GLNG Operations Pty Ltd	60.0%	60.0%

**Santos' interest in Darwin LNG Pty Ltd has increased this year from 11.4% to 11.5%, subject to regulatory approval.*

Associates

	Percentage of ownership interest held at end of period or date of disposal	
Name of entity	**30 June 2010**	30 June 2009
Eastern Star Gas Limited	19.8%	N/A