

SANTOS LTD

Appendix 4D

Half-year Report under Listing Rule 4.2A for the period ended 30 June 2008

ABN

80 007 550 923

Previous corresponding period

30 June 2007

2. Results for announcement to the market

		\$A million
Revenue from ordinary activities	Up 13.9% to	1,405.8
Underlying profit after tax	Up 29.7% to	288.5
Net profit for the period	Up 57.6% to	303.7
Profit from ordinary activities after tax attributable to members	Up 57.6% to	303.7
Net profit for the period attributable to members	Up 57.6% to	303.7
Interim Dividends	Amount per security	Franked amount per security at 30% tax
Ordinary securities	22.0¢	22.0¢
Preference securities	\$3.3365	\$3.3365
Record date for determining entitlements to the dividends	2 September 2008	
<i>Brief explanation of any of the figures disclosed above necessary to enable the figures to be understood:</i>		
Refer to attached media release for further commentary regarding the half year 2008 result.		

This Half-year Report is to be read in conjunction with the June 2008 Half-year Financial 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 entity	N/A	
	\$A million	
Date from which control was lost	N/A	
Consolidated profit from ordinary activities after tax of the controlled entity for the current period to the date of loss of control	N/A	
Consolidated profit from ordinary after tax of the controlled entity while controlled during the whole of the previous corresponding period	N/A	

5. Dividends

Date the dividend is payable	30 September 2008
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	Current period \$A million	Previous corresponding period \$A million
Ordinary securities	131.0	115.4
Preference securities	20.0	17.1
Total	151.0	132.5

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

2 September 2008

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 \$A million	Previous corresponding period \$A million
N/A	N/A	N/A

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 2008

SANTOS LTD AND CONTROLLED ENTITIES

INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2008

	Note	CONSOLIDATED 30 June 2008			CONSOLIDATED 30 June 2007		
		Continuing \$million	Discontinued \$million	Total \$million	Continuing \$million	Discontinued \$million	Total \$million
Product sales	3	1,383.5	-	1,383.5	1,190.4	24.3	1,214.7
Cost of sales	4	(688.5)	-	(688.5)	(568.7)	(4.2)	(572.9)
Gross profit		695.0	-	695.0	621.7	20.1	641.8
Other revenue	3	22.3	-	22.3	19.7	-	19.7
Other income	3	5.3	-	5.3	58.7	(2.8)	55.9
Other expenses	4	(142.2)	-	(142.2)	(145.7)	(82.7)	(228.4)
Operating profit / (loss) before net financing costs		580.4	-	580.4	554.4	(65.4)	489.0
Financial income	6	6.4	-	6.4	2.8	0.6	3.4
Financial expenses	6	(80.5)	-	(80.5)	(63.1)	-	(63.1)
Net financing (costs) / income		(74.1)	-	(74.1)	(60.3)	0.6	(59.7)
Profit / (loss) before tax		506.3	-	506.3	494.1	(64.8)	429.3
Income tax expense		(135.6)	-	(135.6)	(156.9)	(0.6)	(157.5)
Royalty related taxation expense		(67.0)	-	(67.0)	(79.1)	-	(79.1)
Total taxation expense		(202.6)	-	(202.6)	(236.0)	(0.6)	(236.6)
Net profit / (loss) for the period		303.7	-	303.7	258.1	(65.4)	192.7
Attributable to:							
Equity holders of Santos Ltd		303.7	-	303.7	258.1	(65.4)	192.7
Minority interest		-	-	-	-	-	-
		303.7	-	303.7	258.1	(65.4)	192.7
Earnings per share attributable to the ordinary equity holders of Santos Ltd (c)							
Basic earnings per share		48.6		48.6	40.3		29.4
Diluted earnings per share		48.1		48.1	40.2		29.3
Dividends per share (\$)							
Ordinary shares	11			0.20			0.20
Redeemable preference shares	11			2.9983			2.7272

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

SANTOS LTD AND CONTROLLED ENTITIES

BALANCE SHEET

AS AT 30 JUNE 2008

	Note	CONSOLIDATED	
		30 June 2008 \$million	31 December 2007 \$million
Current assets			
Cash and cash equivalents		148.5	200.5
Trade and other receivables		598.0	607.4
Inventories		266.1	241.5
Derivative financial instruments		101.9	84.1
Total current assets		1,114.5	1,133.5
Non-current assets			
Exploration and evaluation assets	7	387.0	332.4
Oil and gas assets	8	5,687.9	5,584.4
Other land, buildings, plant and equipment	9	140.0	134.8
Available-for-sale financial assets		8.2	15.6
Other financial assets		22.1	31.6
Deferred tax assets		83.3	87.9
Total non-current assets		6,328.5	6,186.7
Total assets		7,443.0	7,320.2
Current liabilities			
Trade and other payables		612.2	620.2
Deferred income		12.0	12.0
Interest-bearing loans and borrowings		130.4	103.1
Current tax liabilities		44.4	71.7
Provisions		113.6	112.4
Other current liabilities		12.4	12.0
Total current liabilities		925.0	931.4
Non-current liabilities			
Deferred income		5.9	8.8
Interest-bearing loans and borrowings		1,815.1	1,992.9
Deferred tax liabilities		770.1	743.0
Provisions		557.8	543.6
Other non-current liabilities		6.3	7.4
Total non-current liabilities		3,155.2	3,295.7
Total liabilities		4,080.2	4,227.1
Net assets		3,362.8	3,093.1
Equity			
Issued capital	10	2,449.6	2,331.6
Reserves		(294.1)	(272.9)
Retained earnings		1,207.3	1,034.4
Equity attributable to equity holders of Santos Ltd		3,362.8	3,093.1
Equity attributable to minority interest		-	-
Total equity		3,362.8	3,093.1

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

SANTOS LTD AND CONTROLLED ENTITIES

CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2008

	CONSOLIDATED	
	30 June 2008 \$million	30 June 2007 \$million
Cash flows from operating activities		
Receipts from customers	1,490.7	1,283.7
Interest received	6.6	3.4
Overriding royalties received	5.6	7.5
Insurance proceeds received	4.4	13.1
Pipeline tariffs and other receipts	10.8	15.5
Payments to suppliers and employees	(469.2)	(382.0)
Royalty and excise paid	(55.9)	(36.8)
Borrowing costs paid	(89.3)	(55.9)
Income taxes paid	(138.6)	(303.5)
Royalty related taxes paid	(66.1)	(7.2)
Net cash provided by operating activities	699.0	537.8
Cash flows from investing activities		
Payments for:		
Exploration and evaluation expenditure	(208.5)	(137.1)
Oil and gas assets expenditure	(476.7)	(410.2)
Other land, buildings, plant and equipment	(19.8)	(37.8)
Acquisitions of oil and gas assets	(0.5)	(27.7)
Acquisitions of controlled entities	(4.4)	(18.7)
Restoration expenditure	(0.5)	(18.2)
Other investing activities	(1.9)	(2.4)
Proceeds from disposal of available-for-sale investments	-	28.4
Proceeds from disposal of non-current assets	0.4	0.3
Net cash used in investing activities	(711.9)	(623.4)
Cash flows from financing activities		
Dividends paid	(118.8)	(108.6)
Proceeds from issues of ordinary shares	101.6	0.9
Off-market buy-back of ordinary shares	-	(0.3)
Repayments of borrowings	(664.2)	(863.5)
Drawdown of borrowings	648.0	1,049.0
Net cash (used in) / provided by financing activities	(33.4)	77.5
Net decrease in cash and cash equivalents	(46.3)	(8.1)
Cash and cash equivalents at the beginning of the period	200.5	200.0
Cash held by controlled entity sold	-	(1.5)
Effects of exchange rate changes on the balances of cash held in foreign currencies	(5.7)	(11.8)
Cash and cash equivalents at the end of the period	148.5	178.6

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

SANTOS LTD AND CONTROLLED ENTITIES
STATEMENT OF RECOGNISED INCOME AND EXPENSE
FOR THE SIX MONTHS ENDED 30 JUNE 2008

	CONSOLIDATED	
	30 June 2008 \$million	30 June 2007 \$million
Adjustment to retained earnings, net of tax, on initial adoption of Interpretation 1003 <i>Australian Petroleum Resource Rent Tax</i>	-	(136.1)
Foreign exchange translation differences	(81.1)	(75.1)
Net gain on hedge of net investment in foreign subsidiaries	65.1	49.3
Change in fair value of equity securities available for sale, net of tax	(5.2)	18.7
Share-based payment transactions	4.4	1.6
Actuarial gain on defined benefit plan, net of tax	-	5.8
Net expense recognised directly in equity	(16.8)	(135.8)
Transfers (net of any related tax):		
Transfer to profit on sale of available-for-sale investments	-	(8.3)
Transfer to profit on disposal of foreign operation	-	(0.4)
Profit for the period	303.7	192.7
Total recognised income and expense for the period	286.9	48.2
Attributable to:		
Equity holders of Santos Ltd	286.9	48.2
Minority interest	-	-

Other movements in equity arising from transactions with owners as owners are set out in notes 10 and 11.

The statement of recognised income and expense 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 2008

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 2008 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 21 August 2008.

2. Basis of Preparation and Accounting Policies

Basis of preparation

This general purpose condensed financial report for the half year ended 30 June 2008 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 2007 and considered together with any public announcements made by Santos Ltd during the half year ended 30 June 2008 in accordance with the continuous disclosure obligations of the *ASX listing rules*.

Apart from the changes in accounting policy noted below, the accounting policies and methods of computation are the same as those adopted in the most recent annual financial report.

Changes in accounting policy

The Group has adopted the following amending standards and interpretations which became applicable from 1 January 2008. Adoption of these standards and interpretations has not impacted the financial position or performance of the Group.

- AASB 2007-1 *Amendments to Australian Accounting Standards arising from Interpretation 11*
- AASB 2007-7 *Amendments to Australian Accounting Standards*
- AASB 2008-4 *Amendments to Australian Accounting Standard – Key Management Personnel Disclosures by Disclosing Entities*
- Interpretation 11 *AASB 2 Group and Treasury Share Transactions*
- Interpretation 14 *AASB 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction.*

From 1 January 2008 the Group has also adopted Interpretation 1003 *Australian Petroleum Resource Rent Tax*, which is applicable for annual reporting periods ending on or after 30 June 2008.

The adoption of Interpretation 1003 has resulted in the Group recognising some royalty-based taxes, including petroleum resource rent tax, resource rent royalty and additional profits tax as an income tax under AASB 112 *Income Taxes*. This change has been accounted for by adjusting the opening balance of current and deferred tax liabilities and retained earnings at 1 January 2007.

SANTOS LTD AND CONTROLLED ENTITIES
NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2008

2. Basis of Preparation and Accounting Policies (Continued)

Changes in accounting policy (continued)

The effect of the change in the accounting policy for these royalty-based taxes from 1 January 2007 is shown below:

	\$million	Impact of change in accounting policy \$million	Restated amount \$million
30 June 2007			
Cost of sales	587.4	(14.5)	572.9
Profit before tax	414.8	14.5	429.3
Income tax expense	153.2	4.3	157.5
Royalty related taxation expense	-	79.1	79.1
Profit after tax	261.6	(68.9)	192.7
Basic earnings per share (¢)	41.0	(11.6)	29.4
Diluted earnings per share (¢)	40.0	(10.7)	29.3
31 December 2007			
Trade and other payables	661.4	(41.2)	620.2
Current tax liabilities	30.5	41.2	71.7
Deferred tax liabilities	525.6	217.4	743.0
Retained earnings	1,251.8	(217.4)	1,034.4
1 January 2007			
Trade and other payables	441.8	(12.5)	429.3
Current tax liabilities	213.5	12.5	226.0
Deferred tax liabilities	517.5	136.1	653.6
Retained earnings	1,301.4	(136.1)	1,165.3

SANTOS LTD AND CONTROLLED ENTITIES
NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2008

	CONSOLIDATED 30 June 2008			CONSOLIDATED 30 June 2007		
	Continuing \$million	Discontinued \$million	Total \$million	Continuing \$million	Discontinued \$million	Total \$million
3. Revenue and Other Income						
Product sales:						
Gas, ethane and liquefied gas	459.4	-	459.4	451.0	18.8	469.8
Crude oil	596.5	-	596.5	483.3	1.8	485.1
Condensate and naphtha	204.8	-	204.8	167.8	3.7	171.5
Liquefied petroleum gas	122.8	-	122.8	88.3	-	88.3
	1,383.5	-	1,383.5	1,190.4	24.3	1,214.7
Other revenue:						
Overriding royalties	7.9	-	7.9	7.1	-	7.1
Pipeline tariffs and tolls	2.9	-	2.9	3.1	-	3.1
Trading revenue	7.1	-	7.1	6.6	-	6.6
Other	4.4	-	4.4	2.9	-	2.9
	22.3	-	22.3	19.7	-	19.7
Total revenue	1,405.8	-	1,405.8	1,210.1	24.3	1,234.4
Other income:						
Insurance recovery	4.4	-	4.4	2.4	-	2.4
Net gain on redetermination of unitised field	-	-	-	44.3	-	44.3
Net gain on sale of available-for-sale financial assets	-	-	-	11.7	-	11.7
Net loss on sale of controlled entities *	-	-	-	-	(1.1)	(1.1)
Net gain / (loss) on sale of non-current assets	0.9	-	0.9	0.3	(1.7)	(1.4)
	5.3	-	5.3	58.7	(2.8)	55.9

* Includes impairment loss on remeasurement to fair value less costs to sell of \$1.5 million, net of \$0.4 million gain recycled into profit and loss on the reversal of associated amounts previously deferred in the foreign currency translation reserve.

SANTOS LTD AND CONTROLLED ENTITIES
NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2008

	CONSOLIDATED 30 June 2008			CONSOLIDATED 30 June 2007		
	Continuing \$million	Discontinued \$million	Total \$million	Continuing \$million	Discontinued \$million	Total \$million
4. Expenses						
Cost of sales:						
Cash cost of production						
Production costs:						
Production expenses	227.4	-	227.4	171.7	2.0	173.7
Production facilities operating leases	29.6	-	29.6	37.2	-	37.2
	<u>257.0</u>	<u>-</u>	<u>257.0</u>	<u>208.9</u>	<u>2.0</u>	<u>210.9</u>
Other operating costs:						
Pipeline tariffs, tolls and other	38.1	-	38.1	26.5	-	26.5
Royalty and excise	50.2	-	50.2	29.8	2.2	32.0
	<u>88.3</u>	<u>-</u>	<u>88.3</u>	<u>56.3</u>	<u>2.2</u>	<u>58.5</u>
Total cash cost of production	345.3	-	345.3	265.2	4.2	269.4
Depreciation and depletion	343.1	-	343.1	313.4	-	313.4
Third party gas purchases	20.6	-	20.6	6.4	-	6.4
Increase in product stock	(20.5)	-	(20.5)	(16.3)	-	(16.3)
Total cost of sales	<u>688.5</u>	<u>-</u>	<u>688.5</u>	<u>568.7</u>	<u>4.2</u>	<u>572.9</u>
Other expenses:						
Selling and corporate:						
Expenses	45.4	-	45.4	37.2	9.6	46.8
Depreciation	1.2	-	1.2	0.3	-	0.3
	<u>46.6</u>	<u>-</u>	<u>46.6</u>	<u>37.5</u>	<u>9.6</u>	<u>47.1</u>
Foreign exchange (gains)/losses	(6.7)	-	(6.7)	10.4	-	10.4
Change in fair value of financial assets designated as at fair value through profit or loss	(4.5)	-	(4.5)	(3.1)	-	(3.1)
Fair value hedges, losses/(gains):						
On the hedging instrument	3.3	-	3.3	15.5	-	15.5
On the hedged item attributable to the hedged risk	(4.1)	-	(4.1)	(15.7)	-	(15.7)
Exploration and evaluation expensed	107.6	-	107.6	101.1	-	101.1
Net impairment loss on oil and gas assets	-	-	-	-	73.1	73.1
	<u>142.2</u>	<u>-</u>	<u>142.2</u>	<u>145.7</u>	<u>82.7</u>	<u>228.4</u>

SANTOS LTD AND CONTROLLED ENTITIES
NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2008

	CONSOLIDATED	
	30 June 2008 \$million	30 June 2007 \$million
4. Expenses (Continued)		
Amounts that are unusual because of their nature, size, or incidence:		
Other expenses:		
Net impairment loss on remeasurement of USA oil and gas assets to fair value less costs to sell	-	74.6
Remediation and related costs of the Moonie to Brisbane pipeline incident	22.4	-
	<u>22.4</u>	<u>-</u>

SANTOS LTD AND CONTROLLED ENTITIES
NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2008

	CONSOLIDATED 30 June 2008			CONSOLIDATED 30 June 2007		
	Continuing \$million	Discontinued \$million	Total \$million	Continuing \$million	Discontinued \$million	Total \$million
5. Earnings						
Earnings before interest, tax, depreciation, depletion, exploration and impairment ("EBITDAX") is calculated as follows:						
Profit / (loss) before tax	506.3	-	506.3	494.1	(64.8)	429.3
Add back:						
Net financing costs / (income)	74.1	-	74.1	60.3	(0.6)	59.7
Earnings before interest and tax ("EBIT")	580.4	-	580.4	554.4	(65.4)	489.0
Add back:						
Depreciation and depletion	344.3	-	344.3	313.7	-	313.7
Exploration and evaluation expensed	107.6	-	107.6	101.1	-	101.1
Impairment loss on remeasurement to fair value less costs to sell of Burro Pipeline Inc	-	-	-	-	1.5	1.5
Net impairment loss on oil and gas assets	-	-	-	-	73.1	73.1
EBITDAX	1,032.3	-	1,032.3	969.2	9.2	978.4
6. Net Financing Costs						
Interest income	(6.4)	-	(6.4)	(2.8)	(0.6)	(3.4)
Interest paid to third parties	67.5	-	67.5	53.6	-	53.6
Less borrowing costs capitalised	(2.9)	-	(2.9)	(5.5)	-	(5.5)
	64.6	-	64.6	48.1	-	48.1
Unwind of the effect of discounting provisions	15.9	-	15.9	12.2	-	12.2
Interest expense on defined benefit obligation	-	-	-	2.8	-	2.8
Financial expenses	80.5	-	80.5	63.1	-	63.1
Net financing costs / (income)	74.1	-	74.1	60.3	(0.6)	59.7

SANTOS LTD AND CONTROLLED ENTITIES
NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2008

	CONSOLIDATED	
	Six months ended 30 June 2008 \$million	Twelve months ended 31 December 2007 \$million
7. Exploration and Evaluation Assets		
Balance at the beginning of the period	332.4	360.3
Acquisitions of controlled entities	-	56.3
Acquisitions of exploration and evaluation assets	0.5	11.5
Additions	222.0	311.9
Exploration and evaluation expensed	(107.6)	(226.1)
Disposals	-	(1.5)
Transfer to oil and gas assets	(46.3)	(163.3)
Foreign currency translation	(14.0)	(16.7)
Balance at the end of the period	387.0	332.4
8. Oil and Gas Assets		
Assets in Development		
Balance at the beginning of the period	220.8	207.5
Additions	26.4	66.7
Transfer from exploration and evaluation assets	0.8	109.6
Transfer to producing assets	-	(147.1)
Foreign currency translation	(11.0)	(15.9)
Balance at the end of the period	237.0	220.8
Producing Assets		
Balance at the beginning of the period	5,363.6	5,025.2
Acquisitions of controlled entities	-	50.5
Acquisitions of oil and gas assets	-	20.9
Additions	438.7	861.0
Transfer from assets in development	-	147.1
Transfer from exploration and evaluation assets	45.5	53.7
Depreciation and depletion expense	(332.0)	(734.5)
Foreign currency translation	(64.9)	(60.3)
Balance at the end of the period	5,450.9	5,363.6
Total oil and gas assets	5,687.9	5,584.4
Comprising:		
Exploration and evaluation expenditure in these areas		
pending commercialisation	172.6	197.7
Other capitalised expenditure	5,515.3	5,386.7
	5,687.9	5,584.4
9. Other Land, Buildings, Plant and Equipment		
Balance at the beginning of the period	134.8	117.2
Additions	17.5	42.4
Depreciation	(12.3)	(24.8)
Balance at the end of the period	140.0	134.8

SANTOS LTD AND CONTROLLED ENTITIES
NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2008

10. Issued Capital

	Six months ended 30 June 2008	Twelve months ended 31 December 2007	Six months ended 30 June 2008	Twelve months ended 31 December 2007
	Number of Shares		\$million	\$million
Movement in fully paid ordinary shares				
Balance at the beginning of the period	585,964,352	598,524,106	1,747.2	1,670.0
Santos Employee Share Acquisition Plan	-	100,650	-	1.3
Santos Employee Share Purchase Plan	-	400	-	-
Shares issued on exercise of options	137,204	455,398	1.1	3.0
Shares issued on vesting of Share Acquisition Rights	118,850	-	-	-
Non-executive Director Share Plan	7,376	14,847	0.1	0.2
Dividend Reinvestment Plan	9,241,534	11,540,226	116.8	142.9
Off-market buy-back	-	(24,671,275)	-	(70.2)
Balance at the end of the period	<u>595,469,316</u>	<u>585,964,352</u>	<u>1,865.2</u>	<u>1,747.2</u>
Preference shares				
Redeemable convertible preference shares		6,000,000	584.4	584.4
			<u>2,449.6</u>	<u>2,331.6</u>

11. Dividends

	Dollars per share	Total \$million	Franked/ unfranked	Payment date
Dividends recognised in the current period by the Company are:				
2008				
Final 2007 redeemable preference	\$2.9983	18.0	Franked	31 Mar 2008
Final 2007 ordinary	\$0.20	<u>117.2</u>	Franked	31 Mar 2008
		<u>135.2</u>		
2007				
Final 2006 redeemable preference	\$2.7272	16.4	Franked	2 Apr 2007
Final 2006 ordinary	\$0.20	<u>119.7</u>	Franked	2 Apr 2007
		<u>136.1</u>		
Franked dividends paid during the period were franked at the tax rate of 30%.				
After the balance sheet date the following dividends were proposed by the Directors. The dividends have not been provided for and there are no income tax consequences.				
Interim 2008 redeemable preference	\$3.3365	20.0	Franked	30 Sep 2008
Interim 2008 ordinary	\$0.22	<u>131.0</u>	Franked	30 Sep 2008
		<u>151.0</u>		

The financial effect of these dividends have not been brought to account in the financial statements for the six months ended 30 June 2008 and will be recognised in subsequent financial reports.

SANTOS LTD AND CONTROLLED ENTITIES
NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2008

12. Segment Information

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.

The primary reporting format for the Group is geographic segments.

Geographic Segments

The Group operates primarily in Australia but also has international operations in Indonesia, Papua New Guinea, Vietnam, India, Bangladesh, Kyrgyz Republic and Egypt.

The following table presents revenue and profit information for geographic segments for the half years ended 30 June 2008 and 30 June 2007.

	Continuing		Total \$million	Discontinued	
	Australia \$million	International \$million		USA \$million	Total \$million
Half year ended 30 June 2008					
Revenue					
Total segment revenue	1,275.3	130.5	1,405.8	-	1,405.8
Other unallocated revenue			-	-	-
Total revenue			<u>1,405.8</u>	-	<u>1,405.8</u>
Results					
Segment results	579.8	53.7	633.5	-	633.5
Unallocated corporate expenses			(53.1)	-	(53.1)
Earning before interest and tax ("EBIT")					
			580.4	-	580.4
Unallocated net financing costs			(74.1)	-	(74.1)
Profit before tax					
			506.3	-	506.3
Income tax expense			(135.6)	-	(135.6)
Royalty related taxation expense			(67.0)	-	(67.0)
Total taxation expense			<u>(202.6)</u>	-	<u>(202.6)</u>
Net profit for the period					
			<u>303.7</u>	-	<u>303.7</u>
Half year ended 30 June 2007					
Revenue					
Total segment revenue	1,166.1	44.0	1,210.1	24.3	1,234.4
Other unallocated revenue			-	-	-
Total revenue			<u>1,210.1</u>	<u>24.3</u>	<u>1,234.4</u>
Results					
Segment results	633.0	(43.7)	589.3	(65.4)	523.9
Unallocated corporate expenses			(34.9)	-	(34.9)
Earning before interest and tax ("EBIT")					
			554.4	(65.4)	489.0
Unallocated net financing (costs)/income			(60.3)	0.6	(59.7)
Profit/(loss) before tax					
			<u>494.1</u>	<u>(64.8)</u>	<u>429.3</u>
Income tax expense			(156.9)	(0.6)	(157.5)
Royalty related taxation expense			(79.1)	-	(79.1)
Total taxation expense			<u>(236.0)</u>	<u>(0.6)</u>	<u>(236.6)</u>
Net profit/(loss) for the period					
			<u>258.1</u>	<u>(65.4)</u>	<u>192.7</u>

SANTOS LTD AND CONTROLLED ENTITIES
NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2008

13. Acquisition / Disposal of Controlled Entities

There were no acquisitions or disposals of controlled entities during the six months ended 30 June 2008.

Santos GLNG Pty Ltd was incorporated on 26 May 2008.

Santos (NGA) Pty Ltd was placed in liquidation on 16 June 2008.

Discontinued Operations in 2007

On 5 December 2006, the Company announced that a decision had been made to sell all of its exploration and production activities in the United States. The disposal of Burro Pipeline Inc was completed on 17 April 2007, and the sale of the remainder of the United States assets for US\$70.0 million (A\$85.6 million) was completed on 31 August 2007.

14. Commitments

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

15. Contingent Liabilities

There has been no material change to the aggregate of contingent liabilities since the last annual reporting date.

Varanus Island Incident

A pipeline rupture and subsequent fire at Varanus Island on 3 June 2008 damaged gas processing and export facilities. As a result, total production ceased from both the East Spar Joint Venture (processing and exporting gas from the John Brookes gas field) and the Harriet Joint Venture (processing and exporting gas from various Harriet fields). Santos (BOL) Pty Ltd, a controlled entity of Santos Limited, has a 45% interest in the John Brookes gas field and the East Spar Joint Venture. Partial production by the East Spar Joint Venture re-commenced on 6 August 2008. It is too early to provide an estimate of the costs of managing and responding to the incident, or the potential liability (if any) to third party claims under Gas Sales Agreements or otherwise as a result of the incident.

Sidoarjo mudflow incident

There have been no material changes to the circumstances related to the Sidoarjo mudflow incident since the 2007 annual reporting date. Accordingly, the basis for estimating the total costs to the Group in relation to the incident are substantially unchanged and therefore the total provided at 30 June 2008 is unchanged. For further details of the Sidoarjo mudflow incident refer to notes 3 and 36 in the 2007 Annual Report.

16. Post Balance Date Events

The following events occurred subsequent to 30 June 2008, the financial effects of which have not been brought to account in the half-year financial statements for the six months ended 30 June 2008:

- (a) For dividends declared after 30 June 2008 refer note 11;
- (b) On 18 July 2008, all conditions precedent were satisfied for PETRONAS Australia Pty Ltd ("PETRONAS") to become a 40% partner in the development, operation and marketing of the Group's proposed Gladstone LNG project. PETRONAS made an initial cash investment of approximately \$US 2.008 billion on 23 July 2008 to acquire 40% of Santos' interests in various permits principally within the Fairview and Roma areas. A further payment of US\$500.0 million is payable by PETRONAS upon reaching a Final Investment Decision for a second LNG train.

The carrying value at 30 June 2008 of the upstream assets sold to PETRONAS is \$372.9 million;

- (c) On 21 August 2008 the Board announced the Company's intention to buy back off-market \$300.0 million of fully paid ordinary shares.

**Directors' Declaration
for the half-year ended 30 June 2008**

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 of the financial position as at 30 June 2008 and the performance for the half-year ended on that date of the consolidated entity; 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 21st day of August 2008.

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 report of Santos Ltd, which comprises the balance sheet as at 30 June 2008, and the income statement, statement of recognised income and expense and cash flow statement 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) 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 an Interim 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 2008 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting*, the *Corporations Regulations 2001*. As the auditor of Santos Ltd 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 interim financial report of Santos Ltd is not in accordance with:

- (a) the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2008 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*; and

Ernst & Young

R J Curtin
Partner
Adelaide, South Australia
21 August 2008

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 2008 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:

- Entering into an agreement to sell a 40% interest in the integrated Gladstone LNG (**GLNGTM**) project to PETRONAS Australia Pty Ltd (**PETRONAS**) for US\$2.5 billion.
- Award of dual pre-FEED contracts for GLNGTM.
- Signing of the Papua New Guinea LNG Joint Operating Agreement and project entry into FEED.
- Reindeer gas project (Western Australia) sanctioned with first gas expected by the end of 2010.

Production and Sales

Total production volume for the first half of 2008 of 27.6 million barrels of oil equivalent ("boe") was 2.5 million boe (8.3%) lower than the first half of 2007. The lower production volume was principally attributable to lower oil production from Mutineer Exeter due to higher field downtime and natural decline.

Total sales volume for the first half of 2008 of 27.4 million boe was 2.5 million boe (8.4%) lower than the first half of 2007.

In US dollar terms, the average oil price realised by the Company of US\$113.08 per barrel was 65.8% higher than the first half of 2007, and the average US dollar condensate price of US\$106.22 per barrel was 62.3% higher. The Australian dollar appreciated against the US dollar in the first half of 2008 (average 0.9383) as compared to first half of 2007 (average 0.8189). In Australian dollar terms, the average oil price realised by the Company of \$120.51 per barrel was 44.7% higher than in the first half of 2007 and the average condensate price of \$113.21 per barrel was 41.6% higher. The LPG price was 41.6% higher, and the average gas, ethane and LNG price of \$4.00 per GJ was 4.2% higher.

Product sales revenue for the first half of 2008 increased by 13.9% to \$1,383.5 million, reflecting the higher average realised prices offset by lower sales volumes.

Unusual Items

The results for the first half of 2008 include the following unusual items:

- (i) Remediation and related costs (\$15.7 million after tax) of the Moonie to Brisbane pipeline incident.

Net Profit and Earnings Per Share

The 2008 first half net profit of \$303.7 million is \$111.0 million higher than in 2007 and includes the net unusual loss items before tax of \$22.4 million (after tax \$15.7 million), referred to above.

Equity attributable to equity holders of Santos Ltd / Dividends

Equity attributable to equity holders of Santos Ltd at 30 June 2008 was \$3,362.8 million.

On 21 August 2008, Directors resolved:-

- (i) that a fully franked interim dividend of 22 cents per fully paid ordinary share be paid on 30 September 2008 to shareholders registered in the books of the Company at the close of business on 2 September 2008; and
- (ii) that in accordance with the Terms of Issue, a fully franked dividend of \$3.3365 per Franked Unsecured Equity Listed Security be declared and paid on 30 September 2008 to holders registered in the books of the Company at the close of business on 2 September 2008.

The 2008 interim dividend of 22 cents per fully paid ordinary share compares with the 2007 interim dividend of 20 cents per share, fully franked.

Cash Flow

The net cash inflow from operating activities of \$699.0 million was 30.0% higher than the first half of 2007. The higher operating cash flow is principally attributable to higher operating results and lower tax payments.

Net Debt / Leverage Ratio

Net debt stood at \$1,797.0 million at 30 June 2008, which was \$98.5 million lower than at the beginning of the year principally due to the excess of operating cash flows over capital expenditure.

At 30 June 2008, the gearing ratio (net debt/net debt + equity) was 34.8% compared to 38.0% at the beginning of 2008.

Exploration and Evaluation

Expenditure on exploration and evaluation in the first half of 2008 was \$177.8 million, compared with \$131.5 million for the corresponding period in 2007.

During the first half of 2008, seven wildcat exploration wells were drilled of which one was a successful gas discovery, two were still in progress and four were plugged and abandoned.

A further 65 evaluation wells were spudded during the first half of 2008, of which 52 were successful, two were still in progress and 11 were plugged and abandoned.

Oil and Gas Asset Expenditure

Expenditure on development, including plant and equipment and development wells, in the first half of 2008 was \$448.5 million, compared with \$456.2 million for the corresponding period in 2007. The first half of 2008 development programme included expenditure on the Cooper Oil Project, Cooper Gas program and Fairview expansion project, together with the Oyong, Kipper, Henry and PNG LNG development projects.

Post Balance Day Event

The following events occurred subsequent to 30 June 2008, the financial effects of which have not been brought to account in the half-year financial statements for the six months ended 30 June 2008:

- (i) On 18 July 2008, all conditions precedent were satisfied for PETRONAS to become a 40% partner in the development, operation and marketing of the Group's proposed Gladstone LNG project. PETRONAS made an initial cash investment of approximately US\$2.008 billion on 23 July 2008 to acquire 40% of Santos' interests in various permits principally within the Fairview and Roma areas. A further payment of US\$500.0 million is to be made upon reaching a Final Investment Decision for a second LNG train.

The carrying value at 30 June 2008 of the upstream assets sold to PETRONAS is \$372.9 million.

- (ii) On 21 August 2008 the Board announced the Company's intention to buy back off-market \$300.0 million of fully paid ordinary shares.

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	Appointed 18 March 2008
Dean	Kenneth Alfred	
Ellice-Flint	John Charles (Managing Director)	Resigned 25 March 2008
Franklin	Roy Alexander	
Gerlach	Stephen (Chairman)	
Harding	Richard Michael	
Knox	David John Wissler (Managing Director)	Appointed 6 August 2008
Sloan	Judith	

Each of the above named Directors held office during and since the end of the half year, except for Mr PR Coates who was appointed a Director of the Company on 18 March 2008, Mr JC Ellice-Flint who resigned as a Director of the Company on 25 March 2008, and Mr DJW Knox who was appointed as Managing Director of the Company on 6 August 2008.

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 21 August 2008 in accordance with a resolution of the Directors.

Director

Director

21 August 2008

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 2008, 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
21 August 2008