Santos:

Fuelling the Growth Engine

Welcome

Santos 2002 Full Year Results

Graeme Bethune
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Santos Ltd
19 February 2003

Welcome – 2002 Full Year Results

Good morning everyone and welcome to the Santos 2002 full year results presentation.

The speakers we have today are:

John Ellice-Flint, Santos' Managing Director, who will give an overview and strategic update as well as an overview of our base business and our options for growth

Peter Wasow, Santos' Executive General Manager – Finance and Accounting who will give a finance and operations overview for the full year.

In Melbourne we have Jon Young who is the General Manager of the Central Australia Business Unit and Bruce Wood the General Manager of Gas Commercialisation and Liquids Marketing.

We will take questions at the end of the presentation.

If you would like to ask a question:

In Sydney, please indicate and wait to receive the microphone, and

In Melbourne please go to the podium where Jon Young will facilitate questions being asked.

If you would like to ask a question, please state your name and organisation.

We will also take questions over the internet.

If you are using the internet option please get your questions in before the end of the presentation section

Following the presentation we invite you to join us for refreshments.

Before I hand over to John Ellice-Flint to give an overview of the 2002 full year we would like to play a short video that illustrates some of the operational highlights of 2002.

For those viewing the presentation on via the webcast a copy of the video can be downloaded now.

Santos:

Fuelling the Growth Engine

Highlights

Santos 2002 Full Year Results

John Ellice-Flint
Managing Director
Santos Ltd
19 February 2003

Introduction

- Good morning everyone. A special welcome to those watching in Melbourne via the video link and to those listening in on the web.

- It's a pleasure to be here in Sydney presenting a summary of our 2002 full year results.

- We've called today's presentation "Fuelling the Growth Engine."

- What do we mean by that? Historically Santos has had a solid base business but the perennial question was always "where is the growth coming from?"

- In May 2001 we released our 5 year strategy to provide the growth that was missing.

- We had our first successes in 2001 and we provided further fuel for the growth engine in 2002.

- The strategy is delivering. We still have plenty to do but we're well on our way.

- Most importantly we have the right people to get us there. Good oil and gas companies are differentiated by their ability to get good acreage.

- And good people get you good acreage.

- I’m pleased to say that we now have a complete team in place

- I will now touch on the highlights of 2002.

Slide 2 – Santos Delivers in 2002

- During the year we made good progress towards achieving our targets.

- Our base business delivered.

- We grew production by 3% as we had promised, lowered capital costs and signed substantial new gas contracts.

- We converted our record production into record sales volumes.

- Importantly we also continued to expand our growth options.

- We achieved good success in exploration, production optimisation, acquisitions and gas commercialisation.

- We made tangible progress in adding to the growth profile.

Slide 3 – Strong Shareholder Returns

- Most importantly, our shareholders benefited during the year.

- This slide shows Total Shareholder Returns for Santos compared with the Australian and US markets over the last two years.

- Santos has outperformed most other energy investments in Australia and in 2002 we outperformed the ASX 200 Index by 11%.

- We have also outperformed the US Oil Producers' index.

- However, we aim to do better than this. We won't rest until we achieve the aggressive targets we have set for ourselves.

Slide 4 – Finance and Operations Scorecard

- Turning to our financial and operational scorecard, our highest priority is safety.

  Our motto is "everyone goes home from work without injury or illness."

  During 2002 our safety performance was reasonable but we are constantly striving to improve. We have a number of initiatives underway to help us with this cause. For example, last year more than 700 employees and contractors participated in our Safety Leadership Program.

  People are our core asset and we aim to look after them.

- Turning to the financials, EBITDA was above $1 billion for the third year in a row and close to the previous year.

- Our underlying profit was also one of our best-ever, but down by 13% as a result of higher non-cash charges.

- Exploration write-offs reflect a more objective approach to the carrying value of capitalised exploration expenditure.

- Our financial capacity remains strong with leverage of around 30%.

- Peter will go into more detail on our financial performance later.

- I will now discuss reserve replacement.

Slide 5 – Improving Reserve Replacement

- Value adding reserve replacement is the most critical driver of growth for any oil and gas company and our target is to reach 150% or greater on a three year rolling average.

- Historically Santos did not have a good record in reserve replacement. However we're now starting to trend in the right direction following the good exploration results of the last two years.

- In 2002, for the first time since 1997, we replaced more than we produced, adding 68 million barrels oil equivalent to proven reserves category.

- This is a 119% reserve replacement ratio. Though below our long term aspirations, we're starting to get runs on the board.

- The most significant addition was through wildcat exploration which contributed 27 million barrels of proven reserves.

- It is important to note that these additions are proven reserves. We have not only had the best result in five years, we've also raised the performance bar.

- The reserves review last year put in place a quality process for booking reserves each year. This process is externally audited and reviewed every year. One of the benefits of the process is that we obtain an outside opinion on the health of our reserve conveyor belt.

- Our average 1P finding and development cost was US$6.78/boe. These costs compare favourably with the results being released by our international peers.

- We also added to our proven and probable reserves categories in 2002, increasing overall 2P reserves to 732 mmboe.

- For me our reserve replacement is the first indication that we are developing the growth profile the Company has needed. We are putting the basic building blocks in place.

Slide 6 – Santos: The Fuel to Grow

- I will say more about our growth profile following Peter Wasow's presentation but in concluding my highlights I'd like to step back and summarise the three elements of our value proposition. They are:

    - First, a strong base business, more than a legacy asset really, grounded both in our reserves and our market position.

    - Second, and leveraged from our base business, is the demonstrated capacity to explore, build, operate, and importantly, the financial flexibility to capitalise on our strategy, and last …

    - A strong suite of growth options.

- It's how these play together which defines both our strategy and how well we can deliver.

- I will now hand over to Peter Wasow to present a more detailed overview of our 2002 performance.

Santos:

Fuelling the Growth Engine

Demonstrated Capacity

Santos 2002 Full Year Results

Peter Wasow
Executive General Manager Finance and Accounting
Santos Ltd
19 February 2003

Demonstrated Capacity

Thank you John, and good morning everyone.

As you gave heard, the theme for this morning's presentation is "Fuelling the Growth Engine".

We want to demonstrate to you the things that distinguish Santos as the premier energy investment in Australia/Asia. And we want to support that contention with the evidence of our results for 2002.

Good Progress on Objectives

First, let me return to the model of value creation we use to describe our business. At the interim result presentation, I made the statement that all we have to do is replace each barrel we produce with a more valuable one. So how have we gone?

The short answer is: very well.

The cycle of value creation for Santos' shareholders has certainly been virtuous in 2002.

- We've grown the business, both in reserves and production;
- We've controlled costs and stay in business capital;
- We've earned our cost of capital, even after write downs;
- And we've grown profitably, as evidenced by our finding and development cost metric.

Let's turn to some of these elements in more detail, and start with sales.

Sales Growth

The headline is 3% growth in volumes. As forecast at the interim results presentation, the second half was quite strong.

On the gas front, 2002 saw the Cooper Basin producers hold sales almost flat, while the Gippsland producers faced a 4 percent decline. Santos again emerged as the largest domestic gas producer on an equity share basis, increasing total gas volumes by 3%. A small decline in Cooper basin gas sales was offset by increases from the Otway basin and East Queensland. The addition of almost one million barrels of oil equivalent from our US acquisition completes the gas story.

On the liquids side, Legendre reports as a full year of production versus seven months in the previous year. These additional volumes are largely offset by the shut-ins due to work-overs and the natural decline at Stag. Nevertheless, Santos has had its peak liquids production over the past three years roughly coincide with peak crude prices.

Average prices were off around A$0.46 per barrel, year on year, so volume is the main story as far as the top line is concerned.

Looking to the future, we expect sales to exceed production as we draw down inventory to optimise gas storage and development spending in Central Australia.

Sales from existing assets are forecast to decline slightly as the benefit of new field production won't be felt until 2005. By then our current suite of development, or near development, opportunities will be meeting our 5% growth target which was set in 2001. In the meantime we continue to look for opportunities to grow the top line, but our focus is on value not volume.

We are also addressing the temporary halt in production growth with cost measures.

So to summarise, we’ve grown our sales in line with target, and we’ve increased share in the key Eastern gas markets. We expect to meet our growth targets, in line with our objective that we would be in a position to grow at 5% by 2003.

Operating Costs

There are two parts to the cost equation for an E&P company: capital and operating. For Santos, the story is positive on both counts.

On the operating cost side, the addition of Legendre, Esenjay and Scotia to our portfolio of producing assets, has had the effect of increasing our cost base by $15 million year on year. It's important to remember that lifting costs are generally not variable, and that the major changes to a company's cost position occur with changes to the number of fields on production. So in some ways this additional $15 million sets the new level of costs for comparative purposes.

As forecast at the interim, insurances have cost us an additional $7 million, and PRRT has increased by $6 million.

One of the challenges in improving this business is that doing the right thing on the capital front can sometimes result in an additional operating cost. Production optimisation is a good example. We've spent an additional $5 million enhancing well performance, while the benefits show up as a multiple of that number in lower development spending.

On the cost savings side, we have been able to reduce gas purchases as a result of higher plant up time, and to reduce G&A costs significantly.

Taking these items into account means that our cost performance year on year has been quite good, in fact staying relatively flat in comparable terms. On a per unit basis the overall cash cost of sales has increased by 3%.

Lowest Quartile Costs

But what’s more important in demonstrating our capacity is our relative performance.

If you compare us to our peers, we are clearly performing near the top quartile. This chart shows how our cost performance compares to the top fifty US independents. Our relative performance would be even better if not for the skewing effect of PRRT .

As we face a temporary halt to production growth, we plan to address costs head on. In 2003, we are planning to implement vigorous cost control measures to largely offset increases in PRRT, and the effect of drawing sales gas from inventory. Examples include reduced day rates for the Elang FSO, joining the industry insurance mutual and initiating a maintenance cost improvement program in the Cooper Basin. Overall we expect that costs will edge up slightly, with no major new fields coming into production.

Let me summarize the operating performance of the company: we have again demonstrated our ability to operate well. We have lifted sales and market share and despite bringing on new fields to achieve this performance we have controlled our costs.

Drilling Continues to Improve

If we look at the capital side of the cost equation, we have made significant improvements. Drilling has shown continuous improvement, to deliver savings in all areas where we operate, [build 1] offshore, [build 2] onshore [build 3] and in the US. And the industry is beginning to recognize the quality of the results we are delivering. In terms of capital savings this result amounts to around $29 million in 2002 alone. Another way to understand drilling savings is this: drilling represents between 50 and 60% of our exploration and delineation spending and about a quarter of development spending. So the focus on drilling performance really counts. I will show later where these savings have been reflected.

Some examples of how we have been able to improve include:

- Designing wells as expendable exploration or finder wells (with the exception of Exeter 3),

- Focussing on supplier and contractor relationships to deliver lower day rates,

- Harnessing the power of people to perform in small multi-functional teams,

- Early adoption of new technologies in abandonment and data management.

Improvement Program

Our business improvement program, announced at last year's AGM, has also delivered results.

This chart shows progress against our objectives. Our initial commitment was for $50 million of savings by 2003. Our result to date has been $78 million: well ahead of target in terms of timing and amount.

Some of the areas in which we have made savings include:

- Production optimisation where the savings have been $34 million, from systematic well remediation as opposed to new gas development,
- Procurement savings of $8 million,
- Compressor optimisation of $5million,
- And many others.

So where have these savings in drilling, production optimisation and from the Business Improvement Program delivered?

Cooper Basin Gas Development

The answer can most clearly be seen on this chart, where we compare the history of Santos' spending on gas development in the Cooper Basin. We are forecasting a decrease of $86 million between 2001 and 2003. The results of the program can be very clearly seen in the outcome for 2002. As a result of the savings we've been talking about, and a generally more efficient year in gas development, we have been able to undertake development projects for slightly more gas in 2002 (356 versus 350 gJ), but for $40 million less than we expected, and over $70 million less than in the previous year.

And we expect that gain to be compounded in 2003. This is an important saving, because as we will see in John's presentation, we have an inventory of projects that deliver significantly better returns for our capital dollar than this spending has in the past.

Investment Program

Again, without pre-empting John, in this chart we show what we expect to invest in 2003 compared to 2002.

In broad terms our capital programs are set at levels which allow us to maintain our gearing. In 2002 we spent $760 million and we expect that 2003 will be slightly lower, in line with our improving capital efficiency. This will be the first fall in capital spending for some years. We have a range of contingent projects which, if successful, will be funded from assets sales, or substitution. There is also a slight re-ordering of expenditure, increasing the weighting towards development as we continue to fund Bayu Undan and will commence more serious funding of Mutineer/Exeter.

Our strategy has been to build up an inventory of projects that exceeds our funding capacity, forcing us to be better capital allocaturs. We believe that a fundamental in this business is capital discipline, and that the best way to increase returns is to be forced to high-grade your investment choices and farm-out or harvest the marginal ones.

In fact 2002 and 2003 are milestones for the company in our ability to generate options, characterise them and understand how each contributes to our portfolio. We have transitioned from a single asset business to a company where option generation and portfolio management are the keys to unlocking shareholder value.

The results of our spending in 2002 can be seen in the finding and development cost metric, and in the inventory that John will talk about.

So to summarise this section, we have demonstrated that we able to both operate and invest well, the two primary drivers of shareholder value in our business.

Let’s turn to the financials in some more detail.

Underlying Profit Strength

On the profit side, we continue to generate EBITDA of around $1.1 billion.

We've talked about the increase in sales and costs, the only other variance lies in the difference between insurance claim provisions in the two years.

The more significant difference between the two years is in the expensing of our capital spend, as you can see in the second part of the chart. DD&A has increased year on year. Depletion is the largest contributor to this variance at $30 million. As you know the depletion charge is volume based, and so $21 million of the variance is accounted for by our higher activity level. The remaining $9 million variance is on account of higher expected future development costs.

We are not expecting increases in our depletion rate per barrel in 2003.

The bigger change is in exploration write-offs and I will have a bit more to say about that on another slide.

A final dividend of 15 cents has been declared, bringing total dividend yield to around 5 percent. On earnings per share of 51 cents, this equates to a payout ratio of 60 percent. This is a good result: our payout ratio is below the ASX100 average expected for 2002, while our yield is higher. And it's fully franked.

Cash Generation

Operating cash flow is up by 15 percent, or a little more than $100 million.

The major variances, other than the operating results we have already discussed are:

- lower tax paid in 2002: 2001 had a catch up tax payment for the bumper profit in 2000;
- the settlement of the insurance claim I showed as an accrued P&L item on the previous slide;
- lower interest on account of our A$ debt being mostly floating.

Flexibility to Act

And so we are left with a strong balance sheet, capable of capturing not only organic growth, but also capable of selective acquisitions.

Our capital management strategy is quite straight forward. We restrict spending to keep gearing about constant, which forces us to high-grade our investments, and keeps enough balance sheet capacity in reserve to allow us to round out our portfolio with acquisitions when the time, and opportunity, is right.

Financial flexibility is an essential part of being a good capital allocatur: the conveyor belt is never that smooth, and we know there are distinct cycles in asset trading and industry consolidation. So we must have the flexibility to let the ratios move a little without stressing the overall picture. We are entering a period when assets again will trade, as the majors turn their attention to value, and start to rationalise their portfolios. The flexibility to act is fundamental to capturing value for our shareholders in the industry landscape that we see emerging.

This chart shows how much additional debt capacity we have. And we don’t expect that to change too much in ’03.

ROC was around 9% and will continue to be just “at” or around our target level as we build the option inventory, and as the weight of developments like Bayu Undan increase prior to coming on to production.

Capital Discipline

Let’s look at our balance sheet strength another way.

This chart shows how Santos ranks against US mid-cap peers in terms of our ability to meaningfully add to our proven reserve base, if we were to lever up. Thanks to Morgan Stanley for this slide which came from a recent research report, with the addition of our own data. I like the slide because it shows how some peer companies have not been as disciplined in their use of the cash that came with higher prices in the past few years.

Those that have, will have the best chance of being able to capture excess returns as the major’s mood again turns to “sell”. An example is Apache, who continue to use their balance sheet flexibility well, as evidenced by the recent deal with BP.

Exploration Carried Forward

Let's turn our attention to the exploration write offs this year. This slide details what remains on our balance sheet. It's important to note that there isn't a lot of dry hole risk remaining. The bigger items that you need to understand are the contingent resources and the market and infrastructure risks which face them.

On the write offs themselves, this is about transparency in our reported result, and importantly, what we believe is correct to carry forward as an asset on our balance sheet.

Through the second half of this year I undertook a review of our accounting policies, particularly as they relate to asset carrying values. There are a number of changes coming, ED104 and the adoption of international accounting standards for example. We deemed that successful efforts accounting was not an appropriate step for Santos, as there is no certainty as to how the international standard will emerge, and importantly, because there is no industry standard approach.

In Australia we use a modified full cost method. Nine of the top 20 independents use full cost accounting. And most of those nine are at the top of the list. Names like Apache, Anadarko, Devon, and Ocean all use full cost accounting. So we are very much in step with international practice and accounting standards in Australia.

What we did decide was that we would introduce stricter carry forward guidelines for assets in evaluation.

In summary we have made many of the tests objective, either testing exploration costs against risked future cash flows or against the clock for stranded gas assets.

The result has been a write off of a total of $75 million this year.

Demonstrated Capacity

Let me bring all this together for you. There are three main points from the 2002 results.

First, we have delivered on our value proposition. We know how value is created in this business, and we have delivered real progress on all fronts.

Second, our results demonstrate the capacity to deliver, both as operator and as investor, and

Third, we have both the opportunities and capacity to grow this company.

Thank you.

I'll be happy to take any questions at the end of today's presentation.

Santos:

Fuelling the Growth Engine

Strong Base Business and Identified Growth Options

Santos 2002 Full Year Results

John Ellice-Flint
Managing Director
Santos Ltd
19 February 2003

Strong Base Business

- Thank you Peter.

- Peter has spoken about our demonstrated capacity. I will now speak about the progress we have made during the year in the two other components of the Santos value proposition, our Base Business and our Identified Growth Options.

A Strong Franchise Fuelling Growth

- Santos' base is its Australian business.

- I say <u>Australian</u> rather than Cooper Basin.

- While the Cooper Basin <u>is the core</u> of the Australian business we now have <u>other</u> <u>substantial</u> interests. These non Cooper Basin assets currently provide around 40% of our Australian revenue.

- One of the strengths of our Australian business is its <u>gas</u> franchise. This franchise is being maintained and has scope <u>to grow</u>.

- We recently signed the 505 PJ gas contract with AGL which extends out to the year 2016. We achieved what we said we would do and that was to contract significant gas at a higher margin. Getting the higher margin may have lengthened the negotiation process – but was ultimately worthwhile.

- The average length of our gas contracts has now increased by 25%, providing long term security to the business and long-term access for our reserves.

Eastern Australia Gas Production

- The Eastern seaboard is our key gas franchise.

- Santos continues to be the largest eastern gas supplier and we continue to strengthen our position. Last year we produced almost 190 PJ of gas, an increase of 3%. In contrast, production by the second and third largest producers declined.

- We are actively seeking to contract additional quantities of our Cooper Basin gas, as well as gas from our other sources, such as offshore Victoria.

Improving Base Business – Cooper Basin

- We are focusing on improving the efficiency of our base business through continuous improvement initiatives.

- As Peter has already shown, in 2001 we spent $191 million on Cooper Basin gas development. In 2002 we reduced this to $117 million.

- Production optimisation has added 60 terajoules a day to Cooper Basin production for approximately a fifth of the cost of conventional development wells.

- The average cost of drilling and completion has fallen from $184 per foot to $167 – a 9% improvement. This doesn't sound a lot, however, last year we drilled almost half a million feet in the 61 wells in the Cooper Basin.

- The average cycle time from spud to connection fell from 74 days to less than 53 days in the recent Moomba North drilling campaign and we are not yet satisfied with our performance.

- These are all examples of our effort to improve the margin on our base business.

- In summary, we have a strong base business which we are maintaining and optimising. This business, together with our capacity which Peter discussed, provides the basis for fuelling our growth options.

Identified Growth Options

- I'll now turn to Growth Options, which includes gas commercialisation, building and acquiring our new development project suite and exploration/new ventures.

- During the year we limited our acquisitions to Esenjay, which was purchased before the current jump in US gas prices, and our interest in Patricia Balleen. Acquisition activity was limited due to the difficulty of finding value adding assets in the price cycle. However, as Peter has noted, we have adequate capacity to undertake further acquisitions under the right circumstances.

2002 Gas Commercialisation Results

- Gas commercialisation is an important growth driver.

- Last year we achieved our best result since 1996, adding 600 petajoules to contracted gas reserves.

- The most significant was the 505 petajoules Cooper basin gas contract, to which I have already referred. The Cooper Basin will play a significant part in meeting Eastern Australia's energy needs well into the next decade.

- Another significant development is the Heads of Agreement for the sale of gas from the Oyong field in Indonesia. This will result in first production in 2004.

- A third highlight was the signing of the Bayu-Undan LNG heads of agreement with Japanese customers for the delivery of 3 million metric tonnes per annum from 2006. This will be Santos' first entry into LNG.

- The outlook for our gas business is strong as Santos also has over 6 trillion cubic feet of gas resources that are not booked as reserves but are under active consideration.

- Our success in 2002 gives us confidence that we will be able to deliver value from these resources.

- At our Annual General Meeting in April last year I outlined our gas strategy, which is to extend our gas business outside Australia.

- Our progress in Indonesia is a first step in building a south east Asia gas franchise from our Australian base.

Building and Acquiring – Mutineer-Exeter

- I will now turn to Building and Acquiring, which is another important component of our growth inventory.

- We currently have three flagship projects in our growth profile, Mutineer-Exeter, Bayu-Undan and Oyong.

- Mutineer-Exeter is an exciting growth project. It has 120 million barrels of proved and probable high margin oil in which Santos has a 33% share.

- Development options are being quickly developed, based on a floating production facility and we are currently prequalifying tenderers.

- First production is expected in mid 2005. This would be three years from the date of the first successful exploration well in this campaign. Early production options are also being considered.

Building and Acquiring – Bayu-Undan

- This slide shows the Bayu-Undan well head platform being moved into place.

- The liquid recovery project is the first phase of the Bayu-Undan development.

- The decks of 14,000 and 11,000 tonnes each are large by world standards and are currently being fabricated in South Korea with installation of the decks on track for mid year.

- Total expenditure on the gas recycling liquids recovery project is in line with the operator's estimate of around US$1.8 billion.

- It is on schedule for first production in April next year.

- The first six development wells are currently being batch drilled, of which two have been completed.

- The LNG stage is waiting ratification of the Timor Sea Treaty by the Australian Government.

- This is a significant project for Australia. Similar volumes are contracted to those recently contracted by the North West Shelf with China. The total revenue for both LNG and liquids would be of the order of A$30 billion.

- Capital expenditure on the LNG project is estimated by the operator to be around US$1.5 billion.

- Construction work on the LNG phase of the development will begin immediately upon sanction.

- At peak production a combined liquids and LNG project would add over 6 million barrels of oil equivalent per annum to Santos' production.

- Santos has 11.8% of this project.

Building and Acquiring - Oyong

- The Oyong gas project in Indonesia is our third flagship project.

- We recently announced a Heads of Agreement had been signed to commercialise the 90 billion cubic feet of gas reserves in the field. First production is targeted for late 2004.

- Oil production will start at the same time.

- Santos has a 45% interest in the project.

- Neither Mutineer nor Oyong were in our development seriatim when I spoke to you at this time last year.

Exploration and New Ventures – Exploration Opportunities

- Exploration and new ventures is the third important component of building growth options.

- The hoppers on this slide show our inventory of leads, prospects and targets ready for drilling. They illustrate how our exploration inventory has grown.

- Our number of drillable leads has increased by almost 20% to over 400. Our prospects have more than doubled. Our drill-ready targets have increased to 37.

- This gives us the flexibility to both trade and high-grade our program.

- We've also delivered, in 2002, adding 106 mmboe of resource potential, nearly 60% above the result in 2001 and more than 4 times the 2000 result.

- In essence we have improved the quality and quantity of opportunities available.

Exploration and New Ventures – Resource Potential

- The challenge for 2003 is to better the 2002 exploration result.

- The mean expected outcome for our 2003 exploration program is 90 mmboe with upside of over 200 mmboe.

- The high risk/high reward component of our 2003 exploration program is the drilling of the deepwater prospects in the Otway Basin.

- Regardless of what 2003 brings, our 2002 result was an outstanding one but one on which we aim to improve.

Exploration and New Ventures – 2003 Wildcat Program

- I will now turn to our 2003 exploration program in more detail.

- The 21 wells that you see here come from our pre-existing inventory.

- These 5 wells coming into view now are all new opportunities that didn't exist this time last year.

- The size of the bubbles indicates the relative reserve potential.

- In 2003 we plan to drill approximately 26 wells for a total expenditure of $146 million.

- In addition we also plan to acquire 4,250 kilometres of 2D seismic and 2,130 square kilometres of 3D seismic.

- We are restarting the Cooper Basin exploration program and we will be testing new play opportunities similar to the stratigraphic traps discovered in 2001.

- Key 2003 areas of operation are:

  - Deep Water Otway where we have plans to drill up to 3 oil prospects in the second half of the year.

  - Indonesia where we will drill up to 2 oil and gas wells.

  - And the Carnarvon Basin where we will participate in four wells targeting near-term oil production.

Identified Growth Options

- Our complete suite of possible growth projects is summarised on this slide.

- Santos has a good mix of near, and medium term growth projects that have the potential to deliver new production over the next 3 years.

- The near-term projects that we have sanctioned for development are the Bayu-Undan liquids project and the Patricia Baleen and Minerva gas developments.

- Other projects close to sanction that will have an impact on near-term production include Mutineer-Exeter, Oyong gas and oil and Bayu-Undan LNG.

- We also have other near-term opportunities to boost production. These include Cooper Basin oil optimisation and early production from small discoveries near infrastructure. These could include Kuda-Tasi, Jahal, Bilip, Casino and Corowa.

- Our suite of options doesn’t end with these projects.

- Over the medium to long term we have a number of opportunities for growth in both Australian and overseas.

- In Australia we expect to make good progress on developing our Southern Australian gas resources.

- In northern Australia gas marketing opportunities are being pursued for Petrel-Tern and Evans Shoal. In Indonesia work is underway to commercialise Maleo.

- These projects, plus upside from our exploration program, provide Santos with the avenues to achieve its growth targets.

Santos: The Fuel to Grow

- In summary we are achieving what we set out to do.
- Last year we performed well against all our strategic objectives.
- We’ve made significant progress delivering higher production through gas production optimisation.
- The company has added significant resources through success in the exploration program.
- We have delivered what we said we would by signing significant new gas contracts, both in Australia and Asia.
- And finally we have been cautious in our approach to acquisitions.
- To close I would like to answer the question, “Why Santos?”
- We have a strong Australian base business that generates a strong cash flow to fund growth and reward share holders through dividends.
- Our growth profile is taking distinct shape.
- Our operating results demonstrate our strong technical competencies.
- We also have the financial flexibility to be really effective in optimising our portfolio.

- I’m sure there will be challenges along the way, but I know we have the people, the teamwork and the business to deliver on what we set out to do and that is to become a world class E&P company with a strong growth profile.

- Thank you for your time and I will now hand you back to Graeme who will chair the question and answer session.