HALF-YEAR REPORT INCORPORATING APPENDIX 4D

Santos Limited

For the period ended 30 June 2011, under Listing Rule 4.2.

Santos

We have the energy.

Results for announcement to the market

Appendix 4D for the period ended 30 June 2011

$million				
Revenue from ordinary activities	Up	1%	to	1,150
Profit from ordinary activities after tax attributable to members	Up	155%	to	504
Net profit for the period attributable to members	Up	155%	to	504

Interim Dividends	Amount per security	Franked amount per security at 30% tax
Ordinary securities	15.0¢	15.0¢

Record date for determining entitlements to the dividend	30 August 2011
Comparison period ended is 30 June 2010	

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Half-year Report 30 June 2011

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 for more than 40 years. The company today is one of the largest producers of natural gas to the Australian domestic market.

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 LNG projects.

Sanctioned in January 2011, the GLNG project in Queensland is 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 2,400 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 2011 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

	2011	2010	Variance
	MMboe	**MMboe**	**%**
Production volume	22.9	24.2	(5)
Sales volume	27.6	28.5	(3)
	$million	**$million**	
Product sales	1,101	1,091	1
EBITDAX	1,089	655	66
Exploration and evaluation expensed	(43)	(55)	(22)
Depreciation and depletion	(289)	(279)	4
Net impairment reversal/(loss)	9	(38)	
EBIT	766	283	171
Net finance income	34	10	
Taxation expense	(296)	(95)	
Net profit for the period	504	198	155
Underlying profit for the period*	236	210	12

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

Base Business

Production of 22.9 million barrels of oil equivalent ("MMboe") was 5% lower than the 2010 first half. Key factors impacting production were Santos' share of GLNG reducing from 60% to 30% following the sale of interests to TOTAL and KOGAS, combined with lower Western Australian gas production primarily due to adverse weather and additional maintenance.

Sales volumes of 27.6 MMboe were 3% lower than the first half of 2010. Gas and ethane sales volumes were in line with 2010. Liquids sales volumes were lower primarily due to timing of liftings while LNG sales volumes were higher in 2011 due to the Darwin LNG statutory shutdown in the corresponding period.

The average realised oil price was A$115.02 per barrel in the first half of 2011, 32% higher than the first half of 2010, while the average gas price of A$4.41 per gigajoule was slightly higher. Product sales revenue was $1,101 million, in line with the first half of 2010.

LNG Projects

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

> GLNG (Santos 30%)

Sanctioned in January 2011, GLNG includes the development of coal seam gas resources in the Bowen and Surat Basins in south-east Queensland, construction of a 420-kilometre gas transmission pipeline to Gladstone, and two LNG trains with a combined nameplate capacity of 7.8 mtpa on Curtis Island. GLNG has binding LNG sales agreements with PETRONAS and KOGAS for seven million tonnes per annum (mtpa) in aggregate.

Construction of GLNG is progressing to schedule and budget. Clearing of the LNG plant site on Curtis Island commenced during the first half and is 60% complete with bulk earthworks underway. The temporary offloading facility on Curtis Island was operational in July, on schedule, as is the GLNG logistics site at Fisherman's Landing on the mainland, and works continue at the RG Tanna and Port Central logistics sites.

The pipeline survey licence for the 420 kilometre gas transmission pipeline was approved by the Queensland Government during the first half and geotechnical activities are underway. Production of line-pipe has commenced and the marine crossing line-pipe is ready for coating at the yard in Indonesia. Work continues on the detailed engineering for the upstream surface facilities.

The project is on schedule for first LNG in 2015.

> PNG LNG (Santos 13.5%)

Sanctioned in December 2009, the PNG LNG project will develop gas and condensate resources in the Hides, Angore and Juha fields and associated gas resources in the 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 a 6.6 mtpa gas liquefaction plant 25 kilometres north-west of Port Moresby. PNG LNG has binding LNG sales agreements with four Asian buyers.

Several project milestones were achieved in the first half of 2011, including the commencement of LNG process train foundations and structural steel, LNG tank foundations, the first weld on the onshore pipeline and piling for the LNG plant offloading jetty. Design work for the major EPC contracts is nearing completion and procurement is well underway. Construction continues for supporting infrastructure at the LNG plant and upstream locations, including the Komo airfield where engagement with local communities and downtime is being managed by the operator. Survey work for the onshore and offshore pipelines continues, and delivery of the line-pipe is nearing completion.

First LNG is expected in 2014.

> Darwin LNG (Santos 11.5%)

The Darwin LNG project, Santos' first producing LNG asset, commenced production in 2006. Santos' share of Darwin LNG production increased by 30% in the first half of 2011, primarily due to resumption of full production following the planned shutdown of the facility in the corresponding period.

> Bonaparte LNG (Santos 40%)

Santos and GDF SUEZ have partnered to study the development of Bonaparte LNG, a proposed 2 mtpa 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, which is expected in 2014.

Pre-front end engineering and design studies on the upstream and midstream elements of the project are progressing on schedule. Drilling has commenced on an appraisal well at the Petrel gas field. Results from the well will assist in the conceptual design and development of the floating liquefaction project.

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 strong production from the two operated assets in East Java and the Wortel gas project on schedule to commence production at the end of 2011. 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 2011 first half net profit of $504 million is $306 million higher than in 2010. This increase is primarily due to the $348 million before tax gain on sale of non-current assets ($246 million, net profit after tax) largely as a result of the sale of 15% of the GLNG project during the period, combined with lower production costs and exploration expense, and higher net finance income as interest associated with development projects was capitalised.

Net profit includes items after tax of $268 million (before tax of $400 million), referred to in the underlying profit table below.

Underlying Profit Table

	2011 $million			2010 $million		
	Gross	**Tax**	**Net**	**Gross**	**Tax**	**Net**
Underlying profit			**236**			**210**
Net gains on sales and impairment reversals/(losses)	357	(102)	**255**	(40)	13	**(27)**
Foreign currency gains	13	(3)	**10**	5	(2)	**3**
Fair value adjustments on embedded derivatives and hedges	10	(3)	**7**	(13)	4	**(9)**
Other one-off income items	20	(7)	**13**	-	-	**-**
Insurance recoveries	-	-	**-**	6	(2)	**4**
Investment allowance and other tax adjustments	-	(17)	**(17)**	-	17	**17**
	400	(132)	**268**	(42)	30	**(12)**
Net profit after tax			**504**			**198**

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

Equity Attributable to Equity Holders of Santos Limited / Dividends

Equity attributable to equity holders of Santos Limited at 30 June 2011 was $7,965 million.

On 19 August 2011, the Directors resolved that a fully franked interim dividend of 15 cents per fully paid ordinary share be paid on 30 September 2011 to shareholders registered in the books of the Company at the close of business on 30 August 2011. This dividend is in line with guidance given at the time of the equity raising in December 2010.

The 2011 interim dividend of 15 cents per fully paid ordinary share is lower than the 2010 interim dividend which was 22 cents per share, fully franked. Given the significant commitment to funding our key LNG growth projects over the next few years, the dividend has been set to strike an appropriate balance between funding growth and continuing to pay a meaningful dividend to shareholders. The Board anticipates that the reduced dividend will remain during our capital intensive growth phase between now and 2015. Following that, the Board will look to increase the dividend as soon as is appropriate.

The Dividend Reinvestment Plan (DRP) will be operational for the 2011 interim dividend. DRP shares will be issued at the arithmetic average of the daily weighted average market price over a period of seven business days commencing on the second business day after the dividend record date, less a 2.5% discount.

Following recent exploration success at Zola and Finucane South, appraisal and development activity is anticipated over the next two years. Initial funding for this activity will be provided by fully underwriting the DRP for the 2011 interim and final dividends to raise approximately $270 million.

Cash Flow

The net cash inflow from operating activities of $681 million was 27% higher than the first half of 2010. This increase is principally attributable to higher cash receipts from customers driven by higher product prices and an increase in interest received as a result of higher cash balances held. This has been partially offset by increased borrowing costs paid largely due to the €1,000 million in subordinated notes issued in the second half of 2010. Net cash used in investing activities of $1,462 million was $1,002 million higher than the first half of 2010 primarily due to the development of the GLNG project which was sanctioned in January 2011.

Outlook

Santos maintains production guidance in the range of 47 to 50 MMboe for 2011.

Petroleum Resource Rent Tax

The Australian Federal Government has 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 both Houses of Parliament. Consequently the financial statements have been prepared in accordance with current tax legislation.

The Australian Government's Climate Change Plan

The Australian Government announced the 'Securing a Clean Energy Future - the Australian Government's Climate Change Plan' ("the Plan") on 10 July 2011. Whilst the Plan provides an outline of the framework for a carbon pricing mechanism, uncertainties continue to exist on the impact of any carbon pricing mechanism on the Group, as legislation must be approved by both Houses of Parliament. The Group is currently assessing the impact of the Plan on its Australian operations.

Post Balance Day Events

The following events occurred subsequent to 30 June 2011, the financial effects of which have not been brought to account in the half-year financial report for the six months ended 30 June 2011:

- On 18 July 2011, Santos announced that it reached binding agreements to acquire 100% of the outstanding ordinary shares in Eastern Star Gas Limited ("ESG") via a recommended Scheme of Arrangement ("the Scheme") and to subsequently sell a 20% working level interest in ESG's permits to TRUenergy Holdings Pty Ltd ("TRUenergy") for an estimated $284 million.

  Santos currently owns 20.9% of the issued and outstanding ordinary shares of ESG (equity accounted book value as at 30 June 2011 of $207 million). Assuming the Scheme goes ahead, 75.3% of the issued and outstanding ordinary shares of ESG will be acquired through an all scrip offer where the ESG shareholders will receive 0.06803 Santos Limited shares for every one ESG share held. The number of Santos Limited shares to be issued is subject to adjustment in the event Santos declares a dividend prior to the Scheme implementation date and ESG shareholders do not become entitled to receive that dividend. The remaining 3.8% of ESG's issued and outstanding ordinary shares held by TRUenergy will be acquired through a cash payment estimated at $35 million.

  Not all conditions precedent in the binding agreements have been satisfied as at the date of this report.

- On 19 August 2011 the Directors of Santos Limited declared an interim dividend on ordinary shares in respect of the 2011 financial year. Refer to note 13 to the financial statements for the details of the dividend 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.

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 19 August 2011 in accordance with a resolution of the Directors.

Director

Director

19 August 2011

Ernst & Young Building
121 King William Street
Adelaide SA 5000 Australia
GPO Box 1271 Adelaide SA 5001

Tel: +61 8 8417 1600
Fax: +61 8 8417 1775
www.ey.com/au

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 2011, 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

T S Hammond
Partner
Adelaide, South Australia
19 August 2011

Consolidated Income Statement
for the six months ended 30 June 2011

	Note	**30 June 2011 $million**	30 June 2010 $million
Product sales	4	1,101	1,091
Cost of sales	5	(693)	(704)
Gross profit		408	387
Other revenue	4	49	43
Other income	4	373	3
Other expenses	5	(63)	(149)
Finance income	6	100	55
Finance expenses	6	(66)	(45)
Share of net losses of an associate		(1)	(1)
Profit before tax		800	293
Income tax expense		(239)	(81)
Royalty-related taxation expense		(57)	(14)
Total taxation expense		(296)	(95)
Net profit for the period		504	198
Net profit attributable to:			
Owners of Santos Limited		504	198
Non-controlling interests		-	-
		504	198
Earnings per share attributable to the owners of Santos Limited (¢)			
Basic earnings per share		57.4	23.7
Diluted earnings per share		57.2	23.7
Dividends per ordinary share (¢)			
Paid during the period	13	15.0	20.0
Declared in respect of the period	13	15.0	22.0

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

Consolidated Statement of Comprehensive Income
for the six months ended 30 June 2011

	30 June 2011 $million	30 June 2010 $million
Net profit for the period	504	198
Other comprehensive income, net of tax:		
Net exchange (loss)/gain on translation of foreign operations	(116)	43
Net gain/(loss) on foreign currency loans designated as hedges of net investments in foreign operations	82	(55)
Tax effect	(25)	17
	57	(38)
Net change in fair value of available-for-sale financial assets	-	(1)
Tax effect	-	-
	-	(1)
Net loss on derivatives designated as cash flow hedges	(20)	-
Tax effect	6	-
	(14)	-
Net actuarial loss on the defined benefit plan	(3)	(3)
Tax effect	1	1
	(2)	(2)
Other comprehensive income, net of tax	(75)	2
Total comprehensive income	429	200
Total comprehensive income attributable to:		
Owners of Santos Limited	429	200
Non-controlling interests	-	-
	429	200

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

Consolidated Statement of Financial Position
as at 30 June 2011

	Note	**30 June 2011 $million**	31 December 2010 $million
Current assets			
Cash and cash equivalents	8	3,586	4,319
Trade and other receivables		1,093	665
Inventories		306	261
Other financial assets		14	4
Tax receivable		15	22
Total current assets		5,014	5,271
Non-current assets			
Receivables		23	21
Investment in an associate		207	208
Other financial assets		168	138
Exploration and evaluation assets	9	803	962
Oil and gas assets	10	7,605	6,914
Other land, buildings, plant and equipment	11	201	201
Deferred tax assets		101	54
Total non-current assets		9,108	8,498
Total assets		14,122	13,769
Current liabilities			
Trade and other payables		755	760
Deferred income		99	90
Interest-bearing loans and borrowings		369	370
Current tax liabilities		94	201
Provisions		144	99
Other financial liabilities		3	95
Total current liabilities		1,464	1,615
Non-current liabilities			
Deferred income		11	13
Interest-bearing loans and borrowings		2,941	2,787
Deferred tax liabilities		860	843
Provisions		868	891
Other financial liabilities		15	17
Total non-current liabilities		4,695	4,551
Total liabilities		6,159	6,166
Net assets		7,963	7,603
Equity			
Issued capital	12	5,571	5,514
Reserves		(403)	(330)
Retained earnings		2,797	2,421
Equity attributable to owners of Santos Limited		7,965	7,605
Non-controlling interests		(2)	(2)
Total equity		7,963	7,603

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

Consolidated Statement of Cash Flows
for the six months ended 30 June 2011

	Note	**30 June 2011 $million**	30 June 2010 $million
Cash flows from operating activities			
Receipts from customers		1,260	1,205
Interest received		86	45
Overriding royalties received		5	5
Insurance proceeds received		-	6
Pipeline tariffs and other receipts		33	23
Income taxes refunded		13	13
Royalty-related taxes refunded		-	2
Payments to suppliers and employees		(512)	(530)
Exploration and evaluation - seismic and studies		(35)	(55)
Royalty and excise paid		(28)	(26)
Borrowing costs paid		(54)	(23)
Income taxes paid		(25)	(43)
Royalty-related taxes paid		(62)	(85)
Net cash provided by operating activities		681	537
Cash flows from investing activities			
Payments for:			
Exploration and evaluation assets		(81)	(87)
Oil and gas assets		(1,494)	(548)
Other land, buildings, plant and equipment		(22)	(32)
Acquisitions of oil and gas assets		(8)	(4)
Acquisitions of controlled entities		-	(3)
Investment in an associate		-	(2)
Restoration		(20)	(6)
Proceeds from disposal of non-current assets	4	591	222
Income taxes paid on disposal of non-current assets		(360)	-
Borrowing costs paid		(66)	-
Repayment of loan by related entity		1	-
Other investing activities		(3)	-
Net cash used in investing activities		(1,462)	(460)
Cash flows from financing activities			
Dividends paid		(79)	(151)
Drawdown of borrowings		158	181
Repayments of borrowings		(10)	(10)
Proceeds from issues of ordinary shares		4	-
Proceeds from maturity of term deposits		-	30
Net cash provided by financing activities		73	50
Net increase in cash and cash equivalents		(708)	127
Cash and cash equivalents at the beginning of the period		4,319	2,240
Effects of exchange rate changes on the balances of cash held in foreign currencies		(25)	8
Cash and cash equivalents at the end of the period	8	3,586	2,375

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

Consolidated Statement of Changes in Equity
for the six months ended 30 June 2011

	Equity attributable to owners of Santos Limited							
	Issued capital $million	Translation reserve $million	Fair value reserve $million	Hedging reserve $million	Retained earnings $million	Total equity $million	Non-controlling interests $million	Total equity $million
Balance at 1 January 2010	4,987	(281)	(2)	-	2,263	6,967	-	6,967
Net profit for the period	-	-	-	-	198	198	-	198
Other comprehensive income for the period	-	5	(1)	-	(2)	2	-	2
Total comprehensive income for the period	-	5	(1)	-	196	200	-	200
Transactions with owners in their capacity as owners:								
Shares issued	16	-	-	-	-	16	-	16
Dividends to shareholders	-	-	-	-	(166)	(166)	-	(166)
Share-based payment transactions	-	-	-	-	4	4	-	4
Balance at 30 June 2010	5,003	(276)	(3)	-	2,297	7,021	-	7,021
Balance at 1 January 2011	5,514	(329)	(3)	2	2,421	7,605	(2)	7,603
Net profit for the period	-	-	-	-	504	504	-	504
Other comprehensive income for the period	-	(59)	-	(14)	(2)	(75)	-	(75)
Total comprehensive income for the period	-	(59)	-	(14)	502	429	-	429
Transactions with owners in their capacity as owners:								
Shares issued	57	-	-	-	-	57	-	57
Dividends to shareholders	-	-	-	-	(131)	(131)	-	(131)
Share-based payment transactions	-	-	-	-	5	5	-	5
Balance at 30 June 2011	5,571	(388)	(3)	(12)	2,797	7,965	(2)	7,963

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

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 2011 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 19 August 2011.

2. Basis of Preparation and Significant Accounting Policies

Basis of preparation

This general purpose condensed financial report for the half-year ended 30 June 2011 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 2010 and considered together with any public announcements made by Santos Limited during the half-year ended 30 June 2011, 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 2010.

The following standards and interpretations and all consequential amendments, which became applicable from 1 January 2011, have 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 124 *Related Party Disclosures;*
- AASB 2009-10 *Amendments to Australian Accounting Standards - Classification of Rights Issues;*
- AASB 2009-12 *Amendments to Australian Accounting Standards;*
- AASB 2009-13 *Amendments to Australian Accounting Standards arising from Interpretation 19;*
- AASB 2009-14 *Amendments to Australian Interpretation – Prepayments of a Minimum Funding Requirement;*
- AASB 2010-1 *Amendments to Australian Accounting Standards – Limited Exemption from Comparative AASB 7 Disclosures for First-time Adopters;*
- AASB 2010-3 *Amendments to Australian Accounting Standards arising from the Annual Improvements Project;*
- AASB 2010-4 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project;*
- AASB 2010-5 *Amendments to Australian Accounting Standards; and*
- Interpretation 19 *Extinguishing Financial Liabilities with Equity Instruments.*

The Group has had made a formal written election to early adopt the following new and amended Australian Accounting Standards as of 1 January 2011:

- AASB 1054 *Australian Additional Disclosures; and*
- AASB 2011-1 *Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project.*

These standards have not impacted on the accounting policies, financial position or performance of the Group, or on presentation or disclosure in the half-year financial report.

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

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 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 both Houses of Parliament. Consequently the financial statements have been prepared in accordance with current tax legislation.

The Australian Government's Climate Change Plan

The Australian Government announced the 'Securing a Clean Energy Future - the Australian Government's Climate Change Plan' ("the Plan") on 10 July 2011. Whilst the Plan provides an outline of the framework for a carbon pricing mechanism, uncertainties continue to exist on the impact of any carbon pricing mechanism on the Group, as legislation must be approved by both Houses of Parliament. The Group is currently assessing the impact of the Plan on its Australian operations.

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. 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 and the Kyrgyz Republic.

The Chief Executive Officer monitors the operating results of its business units separately for the purposes of making decisions about allocating resources and assessing performance. Segment performance is measured based on Santos earnings before interest, tax, impairment, exploration and evaluation, and gains/losses on sale of non-current assets and controlled entities ("SEBITX"). Santos reclassifies royalty-related tax expense, before income tax, into SEBITX to improve comparability between those segments operating under a royalty regime and a royalty-related tax regime.

Corporate and exploration expenditure and inter-segment eliminations are included in the segment disclosure for reconciliation purposes.

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 and the transportation of crude oil.

3. Segment Information (continued)

	Eastern Australia		WA & NT		Asia Pacific		GLNG		Corporate, exploration and eliminations		Total	
	2011 $million	2010 $million	**2011 $million**	2010 $million	**2011 $million**	2010 $million	**2011 $million**	2010 $million	**2011 $million**	2010 $million	**2011 $million**	2010 $million
Revenue												
Sales to external customers	596	573	412	418	74	90	18	10	1	-	1,101	1,091
Inter-segment sales	-	-	-	-	-	-	33	43	(33)	(43)	-	-
Other revenue from external customers	42	29	2	-	-	-	2	8	3	6	49	43
Total segment revenue	638	602	414	418	74	90	53	61	(29)	(37)	1,150	1,134
Results												
SEBITX before depreciation and depletion	302	289	284	279	47	65	2	13	24	(10)	659	636
Depreciation and depletion	(159)	(155)	(79)	(74)	(25)	(20)	(11)	(17)	(15)	(13)	(289)	(279)
SEBITX	143	134	205	205	22	45	(9)	(4)	9	(23)	370	357
Royalty-related taxation expense included in SEBITX	(2)	(2)	84	23	-	-	-	-	-	-	82	21
	141	132	289	228	22	45	(9)	(4)	9	(23)	452	378
Net gain/(loss) on sale of non-current assets	16	-	-	-	-	(1)	332	-	-	(1)	348	(2)
Exploration and evaluation expensed	-	-	-	-	-	-	-	-	(43)	(55)	(43)	(55)
Net impairment (loss)/reversal	-	-	-	(34)	-	8	-	-	9	(12)	9	(38)
Earnings before interest and tax ("EBIT")	157	132	289	194	22	52	323	(4)	(25)	(91)	766	283
Finance income									100	55	100	55
Finance expenses									(66)	(45)	(66)	(45)
Profit before tax											800	293
Income tax expense									(239)	(81)	(239)	(81)
Royalty-related taxation expense	2	2	(59)	(16)	-	-	-	-	-	-	(57)	(14)
Total taxation expense											(296)	(95)
Net profit for the period											504	198

3. Segment Information (continued)

	Eastern Australia		WA & NT		Asia Pacific		GLNG		Corporate, Exploration and Eliminations		Total	
	2011 $million	2010 $million	**2011 $million**	2010 $million	**2011 $million**	2010 $million	**2011 $million**	2010 $million	**2011 $million**	2010 $million	**2011 $million**	2010 $million
Amounts included in profit before tax that are unusual because of their nature, size or incidence:												
Gain on sale of exploration and evaluation assets	-	-	-	-	-	-	28	-	-	-	28	-
Gain/(loss) on sale of oil and gas assets	16	-	-	-	-	(1)	304	-	-	-	320	(1)
Insurance recoveries from incidents	-	6	-	-	-	-	-	-	-	-	-	6
Other one-off income items	-	-	20	-	-	-	-	-	-	-	20	-

		30 June 2011 $million	30 June 2010 $million
4.	**Revenue and Other Income**		
	Product sales:		
	Gas, ethane and liquefied gas	593	584
	Crude oil	279	297
	Condensate and naphtha	140	122
	Liquefied petroleum gas	89	88
	Total product sales	1,101	1,091
	Other revenue:		
	Overriding royalties	4	4
	Pipeline tariffs and processing tolls	30	25
	Trading revenue	8	8
	Other	7	6
	Total other revenue	49	43
	Total revenue	1,150	1,134
	Other income:		
	Insurance recoveries	-	6
	Net gain on sale of exploration and evaluation assets	28	-
	Net gain/(loss) on sale of oil and gas assets	320	(1)
	Net loss on sale of other land, buildings, plant and equipment assets	-	(1)
	Other	25	(1)
	Total other income	373	3
	Net gain on sale of non-current assets		
	Proceeds on disposals	793	-
	Recoupment of current year exploration and evaluation expenditure	(3)	-
	Proceeds after recoupment of current year exploration and evaluation expenditure	790	-
	Book value of net assets disposed	(342)	(2)
	Recoupment of prior year exploration and evaluation expenditure	(97)	-
	Transaction costs	(3)	-
	Total net gain on sale of non-current assets	348	(2)
	Comprising:		
	Net gain on sale of exploration and evaluation assets	28	-
	Net gain/(loss) on sale of oil and gas assets	320	(1)
	Net loss on sale of other land, buildings, plant and equipment assets	-	(1)
		348	(2)

	30 June 2011 $million	30 June 2010 $million
4. Revenue and Other Income (continued)		
Reconciliation to cash inflow from proceeds on disposal of non-current assets		
Proceeds after recoupment of current year exploration and evaluation expenditure	790	-
Foreign currency revaluation	(27)	-
Amounts to be received in the future	(180)	-
Amounts received from current year disposals	583	-
Amounts received from prior year disposals	8	222
Total proceeds on disposal of non-current assets	591	222
5. Expenses		
Cost of sales:		
Cash cost of production:		
Production costs:		
Production expenses	236	234
Production facilities operating leases	24	42
Total production costs	260	276
Other operating costs:		
Pipeline tariffs, processing tolls and other	51	55
Royalty and excise	21	21
Total other operating costs	72	76
Total cash cost of production	332	352
Depreciation and depletion	286	277
Third party product purchases	117	70
(Increase)/decrease in product stock	(42)	5
Total cost of sales	693	704

	30 June 2011 $million	30 June 2010 $million
5. Expenses (continued)		
Other expenses:		
Selling	6	6
Corporate	43	40
Depreciation	3	2
Foreign exchange gains	(13)	(5)
(Gains)/losses from change in fair value of derivative financial assets designated as at fair value through profit or loss	(11)	4
Fair value hedges, (gains)/losses:		
On the hedging instrument	(7)	(45)
On the hedged item attributable to the hedged risk	8	54
Exploration and evaluation expensed	43	55
Net impairment loss on oil and gas assets	-	27
Net impairment (reversal)/loss on receivables	(9)	11
Total other expenses	63	149
6. Net Finance Income		
Finance income:		
Interest income	100	55
Total finance income	100	55
Finance expenses:		
Interest paid to third parties	(110)	(26)
Less borrowing costs capitalised	63	-
	(47)	(26)
Unwind of the effect of discounting on provisions	(19)	(19)
Total finance expense	(66)	(45)
Net finance income	34	10
7. Earnings		
Earnings before interest, tax, depreciation, depletion, exploration and impairment ("EBITDAX") is calculated as follows:		
Profit before tax	800	293
Less net financing income	(34)	(10)
EBIT	766	283
Add back:		
Depreciation and depletion	289	279
Exploration and evaluation expensed	43	55
Net impairment loss on oil and gas assets	-	27
Net impairment (reversal)/loss on receivables	(9)	11
EBITDAX	1,089	655

		Six months ended	
	30 June 2011 $million	31 December 2010 $million	30 June 2010 $million
8. Cash and Cash Equivalents			
Cash at bank and in hand	687	210	249
Short-term deposits	2,899	4,109	2,126
	3,586	4,319	2,375
9. Exploration and Evaluation Assets			
Balance at the beginning of the period	962	975	923
Acquisitions of controlled entities	-	10	-
Acquisitions of exploration and evaluation assets	7	-	3
Additions	73	87	84
Exploration and evaluation expensed	(7)	(39)	(7)
Impairment losses	-	(24)	-
Recoupment of expenditure	(88)	-	-
Transfer to oil and gas assets in development	(131)	(4)	(29)
Transfer to oil and gas assets in production	(13)	(24)	(4)
Exchange differences	-	(19)	5
Balance at the end of the period	803	962	975
Comprising:			
Acquisition related costs	470	481	515
Successful exploration wells	320	253	214
Exploration and evaluation assets pending determination of success	13	228	246
	803	962	975

		Six months ended		
		30 June 2011 $million	31 December 2010 $million	30 June 2010 $million
10.	**Oil and Gas Assets**			
	Assets in development			
	Balance at the beginning of the period	1,595	1,258	768
	Additions	1,077	497	420
	Disposals	-	(16)	-
	Transfer from exploration and evaluation assets	131	4	29
	Transfer to oil and gas assets in production	(44)	-	-
	Exchange differences	(81)	(148)	41
	Balance at the end of the period	2,678	1,595	1,258
	Producing assets			
	Balance at the beginning of the period	5,319	5,621	5,549
	Acquisition of oil and gas assets	1	2	-
	Additions	245	469	324
	Transfer from exploration and evaluation assets	13	24	4
	Transfer from oil and gas assets in development	44	-	-
	Recoupment of exploration and evaluation expenditure	(9)	(20)	-
	Disposals	(358)	(286)	-
	Depreciation and depletion expense	(272)	(305)	(264)
	Net impairment losses	-	(71)	(27)
	Exchange differences	(56)	(115)	35
	Balance at the end of the period	4,927	5,319	5,621
	Total oil and gas assets	7,605	6,914	6,879
	Comprising:			
	Exploration and evaluation expenditure related to these assets pending commercialisation	32	30	34
	Other capitalised expenditure	7,573	6,884	6,845
		7,605	6,914	6,879
11.	**Other Land, Buildings, Plant and Equipment**			
	Balance at the beginning of the period	201	214	200
	Additions	17	16	29
	Impairment	-	(13)	-
	Depreciation	(17)	(16)	(15)
	Balance at the end of the period	201	201	214

	Six months ended					
	30 June 2011 Number of shares	31 December 2010 Number of shares	30 June 2010 Number of shares	**30 June 2011 $million**	31 December 2010 $million	30 June 2010 $million
12. Issued Capital						
Movement in fully paid ordinary shares						
Balance at the beginning of the period	874,991,455	833,350,641	831,834,626	5,514	5,003	4,987
Institutional placement	-	39,840,637	-	-	493	-
Santos Dividend Reinvestment Plan	3,666,293	1,433,152	1,123,176	52	18	16
Santos Employee ShareMatch Plan	307,401	-	-	4	-	-
Santos Employee Share1000 Plan	82,200	-	-	1	-	-
Shares issued on exercise of options	2,568	16,000	9,668	-	-	-
Shares issued on vesting of Share Acquisition Rights	254,706	344,152	381,500	-	-	-
Santos Executive Share Plan	-	5,000	-	-	-	-
Non-executive Director Share Plan	-	1,873	1,671	-	-	-
Balance at the end of the period	879,304,623	874,991,455	833,350,641	5,571	5,514	5,003

	Cents per share	Total $million	Franked/ unfranked	Payment date
13. Dividends				
Dividends paid during the year:				
2011				
2010 Final dividend per ordinary share	15.0	131	Franked	31 Mar 2011
2010				
2009 Final dividend per ordinary share	20.0	166	Franked	31 Mar 2010
Franked dividends paid during the period were franked at the tax rate of 30%.				
Dividends declared in respect of the current year:				
2011 Interim dividend per ordinary share	15.0	132	Franked	30 Sep 2011

After the end of the reporting period the above interim dividends declared in respect of the current year were proposed by the Directors. The financial effect of these dividends has not been brought to account in the financial report for the six months ended 30 June 2011, has no income tax consequences and will be recognised in subsequent financial reports.

14. GLNG

On 17 December 2010 Santos announced the sale of an aggregate 15% interest in the GLNG joint venture to Total E&P Australia ("Total") and Korean Gas Corporation ("KOGAS") (7.5% each). On 24 January 2011, all conditions precedent were satisfied reducing the Group's interest in the Gladstone LNG project to 30%. The profit on sale of GLNG is included in net gain on sale of non-current assets as disclosed in note 4 Revenue and Other Income.

On 13 January 2011 the GLNG joint venture partners approved the final investment decision for the development of the US$16 billion, 7.8 million tonnes per annum ("mtpa") GLNG project in Queensland. The GLNG joint venture includes the development of coal seam gas resources in the Bowen and Surat Basins in south-east Queensland, construction of a 420 kilometre gas transmission pipeline from the gas fields to Gladstone, and two LNG trains with a combined nameplate capacity of 7.8 mtpa on Curtis Island. The GLNG joint venture has binding LNG sales agreements with PETRONAS and KOGAS for 7 mtpa in aggregate. First LNG sales exports are expected to commence in 2015.

Subsequent to the final investment decision, the GLNG joint venture entered into contractual commitments for the development of the 7.8 mtpa GLNG project. The Group's share of these contractual commitments, which are not provided for, as at 30 June 2011, is $3,604 million.

15. Contingent Liabilities

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

16. Events After the End of the Reporting Period

The financial effects of the following events, which occurred subsequent to 30 June 2011, have not been brought to account in the half-year financial statements for the six months ended 30 June 2011:

a) On 18 July 2011, Santos announced that it reached binding agreements to acquire 100% of the outstanding ordinary shares in Eastern Star Gas Limited ("ESG") via a recommended Scheme of Arrangement ("the Scheme") and to subsequently sell a 20% working level interest in ESG's permits to TRUenergy Holdings Pty Ltd for an estimated $284 million.

   Santos currently owns 20.9% of the issued and outstanding ordinary shares of ESG (equity accounted book value as at 30 June 2011 of $207 million). Assuming the Scheme goes ahead, 75.3% of the issued and outstanding ordinary shares of ESG will be acquired through an all scrip offer where the ESG shareholders will receive 0.06803 Santos Limited shares for every one ESG share held. The number of Santos Limited shares to be issued is subject to adjustment in the event Santos declares a dividend prior to the Scheme implementation date and ESG shareholders do not become entitled to receive that dividend. The remaining 3.8% of ESG's issued and outstanding ordinary shares held by TRUenergy will be acquired through a cash payment estimated at $35 million.

   Not all conditions precedent in the binding agreements have been satisfied as at the date of this report; and

b) On 19 August 2011, the Directors of Santos Limited declared an interim dividend on ordinary shares in respect of the 2011 financial year. Refer to note 13 above for details.

Directors' Declaration
for the six months ended 30 June 2011

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 2011 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 19th day of August 2011

On behalf of the Board:

Director Director

Adelaide, South Australia

Ernst & Young Building
121 King William Street
Adelaide SA 5000 Australia
GPO Box 1271 Adelaide SA 5001

Tel: +61 8 8417 1600
Fax: +61 8 8417 1775
www.ey.com/au

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 2011, the income statement, 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 description of 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 of 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 controls as the Directors determine are 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 a Financial Report 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 2011 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 referred to in the Directors' Report.

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 2011 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

T S Hammond
Partner
Adelaide, South Australia
19 August 2011

Appendix 4D

for the six months ended 30 June 2011

For '**Results for Announcement to the Market**' refer to page 2 of this Half-year Report

NTA backing

	30 June 2011	30 June 2010
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 2011.

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 ASX over a period of seven business days commencing on the business day after the Dividend Record Date. At this time, the Board has determined that a 2.5% discount will apply to the Dividend Reinvestment Plan. The Dividend Reinvestment Plan will be underwritten on the interim dividend for the half-year ended 30 June 2011. The last date for the receipt of an election notice to participate in the Dividend Reinvestment Plan is the record date, 30 August 2011.

Details of joint venture and associate entities

	Percent ownership interest held at the end of the period	
	30 June 2011	30 June 2010
	%	%
Joint venture entities		
CJSC KNG Hydrocarbons	54.0	54.0
Darwin LNG Pty Ltd	11.5	11.4
Easternwell Drilling Services Holdings Pty Ltd	50.0	50.0
GLNG Operations Pty Ltd	30.0	60.0
Lohengrin Pty Ltd	50.0	50.0
Papua New Guinea Liquefied Natural Gas Global Company LDC	13.5	13.5
Associate entity		
Eastern Star Gas Limited	20.9	19.8