

SANTOS LTD

Appendix 4D

Half-year Report under Listing Rule 4.2A

for the period ended 30 June 2009

ABN

80 007 550 923

Previous corresponding period

30 June 2008

2. Results for announcement to the market

		\$A million	
Revenue from ordinary activities	Down 25.5%	to	1,047.8
Underlying profit after tax	Down 64.0%	to	101.9
Net profit for the period	Down 66.5%	to	101.7
Profit from ordinary activities after tax attributable to members	Down 66.5%	to	101.7
Net profit for the period attributable to members	Down 66.5%	to	101.7
Interim Dividends	Amount per security	Franked amount per security at 30% tax	
Ordinary securities	22.0¢	22.0¢	
Preference securities	\$1.6191	\$1.6191	
Record date for determining entitlements to the dividends	1 September 2009		
<i>Brief explanation of any of the figures disclosed above necessary to enable the figures to be understood:</i>			
Refer to media release dated 20 August 2009 for further commentary regarding the half year 2009 result.			

This Half-year Report is to be read in conjunction with the 2008 Annual Report, the June 2009 Half-year Financial Report and Directors' Statutory Report.

3. NTA backing

	Current period	Previous corresponding period
Net tangible asset backing per ordinary security	N/A	N/A

4. Change in ownership of controlled entities

Control gained over entities having material effect

Name of entity	N/A	
	\$A million	
Date from which control was gained	N/A	
Where material to understanding of the report		
Consolidated profit / (loss) from ordinary activities after tax of the controlled entity since the date in the current period on which control was acquired	N/A	
Profit from ordinary activities after tax of the controlled entity for the whole of the previous corresponding period	N/A	

Loss of control of entities having material effect

Name of entities	Santos UK (Kakap) Limited and Novus Nominees Pty Ltd	
	\$A million	
Date from which control was lost	10 May 2009	
Consolidated profit from ordinary activities after tax of the controlled entities for the current period to the date of loss of control	\$0.6	
Consolidated profit from ordinary activities after tax of the controlled entities while controlled during the whole of the previous corresponding period	\$8.4	

5. Dividends

Date the dividend is payable	30 September 2009
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	Current period \$A million	Previous corresponding period \$A million
Ordinary securities	182.7	131.0
Preference securities	9.7	20.0
Total	192.4	151.0

None of these dividends are foreign sourced.

6. Dividend Reinvestment Plans

The dividend or distribution plans shown below are in operation.

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 7 business days commencing on the business day after the Dividend Record Date. The Board has determined that no discount will apply.

The last date for receipt of election notices for the dividend or distribution plans

1 September 2009

7. Details of associates and joint venture entities

Name of entity	Percentage of ownership interest held at end of period or date of disposal	
	Current period	Previous corresponding period
Darwin LNG Pty Ltd	11.4%	11.4%
Easternwell Drilling Services Holdings Pty Ltd	50%	50%
Fairview Power Pty Ltd (in liquidation)	50%	50%
GLNG Operation Pty Ltd	60%	60%

Santos Ltd
ABN 80 007 550 923

Santos

SANTOS LTD
(INCORPORATED IN SOUTH AUSTRALIA ON 18 MARCH 1954)
AND CONTROLLED ENTITIES

HALF-YEAR CONDENSED FINANCIAL REPORT
30 JUNE 2009

SANTOS LTD AND CONTROLLED ENTITIES

INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2009

		CONSOLIDATED	
	Note	30 June 2009 \$million	30 June 2008 \$million
Product sales	4	1,024.0	1,383.5
Cost of sales	5	(690.9)	(688.5)
Gross profit		333.1	695.0
Other revenue	4	23.8	22.3
Other income	4	27.9	5.3
Other expenses	5	(175.8)	(142.2)
Interest income	6	34.1	6.4
Finance costs	6	(45.7)	(80.5)
Profit before tax		197.4	506.3
Income tax expense		(67.4)	(135.6)
Royalty related taxation expense		(28.3)	(67.0)
Total taxation expense		(95.7)	(202.6)
Net profit for the period		101.7	303.7
Profit attributable to:			
Owners of Santos Ltd		101.7	303.7
Minority interests		-	-
		101.7	303.7
Earnings per share attributable to the owners of Santos Ltd (c)			
Basic earnings per share		12.4	44.9
Diluted earnings per share		12.3	44.6

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

SANTOS LTD AND CONTROLLED ENTITIES
STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2009

	CONSOLIDATED	
	30 June 2009 \$million	30 June 2008 \$million
Net profit for the period	101.7	303.7
Other comprehensive income, net of tax:		
Exchange losses on translation of foreign operations	(191.9)	(81.1)
Gain on foreign currency loans designated as hedges of net investments in foreign operations	125.1	65.1
Change in fair value of available-for-sale financial assets	-	(5.2)
Actuarial gain on defined benefit plan	8.8	-
Other comprehensive income, net of tax	(58.0)	(21.2)
Total comprehensive income	43.7	282.5
Total comprehensive income attributable to:		
Owners of Santos Ltd	43.7	282.5
Minority interests	-	-
	43.7	282.5

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

SANTOS LTD AND CONTROLLED ENTITIES

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2009

		CONSOLIDATED	
		30 June 2009	31 December 2008
		\$million	\$million
	Note		
Current assets			
Cash and cash equivalents	8	2,416.5	1,552.9
Trade and other receivables		728.9	581.6
Inventories		312.5	289.7
Other financial assets	9	1,198.2	59.2
Current tax receivable		38.5	-
Assets of disposal group classified as held for sale		116.3	-
Total current assets		4,810.9	2,483.4
Non-current assets			
Receivables		13.7	18.5
Exploration and evaluation assets	10	335.4	427.5
Oil and gas assets	11	6,350.3	6,254.8
Other land, buildings, plant and equipment	12	173.6	159.9
Available-for-sale financial assets		2.1	2.1
Other financial assets	9	170.3	344.7
Deferred tax assets		105.9	111.0
Total non-current assets		7,151.3	7,318.5
Total assets		11,962.2	9,801.9
Current liabilities			
Trade and other payables		660.6	604.8
Deferred income		56.9	55.2
Interest-bearing loans and borrowings		73.8	98.6
Current tax liabilities		0.4	469.2
Provisions		97.7	116.7
Other current liabilities		4.8	8.1
Liabilities associated with assets classified as held for sale		33.7	-
Total current liabilities		927.9	1,352.6
Non-current liabilities			
Deferred income		47.0	54.1
Interest-bearing loans and borrowings		1,945.9	2,355.8
Deferred tax liabilities		772.5	744.1
Provisions		831.0	808.0
Other non-current liabilities		10.6	9.0
Total non-current liabilities		3,607.0	3,971.0
Total liabilities		4,534.9	5,323.6
Net assets		7,427.3	4,478.3
Equity			
Issued capital	13	5,565.9	2,530.8
Reserves		(255.6)	(188.8)
Retained earnings		2,116.7	2,136.0
Equity attributable to owners of Santos Ltd		7,427.0	4,478.0
Equity attributable to minority interests		0.3	0.3
Total equity		7,427.3	4,478.3

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

SANTOS LTD AND CONTROLLED ENTITIES

STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2009

	Note	CONSOLIDATED 30 June 2009 \$million	30 June 2008 \$million
Cash flows from operating activities			
Receipts from customers		1,060.1	1,490.7
Interest received		31.6	6.6
Overriding royalties received		4.1	5.6
Insurance proceeds received		27.2	4.4
Pipeline tariffs and other receipts		44.4	10.8
Payments to suppliers and employees		(420.1)	(469.2)
Royalty and excise paid		(30.5)	(55.9)
Exploration and evaluation - seismic and study costs		(128.6)	(73.4)
Borrowing costs paid		(49.4)	(89.3)
Income taxes paid		(0.6)	(138.6)
Royalty related taxes paid		(39.4)	(66.1)
Net cash provided by operating activities		498.8	625.6
Cash flows from investing activities			
Payments for:			
Exploration and evaluation assets		(46.1)	(135.1)
Oil and gas assets		(694.6)	(476.7)
Other land, buildings, plant and equipment		(31.7)	(19.8)
Acquisitions of oil and gas assets		(18.4)	(0.5)
Acquisitions of controlled entities		(5.5)	(4.4)
Restoration		(13.2)	(0.5)
Other investing activities		(0.5)	(1.9)
Income taxes paid on disposal of non-current assets		(496.6)	-
Proceeds from disposal of non-current assets		13.4	0.4
Proceeds from disposal of controlled entities		25.1	-
Net cash used in investing activities		(1,268.1)	(638.5)
Cash flows from financing activities			
Dividends paid		(123.8)	(118.8)
Proceeds from issues of ordinary shares		3,001.5	101.6
Proceeds from issues placed on term deposits		(1,175.6)	-
Repayments of borrowings		(44.7)	(664.2)
Drawdown of borrowings		-	648.0
Net cash provided by / (used in) financing activities		1,657.4	(33.4)
Net increase / (decrease) in cash and cash equivalents		888.1	(46.3)
Cash and cash equivalents at the beginning of the period		1,552.9	200.5
Effects of exchange rate changes on the balances of cash held in foreign currencies		(24.5)	(5.7)
Cash and cash equivalents at the end of the period	8	2,416.5	148.5

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

SANTOS LTD AND CONTROLLED ENTITIES

STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2009

	Attributable to owners of Santos Ltd				Total equity \$million	Minority interests \$million	Total equity \$million
	Share capital \$million	Translation reserve \$million	Fair value reserve \$million	Retained earnings \$million			
Balance at 1 January 2009	2,530.8	(186.8)	(2.0)	2,136.0	4,478.0	0.3	4,478.3
Total comprehensive income for the period, net of tax	-	(66.8)	-	110.5	43.7	-	43.7
Transactions with owners in their capacity as owners:							
Share options exercised by employees	3.8	-	-	-	3.8	-	3.8
Shares issued	117.2	-	-	-	117.2	-	117.2
Entitlement offer	2,914.1	-	-	-	2,914.1	-	2,914.1
Dividends to shareholders	-	-	-	(135.0)	(135.0)	-	(135.0)
Share-based payment transactions	-	-	-	5.2	5.2	-	5.2
	3,035.1	-	-	(129.8)	2,905.3	-	2,905.3
Balance at 30 June 2009	5,565.9	(253.6)	(2.0)	2,116.7	7,427.0	0.3	7,427.3
Balance at 1 January 2008	2,331.6	(280.3)	7.4	1,034.4	3,093.1	-	3,093.1
Total comprehensive income for the period, net of tax	-	(16.0)	(5.2)	303.7	282.5	-	282.5
Transactions with owners in their capacity as owners:							
Share options exercised by employees	1.1	-	-	-	1.1	-	1.1
Shares issued	116.9	-	-	-	116.9	-	116.9
Dividends to shareholders	-	-	-	(135.2)	(135.2)	-	(135.2)
Share-based payment transactions	-	-	-	4.4	4.4	-	4.4
	118.0	-	-	(130.8)	(12.8)	-	(12.8)
Balance at 30 June 2008	2,449.6	(296.3)	2.2	1,207.3	3,362.8	-	3,362.8

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

SANTOS LTD AND CONTROLLED ENTITIES
NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2009

1. Corporate Information

Santos Ltd (“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 2009 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 20 August 2009.

2. Basis of Preparation and Significant Accounting Policies

Basis of preparation

This general purpose condensed financial report for the half year ended 30 June 2009 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 2008 and considered together with any public announcements made by Santos Ltd during the half year ended 30 June 2009 in accordance with the continuous disclosure obligations of the *ASX listing rules*.

Significant Accounting Policies

The same accounting policies have been followed in the half-year financial report as were applied in the preparation of the Group’s financial report for the year ended 31 December 2008.

The Group has adopted the following Standards and all consequential amendments applicable from 1 January 2009, which have impacted on presentation and disclosure in the financial report.

- AASB 8 *Operating Segments*
AASB 8 is a disclosure Standard that has resulted in a redesignation of the Group’s reportable segments as detailed in note 3.
- AASB 101 *Presentation of financial Statements* (revised 2007)
The revised Standard introduces a number of terminology changes, including revised titles for the financial statements, and has resulted in a number of changes in presentation and disclosure.

The Group has changed the classification of exploration and evaluation expenditure in the Statement of Cash Flows such that only exploration and evaluation expenditure that results in the initial recognition of an exploration and evaluation asset is included in investing activities. Exploration and evaluation expenditure that is expensed as incurred (generally seismic and study activities) is classified in operating activities.

SANTOS LTD AND CONTROLLED ENTITIES
NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2009

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

Significant Accounting Policies (continued)

The following Standards and Interpretations and all consequential amendments, which became applicable from 1 January 2009, have also been adopted by the Group. These Standards and Interpretation have not impacted on the financial position or performance of the Group, or on presentation or disclosure in the financial report,

- AASB 123 *Borrowing Costs*
- AASB 2008-1 *Amendments to Australian Accounting Standard – Share-based Payments: Vesting Conditions and Cancellations*
- AASB 2008-2 *Amendments to Australian Accounting Standards – Puttable Financial Instruments and Obligations arising on Liquidation*
- AASB 2008-5 *Amendments to Australian Accounting Standards arising from the Annual Improvements Project*
- AASB 2008-7 *Amendments to Australian Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*
- AASB 2009-2 *Amendments to Australian Accounting Standards – Improving Disclosures about Financial Instruments*
- AASB 2009-3 *Amendments to Australian Accounting Standards – Embedded Derivatives*
- Interpretation 16 *Hedges of Net Investments in Foreign Operations*

3. Segment Information

The Group has adopted AASB 8 *Operating Segments* with effect from 1 January 2009. AASB 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance.

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, Kyrgyz Republic and Egypt.

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

SANTOS LTD AND CONTROLLED ENTITIES
NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2009

3. Segment Information (continued)

	Eastern Australia		WA & NT		Asia Pacific		GLNG		Total	
	\$million 2009	\$million 2008	\$million 2009	\$million 2008	\$million 2009	\$million 2008	\$million 2009	\$million 2008	\$million 2009	\$million 2008
Revenue										
Sales to external customers	493.5	630.0	391.2	569.9	87.6	130.3	51.7	53.3	1,024.0	1,383.5
Inter-segment sales	-	-	5.9	11.4	-	-	13.2	3.4	19.1	14.8
Other revenue from external customers	16.6	17.8	1.3	2.0	0.7	2.5	3.6	-	22.2	22.3
Total segment revenue	510.1	647.8	398.4	583.3	88.3	132.8	68.5	56.7	1,065.3	1,420.6
Elimination of inter-segment sales									(19.1)	(14.8)
Other revenue									1.6	-
Total revenue									1,047.8	1,405.8
Results										
Segment results before interest, tax, depreciation, exploration and impairment	318.3	450.7	285.1	474.9	64.3	101.8	8.2	38.0	675.9	1,065.4
Depreciation and depletion	(195.3)	(229.7)	(83.3)	(73.0)	(21.0)	(21.2)	(14.2)	(19.3)	(313.8)	(343.2)
Net impairment loss on oil and gas assets	-	-	(7.9)	-	-	-	-	-	(7.9)	-
	123.0	221.0	193.9	401.9	43.3	80.6	(6.0)	18.7	354.2	722.2
Exploration and evaluation expensed									(112.8)	(107.5)
Corporate and unallocated costs									(32.4)	(34.3)
Earnings before interest and tax ("EBIT")									209.0	580.4
Interest revenue									34.1	6.4
Finance costs									(45.7)	(80.5)
Profit before tax									197.4	506.3
Income tax expense									(67.4)	(135.6)
Royalty related taxation expense	(2.5)	(9.7)	(25.8)	(57.3)	-	-	-	-	(28.3)	(67.0)
Total taxation expense									(95.7)	(202.6)
Net profit for the period									101.7	303.7

SANTOS LTD AND CONTROLLED ENTITIES
NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2009

	CONSOLIDATED	
	30 June 2009 \$million	30 June 2008 \$million
4. Revenue and Other Income		
Product sales:		
Gas, ethane and liquefied gas	539.6	459.4
Crude oil	308.6	596.5
Condensate and naphtha	90.8	204.8
Liquefied petroleum gas	85.0	122.8
	1,024.0	1,383.5
Other revenue:		
Overriding royalties	3.2	7.9
Pipeline tariffs and tolls	9.7	2.9
Trading revenue	7.4	7.1
Other	3.5	4.4
	23.8	22.3
Total revenue	1,047.8	1,405.8
Other income:		
Insurance recoveries	5.4	4.4
Net loss on sale of controlled entities	(12.8)	-
Net gain on sale of non-current assets	35.3	0.9
	27.9	5.3
5. Expenses		
Cost of sales:		
Cash cost of production:		
Production costs:		
Production expenses	231.2	227.4
Production facilities operating leases	35.0	29.6
	266.2	257.0
Other operating costs:		
Pipeline tariffs, tolls and other	36.9	38.1
Royalty and excise	25.1	50.2
	62.0	88.3
Total cash cost of production	328.2	345.3
Depreciation and depletion	313.8	343.1
Third party gas purchases	55.9	20.6
Increase in product stock	(7.0)	(20.5)
Total cost of sales	690.9	688.5

SANTOS LTD AND CONTROLLED ENTITIES
NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2009

	CONSOLIDATED	
	30 June 2009	30 June 2008
	\$million	\$million
5. Expenses (continued)		
Other expenses:		
Selling	3.7	5.6
Corporate	37.7	39.8
Depreciation	3.1	1.2
	44.5	46.6
Foreign exchange losses/(gains)	18.9	(6.7)
Gains from change in fair value of derivative financial assets designated as at fair value through profit or loss	(4.4)	(4.5)
Fair value hedges, losses/(gains):		
On the hedging instrument	121.0	3.3
On the hedged item attributable to the hedged risk	(124.9)	(4.1)
Exploration and evaluation expensed	112.8	107.6
Net impairment loss on oil and gas assets	7.9	-
Total other expenses	175.8	142.2
6. Net Finance Costs		
Interest income	(34.1)	(6.4)
Interest paid to third parties	42.6	67.5
Less borrowing costs capitalised	(14.4)	(2.9)
	28.2	64.6
Unwind of the effect of discounting on provisions	17.3	15.9
Interest component of finance leases	0.2	-
	45.7	80.5
Net finance costs	11.6	74.1
7. Earnings		
Earnings before interest, tax, depreciation, exploration and impairment ("EBITDAX") is calculated as follows:		
Profit before tax	197.4	506.3
Add back:		
Net financing costs	11.6	74.1
EBIT	209.0	580.4
Add back:		
Depreciation and depletion	316.9	344.4
Exploration and evaluation expensed	112.8	107.5
Net impairment loss on oil and gas assets	7.9	-
EBITDAX	646.6	1,032.3

SANTOS LTD AND CONTROLLED ENTITIES
NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2009

	CONSOLIDATED	
	Six months ended 30 June 2009 \$million	Twelve months ended 31 December 2008 \$million
8. Cash and cash equivalents		
Cash at bank and in hand	194.3	273.2
Short-term deposits	2,222.2	1,279.7
	2,416.5	1,552.9
<p>In accordance with the Group's usual cash management process, short term deposits generally have an original maturity of three months or less. However, the majority of proceeds from the entitlement offer have been invested in short term deposits with an original maturity of six months or less as the Group has sufficient shorter term liquidity and to take advantage of a range of investment yields. Deposits with original maturities in excess of three months, which have significant early termination interest penalties, have been classified as term deposits within other financial assets (refer note 9). All deposits are held with a range of high credit worthy financial institutions and are readily convertible to cash if required.</p>		
9. Other financial assets		
Current – other financial assets		
Term deposits	1,175.6	-
Cross-currency swap contracts	20.1	59.2
Other	2.5	-
	1,198.2	59.2
Non-current – other financial assets		
Cross-currency swap contracts	7.0	32.8
Interest rate swap contracts	152.2	303.5
Other	11.1	8.4
	170.3	344.7

SANTOS LTD AND CONTROLLED ENTITIES
NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2009

	CONSOLIDATED	
	Six months ended 30 June 2009 \$million	Twelve months ended 31 December 2008 \$million
10. Exploration and Evaluation Assets		
Balance at the beginning of the period	427.5	332.4
Acquisitions of controlled entities	-	15.0
Acquisitions of exploration and evaluation assets	18.5	27.8
Additions	87.0	260.5
Exploration and evaluation expensed	(27.1)	(82.4)
Disposals of exploration and evaluation assets	-	(0.1)
Net impairment losses	-	(1.1)
Transfer to oil and gas assets	(29.7)	(182.9)
Transfer to assets held for sale	(116.3)	-
Exchange differences	(24.5)	58.3
Balance at the end of the period	335.4	427.5
Comprising:		
Acquisition related costs	146.8	217.9
Successful exploration wells	178.9	195.7
Exploration and evaluation assets pending results	9.7	13.9
Total oil and gas assets	335.4	427.5
11. Oil and Gas Assets		
Assets in Development		
Balance at the beginning of the period	651.6	220.8
Additions	144.1	257.3
Transfer from exploration and evaluation assets	1.2	135.8
Exchange differences	(67.0)	37.7
Balance at the end of the period	729.9	651.6
Producing Assets		
Balance at the beginning of the period	5,603.2	5,363.6
Additions	465.6	1,193.7
Transfer from exploration and evaluation assets	28.5	47.1
Disposals of producing assets	(5.9)	(351.4)
Disposals of controlled entities	(39.3)	-
Depreciation and depletion expense	(303.0)	(641.1)
Net impairment losses	(7.9)	(215.1)
Exchange differences	(120.8)	206.4
Balance at the end of the period	5,620.4	5,603.2
Total oil and gas assets	6,350.3	6,254.8
Comprising:		
Exploration and evaluation expenditure in these areas pending commercialisation	249.6	223.6
Other capitalised expenditure	6,100.7	6,031.2
	6,350.3	6,254.8

SANTOS LTD AND CONTROLLED ENTITIES
NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2009

	CONSOLIDATED	
	Six months ended 30 June 2009 \$million	Twelve months ended 31 December 2008 \$million
12. Other Land, Buildings, Plant and Equipment		
Balance at the beginning of the period	159.9	134.8
Additions	27.6	47.9
Depreciation	(13.9)	(22.8)
Balance at the end of the period	173.6	159.9
13. Issued Capital		
Ordinary Shares	4,981.5	1,946.4
Redeemable convertible preference shares	584.4	584.4
	5,565.9	2,530.8

	Six months ended 30 June 2009 Number of Shares	Twelve months ended 31 December 2008	Six months ended 30 June 2009 \$million	Twelve months ended 31 December 2008 \$million
Movement in fully paid ordinary shares				
Balance at the beginning of the period	584,812,875	585,964,352	1,946.4	1,747.2
Santos Employee Share Acquisition Plan	-	111,153	-	1.4
Santos Employee Share Purchase Plan	-	300,100	-	3.3
Shares issued on exercise of options	393,950	303,583	3.8	2.5
Shares issued on vesting of Share Acquisition Rights	258,098	141,330	-	-
Non-executive Director Share Plan	14,968	33,356	0.2	0.5
Dividend Reinvestment Plan ("DRP")	728,413	2,323,249	11.2	35.1
DRP underwriting agreement	6,857,808	14,123,057	105.8	212.8
Entitlement offer	237,287,762	-	2,966.1	-
Entitlement offer - transaction costs, net of tax	-	-	(52.0)	-
Off-market buy-back	-	(18,487,305)	-	(56.4)
Balance at the end of the period	830,353,874	584,812,875	4,981.5	1,946.4
Preference shares				
Redeemable convertible preference shares	6,000,000	6,000,000	584.4	584.4

Entitlement offer

On 11 May 2009 the Company launched a 2-for-5 accelerated pro-rata non-renounceable entitlement offer ("Entitlement offer") at an offer price of \$12.50 per share. As a result, 140,040,844 ordinary shares (fully paid) were allotted to institutional investors of the Company on 22 May 2009 and 97,246,918 ordinary shares (fully paid) were allotted to retail investors of the Company on 16 June 2009. The entitlement offer to the retail investors was fully underwritten.

SANTOS LTD AND CONTROLLED ENTITIES
NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2009

	Dollars per share	Total \$million	Franked/ unfranked	Payment date
14. Dividends				
Dividends recognised in the current period by the Company are:				
2009				
Final 2008 redeemable preference	\$2.9989	18.0	Franked	31 Mar 2009
Final 2008 ordinary	\$0.20	117.0	Franked	31 Mar 2009
		<u>135.0</u>		
2008				
Final 2007 redeemable preference	\$2.9983	18.0	Franked	31 Mar 2008
Final 2007 ordinary	\$0.20	117.2	Franked	31 Mar 2008
		<u>135.2</u>		
Franked dividends paid during the period were franked at the tax rate of 30%.				
After the end of the reporting period the following dividends were proposed by the Directors. The dividends have not been provided for and there are no income tax consequences.				
Interim 2009 redeemable preference	\$1.6191	9.7	Franked	30 Sep 2009
Interim 2009 ordinary	\$0.22	182.7	Franked	30 Sep 2009
		<u>192.4</u>		

The financial effect of these dividends has not been brought to account in the financial report for the six months ended 30 June 2009 and will be recognised in subsequent financial reports.

15. Acquisition / Disposal of Controlled Entities

There were no acquisitions of controlled entities during the six months ended 30 June 2009.

On 10 May 2009, the Group disposed of the wholly owned subsidiaries Santos UK (Kakap) Limited and Novus Nominees Pty Ltd for US\$18.9 million (A\$25.1 million) resulting in a loss on sale of \$12.8 million. The amount of foreign currency translation reserve recycled into profit and loss is nil.

16. Commitments

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

17. Contingent Liabilities

While there had been no material change to the aggregate of contingent liabilities since the last annual reporting date, in the period 1 January 2009 to 30 June 2009 a subsidiary of Santos Limited has been called upon to give, in the ordinary course of business, parent company guarantees in respect of the performance by controlled entities of their contractual and financial obligations. These guarantees include the performance of contractual obligations of those controlled entities, the value of which is determined by the nature of the contractual obligations.

18. Financial Risk Management

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

SANTOS LTD AND CONTROLLED ENTITIES
NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2009

19. Events After the End of the Reporting Period

The following events occurred subsequent to 30 June 2009, the financial effects of which have not been brought to account in the half-year financial report for the six months ended 30 June 2009:

- (a) For dividends declared after 30 June 2009 refer note 14;
- (b) On 2 July 2009 Santos Ltd announced a \$476.0 million transaction in relation to coal seam gas exploration in the Gunnedah basin, including the acquisition of a 35% interest in various Gunnedah basin exploration permits and production areas operated by Eastern Star Gas Limited for \$300.0 million and the acquisition of a 19.99% interest in Eastern Star Gas Limited for \$175.5 million giving Santos Ltd significant influence over Eastern Star Gas Limited;
- (c) On 18 August 2009, Santos Ltd announced the sale of a 60% interest in the Petrel, Tern and Frigate gas fields in the Bonaparte Basin for US\$370.0 million subject to certain conditions precedent including regulatory approvals. The proceeds on sale include initial cash receipts of US\$200.0 million. The purchaser proposes a floating LNG project and Santos will receive a further US\$170.0 million if a successful Final Investment Decision ("FID") is reached. The carrying amount of the net assets sold of A\$14.8 million is a component of assets and liabilities held for sale in the statement of financial position.

SANTOS LTD AND CONTROLLED ENTITIES
DIRECTORS DECLARATION
FOR THE SIX MONTHS ENDED 30 JUNE 2009

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

In the opinion of the Directors of Santos Ltd:

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 the consolidated entity's of the financial position as at 30 June 2009 and the performance for the half year ended on that; 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 20th day of August 2009.

On behalf of the Board

Director

Adelaide, South Australia

Director

To the members of Santos Ltd

Report on the Condensed Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Santos Ltd, which comprises the statement of financial position as at 30 June 2009, and the income statement, statement of comprehensive income, statement of cash flows, and statement of changes in equity 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 and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of Interim and Other Financial Reports Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 30 June 2009 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 Ltd and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report.

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 Ltd is not in accordance with the *Corporations Act 2001*, including:



- i giving a true and fair view of the consolidated entity's financial position as at 30 June 2009 and of its performance for the half-year ended on that date; and
- ii complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Ernst & Young

RJ Curtin
Partner
Adelaide, South Australia
20 August 2009

DIRECTORS' STATUTORY REPORT

The Directors present their report together with the financial report of the consolidated entity, being Santos Ltd ("Company") and its controlled entities, for the half-year ended 30 June 2009 and the auditors' review report thereon.

1. 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:

Growth Strategy

Key milestones in the implementation of the Company's growth strategy were achieved in the half-year. These included:

- GLNG[®] signed a binding Heads of Agreement to sell 2 million tonnes per annum (mtpa) of liquefied natural gas to PETRONAS with a sellers' option for an additional 1mtpa.
- GLNG[®] Environmental Impact Statement released for public comment.
- The PNG LNG Project reached alignment on commercial terms with three major LNG buyers in Asia for sales of 4.3mtpa of LNG. A fourth LNG buyer is awaiting Government approval of key commercial terms for a non-binding Heads of Agreement for the remaining 2mtpa of production capacity. These arrangements take the total LNG volumes covered by commercial terms to the full 6.3mtpa initial production capacity.
- Successful \$3.0 billion equity raising.
- The acquisition of significant additional acreage in the Gunnedah Basin in northern New South Wales and an investment in leading local coal seam gas company Eastern Star Gas Limited.

Production and Sales

Total production volume for the first half of 2009 of 26.6 million barrels of oil equivalent ("boe") was 1.0 million boe (3.6%) lower than the first half of 2008. The lower production volume was primarily due to natural field decline and the sale of 40% of GLNG[®] to PETRONAS effective August 2008, partially offset by higher gas production in Western Australia and Indonesia.

Total sales volume for the first half of 2009 of 29.0 million boe was 1.6 million boe (5.8%) higher than the first half of 2008.

In US dollar terms, the average oil price realised by the Company of US\$52.45 per barrel was 53.6% lower than the first half of 2008, and the average US dollar condensate and naphtha price of US\$40.86 per barrel was 61.5% lower. The Australian dollar depreciated against the US dollar in the first half of 2009 (average 0.7158) as compared to first half of 2008 (average 0.9383). In Australian dollar terms, the average oil price realised by the Company of \$73.28 per barrel was 39.2% lower than in the first half of 2008 and the average condensate price of \$57.08 per barrel was 49.6% lower. The average LPG price was 38.0% lower, and the average gas, ethane and LNG price of \$4.19 per GJ was 4.8% higher.

Product sales revenue for the first half of 2009 decreased by 26.0% to \$1,024.0 million, reflecting the lower average realised prices.

Net Profit

The 2009 first half net profit of \$101.7 million is \$202.0 million lower than in 2008 and includes the net loss items before tax of \$14.4 million (after tax \$0.2 million), referred to below.

Underlying Profit Table

The following amounts are included in the calculation of underlying profit for the half year ending 30 June:

	2009 \$million			2008 \$million		
	Gross	Tax effect	Net	Gross	Tax effect	Net
Underlying profit (\$million)			<u>101.9</u>			<u>283.4</u>
Gain on sale of oil and gas assets	34.6	(0.2)	34.4	-	-	-
Loss on sale of controlled entities	(12.8)	-	(12.8)	-	-	-
Impairment of oil and gas assets	(7.9)	2.4	(5.5)	-	-	-
Provision for contract losses	(16.3)	0.4	(15.9)	-	-	-
Foreign currency (losses)/gains	(18.9)	4.1	(14.8)	6.7	(1.6)	5.1
Remediation and related costs for incidents	2.5	(0.8)	1.7	(22.4)	6.7	(15.7)
Change in fair value of embedded derivatives	4.4	(1.3)	3.1	4.3	(1.3)	3.0
Reduction in income tax expense	-	9.6 ⁽¹⁾	9.6	-	27.9 ⁽²⁾	27.9
	(14.4)	14.2	<u>(0.2)</u>	(11.4)	31.7	<u>20.3</u>
Net profit after tax (NPAT) (\$million)			<u>101.7</u>			<u>303.7</u>

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

Explanatory Notes:

(1) *The Australian Government has provided an additional 30% tax investment allowance for assets acquired between 13 December 2008 and 30 June 2009 where the asset is first used, or ready for use, by 30 June 2010.*

(2) *Capital losses not previously brought to account.*

Equity attributable to equity holders of Santos Ltd / Dividends

Equity attributable to equity holders of Santos Ltd at 30 June 2009 was \$7,427.0 million.

On 20 August 2009, Directors resolved:

- (i) that a fully franked interim dividend of 22 cents per fully paid ordinary share be paid on 30 September 2009 to shareholders registered in the books of the Company at the close of business on 1 September 2009; and
- (ii) that in accordance with the Terms of Issue, a fully franked dividend of \$1.6191 per Franked Unsecured Equity Listed Security be declared and paid on 30 September 2009 to holders registered in the books of the Company at the close of business on 1 September 2009.

The 2009 interim dividend of 22 cents per fully paid ordinary share compares with the 2008 interim dividend of 22 cents per share, fully franked.

Redemption of FUELS

One of the purposes of the capital raising announced by the Company on 11 May 2009 was to use \$600 million of the capital raising proceeds for the redemption of the FUELS. Consistent with the terms of issue of the FUELS, each FUELS will be redeemed for its face value on 30 September 2009 and a notice will be sent to all FUELS holders advising them of the redemption by 1 September 2009.

Cash Flow

The net cash inflow from operating activities of \$498.8 million was 20.3% lower than the first half of 2008. The lower operating cash flow is principally attributable to lower operating results offset by lower borrowing costs and tax payments in respect of current operating activities.

Net Cash / Leverage Ratio

Net cash stood at \$1,751.6 million at 30 June 2009 compared to net debt of \$506.0 million at the beginning of the year. The change was principally due to the 2 for 5 entitlement offer announced on 11th May 2009 and fully completed on 16th May 2009 which raised approximately \$3.0 billion.

Consequently at 30 June 2009, the gearing ratio (net debt/net debt + equity) was zero percent compared 10.2% at the beginning of 2009.

Exploration and Evaluation

Expenditure on exploration and evaluation in the first half of 2009 was \$173.7 million, compared with \$177.8 million for the corresponding period in 2008.

During the first half of 2009, four wildcat exploration wells were drilled, of which one was a successful gas discovery, two were still in progress and one was plugged and abandoned.

A further 17 evaluation wells were spudded during the first half of 2009, of which 16 were successful and one was plugged and abandoned.

Oil and Gas Asset Expenditure

Expenditure on development, including plant and equipment and development wells, in the first half of 2009 was \$597.0 million, compared with \$528.2 million for the corresponding period in 2008. The first half of 2009 development programme included expenditure on the GLNG[®], PNG LNG, Oyong, Henry, Kipper and Reindeer projects.

Post Balance Day Event

The following events occurred subsequent to 30 June 2009, the financial effects of which have not been brought to account in the half-year financial statements for the six months ended 30 June 2009:

- (i) On 2 July 2009 Santos Ltd announced a \$476.0 million transaction in relation to coal seam gas exploration in the Gunnedah basin, including the acquisition of a 35% interest in various Gunnedah basin exploration permits and production areas operated by Eastern Star Gas Limited for \$300.0 million and the acquisition of a 19.99% interest in Eastern Star Gas Limited for \$175.5 million giving Santos Ltd significant influence over Eastern Star Gas Limited;

- (ii) On 18 August 2009, Santos Ltd announced the sale of a 60% interest in the Petrel, Tern and Frigate gas fields in the Bonaparte Basin for US\$370.0 million subject to certain conditions precedent including regulatory approvals. The proceeds on sale include initial cash receipts of US\$200.0 million. The purchaser proposes a floating LNG project and Santos will receive a further US\$170.0 million if a successful Final Investment Decision (“FID”) is reached. The carrying amount of the net assets sold of A\$14.8 million is a component of assets and liabilities held for sale in the statement of financial position.

2. 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 (Deputy Chairman)
Dean	Kenneth Alfred
Franklin	Roy Alexander
Gerlach	Stephen (Chairman)
Harding	Richard Michael
Knox	David John Wissler (Managing Director)
Sloan	Judith
	Retired 6 May 2009

Each of the above named Directors held office during and since the end of the half year, except for Professor J Sloan, who retired on 6 May 2009.

3. Rounding

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

4. 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 the following page and forms part of this report.

This report is made out on 20 August 2009 in accordance with a resolution of the Directors.

Director

Director

20 August 2009



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Auditor's Independence Declaration to the Directors of Santos Ltd

In relation to our review of the financial report of Santos Ltd for the half-year ended 30 June 2009 to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

R J Curtin
Partner
Adelaide, South Australia
20 August 2009