



Half-year report incorporating Appendix 4D

Santos Limited and its controlled entities.
For the period ended 30 June 2014, under Listing Rule 4.2.

Santos
We have the energy.

RESULTS FOR ANNOUNCEMENT TO THE MARKET

APPENDIX 4D FOR THE PERIOD ENDED 30 JUNE 2014

				\$million
Revenue from ordinary activities	Up	25%	to	1,920
Profit from ordinary activities after tax attributable to members	Down	24%	to	206
Net profit for the period attributable to members	Down	24%	to	206

Interim Dividends	Amount per security	Franked amount per security at 30% tax
Ordinary securities	20¢	20¢

29 August 2014 is the record date for determining entitlements to the dividend
Comparison period ended is 30 June 2013

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Half-year Report 30 June 2014

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ABOUT SANTOS

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

Santos is one of Australia's largest producers of natural gas to the domestic market and has the largest exploration and production acreage position in Australia of any company.

Santos has also developed major oil and gas 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 interests in three LNG projects.

These include the PNG LNG project in Papua New Guinea, which commenced production in April 2014, and Darwin LNG, which began production in 2006. Santos' GLNG project in Queensland is due to commence production in 2015.

Santos has oil and gas production in Indonesia and Vietnam and is further developing its Asian business through development projects and exploration investment.

With more than 3,500 employees across Australia and Asia, Santos' foundations are based on safe, sustainable operations and working in partnership with host communities, governments, business partners and shareholders.

DIRECTORS' REPORT

The Directors present their report together with the consolidated financial report of the consolidated entity, being Santos Limited ("Santos" or "the Company") and its controlled entities, for the half-year ended 30 June 2014, and the auditor's review report thereon.

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 table	2014	2013	Variance
	mmboe	mmboe	%
Production volume	25.0	24.5	2
Sales volume	28.9	27.4	5
	\$million	\$million	
Product sales	1,887	1,510	25
EBITDAX ¹	950	844	13
Exploration and evaluation expensed	(102)	(44)	132
Depreciation and depletion	(429)	(366)	17
Net impairment (loss)/reversal	(67)	25	
EBIT ¹	352	459	(23)
Net finance (costs)/ income	(46)	4	
Taxation expense	(100)	(192)	(48)
Net profit for the period	206	271	(24)
Underlying profit for the period ¹	258	251	3

¹ EBITDAX (earnings before interest, tax, depreciation, depletion, exploration and evaluation and impairment), EBIT (earnings before interest and tax) and underlying profit are non-IFRS measures that are presented to provide an understanding of the underlying performance of Santos' operations. Underlying profit excludes the impacts of asset acquisitions, disposals and impairments, as well as items that are subject to significant variability from one period to the next, including the effects of fair value adjustments and fluctuations in exchange rates. Please refer to page 4 for the reconciliation from net profit to underlying profit for the period. The non-IFRS financial information is unaudited however the numbers have been extracted from the financial statements which have been subject to review by the Company's auditor.

Production and Sales

Santos' 2014 half-year production of 25 million barrels of oil equivalent (mmboe) was 2% higher than the corresponding period in 2013. The successful start-up of the PNG LNG project ahead of schedule in April 2014 lifted Santos' first half production. This was partially offset by lower production from the Carnarvon Basin due to lower gas customer nominations.

Sales volumes were 5% higher at 28.9 mmboe, reflecting higher third party sales volumes and higher production from the start-up of PNG LNG, offset by lower gas customer nominations.

Sales revenue grew by 25% to \$1,887 million, due to the start-up of PNG LNG, higher A\$ oil prices and higher volumes of third party product sales. The average realised oil price was A\$125.09 per barrel, 11% higher than the first half of 2013.

Review of Operations

Santos' operations are reported in four business units based on the different geographic regions of the Company's operations: Eastern Australia; Western Australia and Northern Territory; Asia Pacific; and GLNG.

Eastern Australia

Santos is a leading producer of natural gas, gas liquids and crude oil in eastern Australia. Gas is sold primarily to domestic retailers and industry, while gas liquids and crude oil are sold in the domestic and export markets.

The demand for natural gas from eastern Australia is expected to increase significantly over the next few years as LNG exports commence from Queensland. Santos is responding to the higher demand by lifting gas capacity in the Cooper Basin and progressing appraisal activity for the proposed Narrabri gas project in New South Wales.

Eastern Australia Business Unit EBITDAX was \$321 million, 25% higher than the first half of 2013, mainly due to higher liquids production and sales, higher third party crude oil sales and higher liquids prices.

Santos' share of Cooper Basin gas production of 29 petajoules (PJ) in the first half was 3% higher than the corresponding period, with improvements in field capacity and plant downtime offset by natural field decline. Santos' share of condensate production was 0.5 million barrels (mmbbl), in line with 2013. Santos' share of gas production from the Surat/Bowen/Denison areas in Queensland and the Otway Basin offshore Victoria was 14 PJ, 4% lower than 2013 primarily due to natural field decline.

Santos' share of Cooper Basin oil production of 1.6 mmbbl was 12% higher than the corresponding period due to the contribution of new wells and lower downtime more than offsetting natural field decline. Volumes of third party crude oil processed at Moomba increased in 2014 as production from other operators in the Cooper Basin increased.

Santos continued to progress appraisal of the unconventional gas potential in the Cooper Basin during 2014. The Moomba-194 well was successfully connected to Santos' existing production infrastructure, becoming the second unconventional well after Moomba-191 to be brought on-line. Two horizontal shale wells, Roswell-2 and Moomba-193 were successfully drilled and stimulated during the first half of 2014, and learnings from these wells will be applied to the optimisation of future wells.

Western Australia and Northern Territory

Santos is one of the largest producers of domestic natural gas in Western Australia and is also a significant producer of gas liquids and crude oil. Santos also has an interest in the Bayu-Undan/Darwin LNG project.

Western Australia and Northern Territory Business Unit EBITDAX was \$385 million, 2% lower than the first half of 2013 mainly due to lower gas customer nominations and higher production costs for Bayu-Undan and Fletcher Finucane/Mutineer-Exeter, partially offset by higher crude oil sales and prices.

Santos' Western Australia gas and condensate production of 27.8 PJ and 271,400 barrels respectively, were both lower than 2013 primarily due to lower gas customer nominations.

Santos' share of WA oil production of 1.5 mmbbl was 11% higher than the first half of 2013, as a full half-year of production from the Fletcher Finucane project more than offset expected natural field decline in mature assets.

Strong operating performance at Darwin LNG resulted in Santos' net entitlement to gas production increasing by 18% to 9.9 PJ.

Asia Pacific

Santos is building a material business in Asia with a focus on three core countries: Papua New Guinea, Indonesia and Vietnam.

Asia Pacific Business Unit EBITDAX was \$224 million, 31% higher than the first half of 2013, mainly due to the start-up of the PNG LNG project in April 2014 and higher average realised crude prices from Chim São, partially offset by lower sales volumes from Chim São, Oyong and Wortel.

Santos' net entitlement to Chim São oil production in Vietnam of 1.3 mmbbl was 8% lower than 2013 due to natural field decline and the field being shut-down for nine days in June to tie-in the Dua project. First oil from the Dua project was achieved in early-July 2014.

Santos' net entitlement gas production in Indonesia of 12.5 PJ was 10% lower than 2013, primarily due to lower production from Oyong, Wortel and Maleo due to lower customer nominations and lower net entitlements. First gas from the Peluang project was achieved in March 2014.

In Papua New Guinea, the PNG LNG project (Santos 13.5% interest) achieved first LNG ahead of schedule in April 2014 and shipped its first LNG cargo in May 2014. Production continued to ramp-up strongly during the June quarter, resulting in Santos' share of gas and condensate production of 6.9 PJ and 185,200 barrels respectively for the first half.

GLNG

Sanctioned in January 2011, the GLNG project (Santos 30% interest) is over 85% complete and on track for first LNG in 2015. The project involves developing coal seam natural gas fields in the Bowen and Surat Basins in south-western Queensland, a 420 kilometre underground gas transmission pipeline and a two-train LNG plant on Curtis Island at Gladstone. The project has an estimated gross capital cost of US\$18.5 billion for the period from final investment decision until the end of 2015. This is based on foreign exchange rates which are consistent with the assumptions used at FID (A\$/US\$0.87 average over 2011-15).

Strong construction progress continued across the project in the first half of 2014 as the project achieved a number of milestones, including the handover for commissioning of the first upstream gas hub, completion of the final weld on the gas transmission pipeline, placement of the final LNG train 1 module and the completion of hydro-testing of the first LNG tank. First commissioning gas is expected to be delivered to the LNG plant in the fourth quarter of 2014 ahead of first LNG, which is expected in 2015.

GLNG Business Unit results include domestic gas production and sales from the GLNG coal seam natural gas fields in south-western Queensland. GLNG Business Unit EBITDAX was \$14 million, 100% higher than the first half of 2013, mainly due to lower cost of sales, partially offset by lower product sales.

Santos' share of GLNG gas production was 4.5 PJ, 8% lower than the first half of 2013 due to lower gas customer nominations.

Net Profit

The 2014 first half net profit of \$206 million is \$65 million lower than in 2013. The decrease is primarily due to higher impairment losses, relating to the impairment of coal seam gas assets in South Sumatra, Indonesia, which Santos has decided to exit.

Net profit includes items after tax of \$52 million (before tax of \$79 million), referred to in the reconciliation of net profit to underlying profit below.

Reconciliation of Net Profit to Underlying Profit ¹	2014 \$million			2013 \$million		
	Gross	Tax	Net	Gross	Tax	Net
Net profit after tax attributable to equity holders of Santos Limited			206			271
Add/ (deduct) the following:						
Net gains on sales of non-current assets	–	–	–	(9)	3	(6)
Impairment losses/(reversals)	67	–	67	(25)	17	(8)
Foreign exchange losses	13	(4)	9	8	(2)	6
Fair value adjustments on embedded derivatives and hedges	4	(2)	2	(8)	2	(6)
Remediation (income)/ costs for incidents net of related insurance recoveries	(5)	1	(4)	(8)	2	(6)
Other one-off tax adjustment	–	(22)	(22)	–	–	–
	79	(27)	52	(42)	22	(20)
Underlying Profit¹			258			251

¹ Underlying profit is a non-IFRS measure that is presented to provide an understanding of the underlying performance of Santos' operations. The measure excludes the impacts of asset acquisitions, disposals and impairments, as well as items that are subject to significant variability from one period to the next, including the effects of fair value adjustments and fluctuations in exchange rates. The non-IFRS financial information is unaudited however the gross numbers presented above have been extracted from the financial statements which have been subject to review by the Company's auditor.

EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF SANTOS LIMITED / DIVIDENDS

Equity attributable to equity holders of Santos Limited at 30 June 2014 was \$10,151 million.

The Directors resolved on 21 August 2014 that a fully franked interim dividend of 20 cents per fully paid ordinary share be paid on 30 September 2014 to shareholders registered in the books of the Company at the close of business on 29 August 2014.

The 2014 fully franked interim dividend of 20 cents per fully paid ordinary share compares to a 2013 fully franked interim dividend of 15 cents per fully paid ordinary share.

The Dividend Reinvestment Plan ("DRP") will be operational for the 2014 interim dividend. DRP shares will be issued at the arithmetic average of the daily volume weighted average market price (ASX – traded volumes only) over a period of seven business days commencing on the second business day after the dividend record date less a 2.5% discount. The DRP will not be underwritten. The last date for the receipt of an election notice to participate in the DRP is the day after the record date of 29 August 2014.

CASH FLOW

The net cash inflow from operating activities of \$744 million was 18% higher than the first half of 2013. This increase is principally attributable to higher receipts from customers, partially offset by increased payments to suppliers and employees and lower interest received. Net cash used in investing activities of \$1,812 million was \$81 million lower than the first half of 2013 primarily due to lower payments for non-current assets, partially offset by higher borrowing costs paid. Cash flows from financing activities of \$879 million were \$138 million higher than the first half of 2013, mainly due to increased drawdown of borrowings.

OUTLOOK

Santos maintains production guidance in the range of 52 to 57 mmbob for 2014.

POST BALANCE DATE EVENTS

On 21 August 2014 the Directors of Santos Limited declared an interim dividend on ordinary shares in respect of the 2014 half-year period as outlined above. The financial effect of these dividends has not been brought to account in the half-year financial report for the six months ended 30 June 2014.

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 (Chairman)
Coates	Peter Roland
Dean	Kenneth Alfred
Franklin	Roy Alexander
Goh	Hock
Martin	Gregory John Walton
Harding ¹	Richard Michael
Hemstritch	Jane Sharman
Knox	David John Wissler (Managing Director)
Sheffield ²	Scott Douglas

¹ Ceased to be a Director of Santos Limited at the completion of the 2014 Annual General Meeting on 16 May 2014.

² Appointed a Director of Santos Limited on 24 February 2014.

Each of the above named Directors held office during or since the end of the half-year. There were no other persons who acted as Directors at any time during the half-year and up to the date of this report.

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.

AUDITOR'S INDEPENDENCE DECLARATION

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

This report is made out on 21 August 2014 in accordance with a resolution of the Directors.

Director

21 August 2014

Director



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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 2014, 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
21 August 2014

CONSOLIDATED INCOME STATEMENT
FOR SIX MONTHS ENDED 30 JUNE 2014

	Note	30 June 2014 \$million	30 June 2013 \$million
Product sales	4	1,887	1,510
Cost of sales	5	(1,329)	(1,023)
Gross profit		558	487
Other revenue	4	33	21
Other income	4	4	12
Other expenses	5	(250)	(68)
Finance income	6	8	31
Finance costs	6	(54)	(27)
Share of profit of joint ventures		7	7
Profit before tax		306	463
Income tax expense		(97)	(156)
Royalty-related taxation expense		(3)	(36)
Total taxation expense		(100)	(192)
Net profit for the period		206	271
Net profit attributable to:			
Owners of Santos Limited		206	271
Non-controlling interests		–	–
		206	271
Earnings per share attributable to the owners of Santos Limited (¢)			
Basic earnings per share		21.1	28.1
Diluted earnings per share		21.0	28.0
Dividends per ordinary share (\$)			
Paid during the period	14	0.15	0.15
Declared in respect of the period	14	0.20	0.15

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 2014**

	30 June 2014 \$million	30 June 2013 \$million
Net profit for the period	206	271
Other comprehensive income, net of tax:		
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>		
Exchange (loss)/gain on translation of foreign operations	(345)	547
Tax effect	–	4
	<u>(345)</u>	<u>551</u>
Gain/(loss) on foreign currency loans designated as hedges of net investments in foreign operations	206	(307)
Tax effect	(62)	95
	<u>144</u>	<u>(212)</u>
Loss on derivatives designated as cash flow hedges	(2)	(6)
Tax effect	1	1
	<u>(1)</u>	<u>(5)</u>
Net other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods	<u>(202)</u>	<u>334</u>
<i>Items not to be reclassified to profit or loss in subsequent periods:</i>		
Actuarial gain on the defined benefit plan	–	12
Tax effect	–	(4)
	<u>–</u>	<u>8</u>
Net other comprehensive income not being reclassified to profit or loss in subsequent periods	<u>–</u>	<u>8</u>
Other comprehensive (loss)/income, net of tax	<u>(202)</u>	<u>342</u>
Total comprehensive income, net of tax	<u>4</u>	<u>613</u>
Total comprehensive income attributable to:		
Owners of Santos Limited	4	613
Non-controlling interests	–	–
	<u>4</u>	<u>613</u>

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 2014

	Note	30 June 2014 \$million	31 December 2013 \$million
Current assets			
Cash and cash equivalents	7	448	644
Trade and other receivables		699	793
Prepayments		108	202
Inventories		413	419
Other financial assets		28	3
Tax receivable		48	17
Total current assets		1,744	2,078
Non-current assets			
Receivables		32	31
Prepayments		134	96
Investments in joint ventures		98	110
Other financial assets		200	236
Exploration and evaluation assets	8	2,054	1,964
Oil and gas assets	9	16,632	15,823
Other land, buildings, plant and equipment	10	253	259
Deferred tax assets		13	12
Total non-current assets		19,416	18,531
Total assets		21,160	20,609
Current liabilities			
Trade and other payables		1,216	1,235
Deferred income		51	91
Interest-bearing loans and borrowings	12	223	189
Current tax liabilities		5	22
Provisions		158	185
Other financial liabilities		4	4
Total current liabilities		1,657	1,726
Non-current liabilities			
Deferred income		107	82
Interest-bearing loans and borrowings	12	6,206	5,582
Deferred tax liabilities		1,204	1,227
Provisions		1,810	1,748
Other financial liabilities		29	32
Total non-current liabilities		9,356	8,671
Total liabilities		11,013	10,397
Net assets		10,147	10,212
Equity			
Issued capital	13	6,815	6,749
Reserves		(155)	47
Retained earnings		3,491	3,420
Equity attributable to owners of Santos Limited		10,151	10,216
Non-controlling interests		(4)	(4)
Total equity		10,147	10,212

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 2014

	Note	30 June 2014 \$million	30 June 2013 \$million
Cash flows from operating activities			
Receipts from customers		2,067	1,551
Interest received		8	32
Overriding royalties received		4	6
Insurance proceeds received		4	1
Pipeline tariffs and other receipts		54	34
Dividends received		3	6
Income taxes refunded		1	24
Payments to suppliers and employees		(1,088)	(739)
Exploration and evaluation – seismic and studies		(62)	(43)
Royalty and excise paid		(45)	(40)
Borrowing costs paid		(14)	–
Carbon costs paid		(49)	(36)
Income taxes paid		(108)	(136)
Overriding royalty costs		(2)	(1)
Royalty-related taxation paid		(29)	(30)
Net cash provided by operating activities		744	629
Cash flows from investing activities			
Payments for:			
Exploration and evaluation assets		(193)	(187)
Oil and gas assets		(1,465)	(1,511)
Other land, buildings, plant and equipment		(14)	(28)
Acquisitions of oil and gas assets		–	(43)
Acquisitions of exploration and evaluation assets		(8)	(7)
Restoration		(23)	(17)
Income taxes paid on disposal of non-current assets		–	(8)
Borrowing costs paid		(118)	(88)
Other investing activities		9	(4)
Net cash used in investing activities		(1,812)	(1,893)
Cash flows from financing activities			
Dividends paid		(81)	(78)
Drawdown of borrowings		967	832
Repayments of borrowings		(8)	(14)
Proceeds from issues of ordinary shares		1	1
Net cash provided by financing activities		879	741
Net decrease in cash and cash equivalents		(189)	(523)
Cash and cash equivalents at the beginning of the period		644	2,147
Effects of exchange rate changes on the balances of cash held in foreign currencies		(7)	7
Cash and cash equivalents at the end of the period	7	448	1,631

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 2014

	Equity attributable to owners of Santos Limited				Total equity \$million	Non- controlling interests \$million	Total equity \$million
	Issued capital \$million	Translation reserve \$million	Hedging reserve \$million	Retained earnings \$million			
Balance at 1 January 2013	6,608	(407)	(6)	3,163	9,358	(4)	9,354
Net profit for the period	–	–	–	271	271	–	271
Other comprehensive income/(loss) for the period	–	339	(5)	8	342	–	342
Total comprehensive income/(loss) for the period	–	339	(5)	279	613	–	613
Transactions with owners in their capacity as owners:							
Shares issued	68	–	–	–	68	–	68
Dividends to shareholders	–	–	–	(144)	(144)	–	(144)
Share-based payment transactions	–	–	–	9	9	–	9
Balance at 30 June 2013	6,676	(68)	(11)	3,307	9,904	(4)	9,900
Balance at 1 July 2013	6,676	(68)	(11)	3,307	9,904	(4)	9,900
Net profit for the period	–	–	–	245	245	–	245
Other comprehensive income for the period	–	125	1	6	132	–	132
Total comprehensive income for the period	–	125	1	251	377	–	377
Transactions with owners in their capacity as owners:							
Shares issued	73	–	–	–	73	–	73
Dividends to shareholders	–	–	–	(145)	(145)	–	(145)
Share-based payment transactions	–	–	–	7	7	–	7
Balance at 31 December 2013	6,749	57	(10)	3,420	10,216	(4)	10,212
Balance at 1 January 2014	6,749	57	(10)	3,420	10,216	(4)	10,212
Net profit for the period	–	–	–	206	206	–	206
Other comprehensive income/(loss) for the period	–	(201)	(1)	–	(202)	–	(202)
Total comprehensive income/(loss) for the period	–	(201)	(1)	206	4	–	4
Transactions with owners in their capacity as owners:							
Shares issued	66	–	–	–	66	–	66
Dividends to shareholders	–	–	–	(146)	(146)	–	(146)
Share-based payment transactions	–	–	–	11	11	–	11
Balance at 30 June 2014	6,815	(144)	(11)	3,491	10,151	(4)	10,147

The consolidated 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 CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2014

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”). The condensed consolidated financial report of the Company for the six months ended 30 June 2014 (“the half-year financial report”) comprises the Company and its controlled entities (“the Group”). Santos Limited is the ultimate parent entity in the Group.

The half-year financial report was authorised for issue in accordance with a resolution of the Directors on 21 August 2014.

2. Basis of Preparation and Significant Accounting Policies

Basis of preparation

This general purpose half-year financial report 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 annual financial report.

It is recommended that the half-year financial report be read in conjunction with the annual financial report for the year ended 31 December 2013 and considered together with any public announcements made by the Company during the six months ended 30 June 2014, in accordance with the continuous disclosure obligations of the ASX listing rules.

Significant accounting policies

The accounting policies adopted in the preparation of the half-year financial report are consistent with those applied in the preparation of the Group’s annual financial report for the year ended 31 December 2013, except for new standards, amendments to standards and interpretations effective from 1 January 2014.

The following standards, all consequential amendments and interpretations, applicable from 1 January 2014, have been adopted by the Group. These standards, amendments to standards and interpretations 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:

- AASB 1031 *Materiality*;
- AASB 1048 *Interpretation of Standards*;
- AASB 2011-4 *Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements (AASB 124)*;
- AASB 2012-3 *Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities*;
- AASB 2013-3 *Amendments to Australian Accounting Standards – Recoverable Amount Disclosures for Non-Financial Assets*;
- AASB 2013-4 *Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting*;
- AASB 2013-5 *Amendments to Australian Accounting Standards – Investment Entities*;
- AASB 2013-9 *Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments (Parts A and B)*; and
- Interpretation 21 *Levies*.

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 annual financial report for the year ended 31 December 2013.

Carbon Tax

On 17 July 2014, the *Clean Energy Legislation (Carbon Tax Repeal) Act 2014* (Cth) received Royal Assent, abolishing carbon tax with effect from 1 July 2014. The abolition of carbon tax does not impact on the Group's operating results for the period ended 30 June 2014.

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 and Bangladesh.

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 earnings before interest, tax, impairment, exploration and evaluation, and gains/losses on sale of non-current assets and controlled entities ("EBITX"). Corporate and exploration expenditure and inter-segment eliminations are included in the segment disclosure for reconciliation purposes.

The Group operates primarily in one business: the exploration for, 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.

NOTES TO THE HALF-YEAR CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2014

3. Segment Information (continued)	Eastern Australia		WA & NT		Asia Pacific		GLNG		Corporate, exploration and eliminations		Total	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
	\$million	\$million	\$million	\$million	\$million	\$million	\$million	\$million	\$million	\$million	\$million	\$million
Revenue												
Sales to external customers	988	705	568	541	309	241	22	23	–	–	1,887	1,510
Inter-segment sales*	–	–	–	–	–	–	7	8	(7)	(8)	–	–
Other revenue from external customers	20	10	3	–	6	5	1	2	3	4	33	21
Total segment revenue	1,008	715	571	541	315	246	30	33	(4)	(4)	1,920	1,531
Results												
Earnings before interest, tax, exploration and evaluation, impairment and gains/(losses) on sale of non-current assets and controlled entities (“EBITX”)	129	82	249	274	155	118	2	(2)	(14)	(3)	521	469
Depreciation and depletion	192	174	136	109	69	53	12	9	20	21	429	366
Gains on sale of non-current assets and controlled entities	–	–	–	9	–	–	–	–	–	–	–	9
Earnings before interest, tax, depreciation, depletion, exploration and evaluation and impairment (“EBITDAX”)	321	256	385	392	224	171	14	7	6	18	950	844
Depreciation and depletion	(192)	(174)	(136)	(109)	(69)	(53)	(12)	(9)	(20)	(21)	(429)	(366)
Exploration and evaluation expensed	–	–	–	–	–	–	–	–	(102)	(44)	(102)	(44)
Net impairment (loss)/reversal	–	13	–	–	(67)	12	–	–	–	–	(67)	25
Earnings before interest and tax (“EBIT”)	129	95	249	283	88	130	2	(2)	(116)	(47)	352	459
Net finance (costs)/income	–	–	–	–	–	–	–	–	(46)	4	(46)	4
Profit before tax											306	463
Income tax expense	–	–	–	–	–	–	–	–	(97)	(156)	(97)	(156)
Royalty-related taxation expense	33	6	(36)	(42)	–	–	–	–	–	–	(3)	(36)
Net profit for the period											206	271

* Intersegment pricing is determined on an arm's length basis. Intersegment sales are eliminated on consolidation.

NOTES TO THE HALF-YEAR CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2014

3. Segment Information (continued)	Eastern Australia		WA & NT		Asia Pacific		GLNG		Corporate, exploration and eliminations		Total	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
	\$million	\$million	\$million	\$million	\$million	\$million	\$million	\$million	\$million	\$million	\$million	\$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	–	–	–	9	–	–	–	–	–	–	–	9
Remediation income for incidents, net of related insurance recoveries	2	8	–	–	3	–	–	–	–	–	5	8

NOTES TO THE HALF-YEAR CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2014

4. Revenue and Other Income	30 June 2014 \$million	30 June 2013 \$million
Product sales:		
Gas, ethane and liquefied gas	647	618
Crude oil	1,023	711
Condensate and naphtha	136	106
Liquefied petroleum gas	81	75
Total product sales*	<u>1,887</u>	<u>1,510</u>
Other revenue:		
Overriding royalties	5	3
Pipeline tariffs and processing tolls	14	7
Other	14	11
Total other revenue	<u>33</u>	<u>21</u>
Total revenue	<u><u>1,920</u></u>	<u><u>1,531</u></u>
<i>* Total product sales include third party product sales of \$505 million (2013: \$273 million).</i>		
Other income:		
Insurance recoveries	4	1
Net gain on sale of exploration and evaluation assets	–	9
Other	–	2
Total other income	<u><u>4</u></u>	<u><u>12</u></u>

NOTES TO THE HALF-YEAR CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2014

5. Expenses	30 June 2014 \$million	30 June 2013 \$million
Cost of sales:		
Cash cost of production:		
Production costs:		
Production expenses	329	300
Production facilities operating leases	54	35
Total production costs	383	335
Other operating costs:		
Pipeline tariffs, processing tolls and other	58	57
Royalty and excise	45	35
Carbon costs	31	23
Other	2	–
Total other operating costs	136	115
Total cash cost of production	519	450
Depreciation and depletion	428	364
Third party product purchases	387	263
Increase in product stock	(5)	(54)
Total cost of sales	1,329	1,023
Other expenses:		
Selling	16	11
Corporate	47	36
Depreciation	1	2
Foreign exchange losses*	13	8
Losses from change in fair value of derivative financial assets designated as at fair value through profit or loss	2	2
Fair value hedges, losses/(gains):		
On the hedging instrument	2	53
On the hedged item attributable to the hedged risk	–	(63)
Exploration and evaluation expensed	102	44
Net impairment reversal on oil and gas assets	–	(25)
Net impairment loss on exploration and evaluation assets	58	–
Net impairment loss on financial assets	9	–
Total other expenses	250	68

* The foreign exchange losses for the six months ended 30 June 2014 include the following significant amounts in relation to foreign functional currency subsidiaries: \$75 million gain (2013: \$124 million loss) relating to the effects of foreign exchange on Australian dollar denominated tax bases and \$75 million loss (2013: \$124 million gain) on foreign functional currency intercompany loans.

NOTES TO THE HALF-YEAR CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2014

6. Net Finance (Costs)/Income	30 June 2014 \$million	30 June 2013 \$million
Finance income:		
Interest income	8	31
Total finance income	8	31
Finance costs:		
Interest expense:		
Interest paid to third parties	(145)	(101)
Deduct borrowing costs capitalised	124	101
	(21)	–
Unwind of the effect of discounting on provisions	(33)	(27)
Total finance costs	(54)	(27)
Net finance (costs)/income	(46)	4

7. Cash and Cash Equivalents	Six months ended		
	30 June 2014 \$million	31 December 2013 \$million	30 June 2013 \$million
Cash at bank and in hand	448	563	496
Short-term deposits	–	81	1,135
	448	644	1,631

8. Exploration and Evaluation Assets			
Balance at the beginning of the period	1,964	1,737	1,510
Acquisitions of exploration and evaluation assets	8	141	8
Additions	234	271	262
Exploration and evaluation expensed	(30)	(79)	(11)
Disposals and recoupment	–	–	(1)
Net impairment losses	(58)	(6)	–
Transfer to oil and gas assets in development	(8)	(5)	(4)
Transfer to oil and gas assets in production	(45)	(96)	(35)
Exchange differences	(11)	1	8
Balance at the end of the period	2,054	1,964	1,737
Comprising:			
Acquisition costs	1,187	1,222	1,095
Successful exploration wells	743	680	487
Exploration and evaluation assets pending determination of success	124	62	155
	2,054	1,964	1,737

NOTES TO THE HALF-YEAR CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2014

	Six months ended		
	30 June 2014 \$million	31 December 2013 \$million	30 June 2013 \$million
9. Oil and Gas Assets			
Assets in development			
Balance at the beginning of the period	9,057	7,246	5,398
Acquisitions of oil and gas assets	–	–	30
Additions	1,110	1,459	1,330
Capitalised depreciation	7	11	–
Transfer from exploration and evaluation assets	8	5	4
Transfer to oil and gas assets in production	(3,121)	(5)	(253)
Net impairment reversals	–	–	29
Exchange differences	(496)	341	708
Balance at the end of the period	6,565	9,057	7,246
Producing assets			
Balance at the beginning of the period	6,766	6,616	6,159
Acquisitions of oil and gas assets	–	13	–
Additions	604	598	375
Transfer from exploration and evaluation assets	45	96	35
Transfer from oil and gas assets in development	3,121	5	253
Disposals	–	(55)	–
Depreciation and depletion expense	(414)	(506)	(345)
Net impairment losses	–	(34)	(4)
Exchange differences	(55)	33	143
Balance at the end of the period	10,067	6,766	6,616
Total oil and gas assets	16,632	15,823	13,862
Comprising:			
Exploration and evaluation expenditure pending commercialisation	241	190	65
Other capitalised expenditure	16,391	15,633	13,797
	16,632	15,823	13,862

10. Other Land, Buildings, Plant and Equipment

Balance at the beginning of the period	259	258	259
Additions	18	38	20
Disposals	(1)	–	–
Impairment losses	–	(11)	–
Depreciation	(22)	(27)	(21)
Exchange differences	(1)	1	–
Balance at the end of the period	253	259	258

11. Impairment of Non-current Assets

During the half-year ended 30 June 2014, the Group recognised a net impairment loss of \$67 million, relating to the Group's Indonesian coal seam gas assets. The impairment has arisen as a result of the Group's decision to withdraw from the Production Sharing Contracts in which the assets are held.

12. Interest-bearing Loans and Borrowings

During the half-year ended 30 June 2014, the Group's interest-bearing loans and borrowings increased by \$658 million. The increase was mainly due to the drawdown of bilateral facilities (\$464 million), export credit agency supported loan facilities (\$341 million), PNG LNG project finance (\$122 million) and Commercial Paper (\$40 million), offset by foreign exchange movements.

NOTES TO THE HALF-YEAR CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2014

	Six months ended					
	30 June 2014	31 December 2013	30 June 2013	30 June 2014	31 December 2013	30 June 2013
13. Issued Capital	Number of shares	Number of shares	Number of shares	\$million	\$million	\$million
Movement in fully paid ordinary shares						
Balance at the beginning of the period	972,088,279	966,745,688	961,184,172	6,749	6,676	6,608
Santos Dividend Reinvestment Plan (“DRP”)	4,859,425	4,478,876	5,265,483	65	65	67
Santos Employee Share1000 Plan	5,037	124,880	13,528	–	2	–
Santos Employee ShareMatch Plan	35,412	444,720	56,319	1	5	1
Shares issued on exercise of options	–	10,000	–	–	–	–
Shares issued on vesting of Share Acquisition Rights	215,214	284,115	226,186	–	–	–
Santos ESG Employee Incentive Plan	–	–	–	–	1	–
Balance at the end of the period	977,203,367	972,088,279	966,745,688	6,815	6,749	6,676

NOTES TO THE HALF-YEAR CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2014

14. Dividends	Dividend per share \$	Total \$million	Franked/ unfranked	Payment date
Dividends paid during the period:				
2014				
2013 Final dividend per ordinary share	0.15	<u>146</u>	Franked	26 Mar 2014
2013				
2012 Final dividend per ordinary share	0.15	<u>144</u>	Franked	28 Mar 2013
Franked dividends paid during the period were franked at the tax rate of 30%.				
Dividends declared in respect of the current period:				
	0.20	<u>195</u>	Franked	30 Sep 2014

After the reporting date, the interim 2014 ordinary dividend of 20 cents per share was declared by the Directors. The financial effect of these dividends has not been brought to account in the half-year financial statements for the six months ended 30 June 2014 and will be recognised in subsequent financial reports.

15. Financial Risk Management

Exposure to foreign currency risk, interest rate risk, commodity price risk, credit risk and liquidity risk arises in the normal course of the Group's business. The Group's overall financial risk management strategy is to seek to ensure that the Group is able to fund its corporate objectives and meet its obligations to stakeholders. Derivative financial instruments may be used to hedge exposure to fluctuations in foreign exchange rates, interest rates and commodity prices.

The Group uses various methods to measure the types of financial risk to which it is exposed. These methods include Cash Flow at Risk analysis in the case of interest rate, foreign exchange and commodity price risk, and ageing analysis for credit risk.

Financial risk management is carried out by a central treasury department ("Treasury") which operates under Board-approved policies. The policies govern the framework and principles for overall risk management and covers specific financial risks, such as foreign exchange risk, interest rate risk and credit risk, approved derivative and non-derivative financial instruments, and liquidity management.

(a) Foreign currency risk

Foreign exchange risk arises from commercial transactions and valuations in assets and liabilities that are denominated in a currency that is not the entity's functional currency.

The Group is exposed to foreign currency risk principally through the sale of products denominated in US dollars, borrowings denominated in US dollars and Euros and foreign currency capital and operating expenditure. In order to economically hedge foreign currency risk, the Group from time to time enters into forward foreign exchange, foreign currency swap and foreign currency option contracts.

All foreign currency denominated borrowings of Australian dollar ("AUD") functional currency companies are either designated as a hedge of US dollar denominated investments in foreign operations or swapped using cross-currency swaps to US dollars and designated as a hedge of US dollar denominated investments in foreign operations. As a result, there were no net foreign currency gains or losses arising from translation of US dollar denominated borrowings recognised in the income statement for the half-year ended 30 June 2014.

Monetary items, including financial assets and liabilities, denominated in currencies other than the functional currency of an operation, are periodically restated to Australian dollar equivalents, and the associated gain or loss is taken to the income statement. The exception is foreign exchange gains or losses on foreign currency provisions for restoration at operating sites that are capitalised in oil or gas assets.

15. Financial Risk Management (continued)

(b) Market risk

Cash flow and fair value interest rate risk

The Group's interest rate risk arises from its borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk.

The Group adopts a policy of ensuring that the majority of its exposure to changes in interest rates on borrowings is on a floating rate basis. Interest rate swaps, denominated in Australian dollars and US dollars, have been entered into as fair value hedges of medium-term notes, long-term notes and subordinated debt. When transacted, these swaps had maturities ranging from 1 to 20 years, aligned with the maturity of the related notes. At 30 June 2014, the Group had interest rate swaps with a notional contract amount of \$2,273 million.

The net fair value of swaps at 30 June 2014 was \$131 million, comprising assets of \$131 million and liabilities of nil. These amounts were recognised as fair value derivatives.

Cash flow hedge accounting

The Group has issued €1,000 million subordinated notes with an average fixed interest rate of 8.25%.

In order to reduce the variability of the Australian dollar cash flows arising from the Euro principal and interest payments to September 2017, the Group entered into cross-currency interest rate swap contracts in March 2011, under which it has a right to receive interest at fixed Euro rates and pay interest at floating US dollar interest rates. These contracts are in place to cover all remaining principal and interest payments on €950 million of the subordinated notes. The Euro rates were fixed at 8.25% and the fixed US dollar margins range between 5.18% and 5.349%.

€50 million of the subordinated notes have been swapped to a fixed US dollar interest rate of 8.48% for seven years.

The Group has entered into US dollar interest rate swap contracts, under which it has a right to receive interest at floating US dollar rates and pay interest at fixed US dollar interest rates. These contracts are in place to cover coupon payments on the US\$670 million Uncovered export credit agency supported loan through to the end of 2016.

The cross-currency interest rate swap contracts and US dollar interest rate swap contracts are recognised at fair value and all gains and losses attributable to the hedged risks are recognised in the hedge reserve and reclassified into the income statement when the interest expense is recognised.

(c) Fair values

The fair values of receivables, payables, interest-bearing liabilities and other financial assets and liabilities which are not subsequently measured at fair value approximate their carrying value.

The following summarises the significant methods and assumptions used in estimating the fair values of financial instruments:

Available-for-sale financial assets

The fair value of available-for-sale financial assets is determined by reference to their quoted bid price at the reporting date.

Derivatives

The fair value of interest rate swaps is calculated by discounting estimated future cash flows based on the terms of maturity of each contract and using market interest rates for a similar instrument at the reporting date. Where these cash flows are in a foreign currency, the present value is converted to Australian dollars at the foreign exchange spot rate prevailing at reporting date.

Financial liabilities

Fair value is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. Where these cash flows are in a foreign currency, the present value is converted to Australian dollars at the foreign exchange spot rate prevailing at reporting date.

NOTES TO THE HALF-YEAR CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2014

15. Financial Risk Management (continued)

(c) Fair values (continued)

Interest rates used for determining fair value

The interest rates used to discount estimated future cash flows, where applicable, are based on the market yield curve at the reporting date. Credit default swap ("CDS") spreads are used as the applicable market rate for credit as at reporting date. Where an entity's CDS spread is not quoted, an average CDS spread of similar entities in the same sector with the same credit rating is used as a proxy.

The interest rates including credit spreads used to determine fair value were as follows:

	30 June 2014	31 Dec 2013
	%	%
Derivatives	0.2% – 5.2%	0.3% – 5.0%
Loans and borrowings	0.2% – 5.2%	0.3% – 5.0%

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets and liabilities;
- Level 2: other techniques for which all inputs which have significant effect on the recorded fair value are observable, either directly or indirectly;
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The Group held the following financial instruments measured at fair value:

	Total	Level 1	Level 2	Level 3
	\$million	\$million	\$million	\$million
30 June 2014				
Assets measured at fair value				
Financial assets at fair value through profit and loss:				
Cross-currency swap contracts	55	–	55	–
Interest rate swap contracts	131	–	131	–
Embedded derivatives	4	–	4	–
Available-for-sale financial assets:				
Equity shares	10	10	–	–
Liabilities measured at fair value				
Financial liabilities at fair value through profit and loss:				
Long-term notes	(859)	–	(859)	–
Medium-term notes	(104)	–	(104)	–

NOTES TO THE HALF-YEAR CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2014

15. Financial Risk Management (continued)

(c) Fair values (continued)

	Total \$million	Level 1 \$million	Level 2 \$million	Level 3 \$million
31 December 2013				
Assets measured at fair value				
Financial assets at fair value through profit and loss:				
Interest rate swap contracts	144	–	144	–
Cross-currency swap contracts	65	–	65	–
Embedded derivatives	5	–	5	–
Available-for-sale financial assets:				
Equity shares	10	10	–	–
Liabilities measured at fair value				
Financial liabilities at fair value through profit and loss:				
Long-term notes	(909)	–	(909)	–
Medium-term notes	(105)	–	(105)	–

During the six-month period ended 30 June 2014, there were no transfers between level 1 and level 2 fair value measurements, and no transfers into or out of level 3 fair value measurements.

16. Acquisition/Disposal of Controlled Entities

There were no acquisitions or disposals of controlled entities during the six months ended 30 June 2014. Santos Sabah Block S Limited was incorporated in the United Kingdom on 27 May 2014.

17. Capital Commitments

Capital commitments have increased by \$196 million compared to those disclosed in the most recent annual financial report, mainly due to Cooper Basin infrastructure expansion and to the development of gas fields.

18. Contingent Liabilities

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

19. Events After the End of the Reporting Period

On 21 August 2014, the Directors of Santos Limited declared an interim dividend on ordinary shares in respect of the 2014 half-year period. The financial effect of these dividends has not been brought to account in the half-year financial statements for the six months ended 30 June 2014. Refer to note 14 for details.

DIRECTORS' DECLARATION

FOR THE SIX MONTHS ENDED 30 JUNE 2014

In accordance with a resolution of the Directors of Santos Limited ("the Company"), we state that:

In the opinion of the Directors of the Company:

1. The financial statements and notes of the consolidated entity are in accordance with the *Corporations Act 2001* (Cth), including:
 - (a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 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* (Cth); 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 21st day of August 2014

On behalf of the Board:

Director

Adelaide

Director

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 2014, 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, other selected explanatory notes, 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 2014 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 2014 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
21 August 2014

Appendix 4D

FOR THE SIX MONTHS ENDED 30 JUNE 2014

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

NTA BACKING

	30 June 2014	30 June 2013
Net tangible asset backing per ordinary security	N/A	N/A

CHANGE IN OWNERSHIP OF CONTROLLED ENTITIES

There were no acquisitions or disposals of controlled entities during the six months ended 30 June 2014.

Santos Sabah Block S Limited was incorporated in the United Kingdom on 27 May 2014.

DIVIDEND REINVESTMENT PLAN

The Dividend Reinvestment Plan ("DRP") will be operational for the 2014 interim dividend. DRP shares will be issued at the arithmetic average of the daily volume weighted average market price (ASX – traded volumes only) over a period of seven business days commencing on the second business day after the dividend record date less a 2.5% discount. The DRP will not be underwritten. The last date for the receipt of an election notice to participate in the DRP is the day after the record date of 29 August 2014.

DETAILS OF JOINT VENTURE AND ASSOCIATE ENTITIES

	Percent ownership interest held at the end of the period	
	30 June 2014	30 June 2013
	%	%
<i>Joint venture entities</i>		
CJSC KNG Hydrocarbons	54.0	54.0
Darwin LNG Pty Ltd	11.5	11.5
Easternwell Drilling Services Holdings Pty Ltd	50.0	50.0
GLNG Operations Pty Ltd	30.0	30.0
GLNG Property Pty Ltd	30.0	30.0
Lohengrin Pty Ltd	50.0	50.0