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Santos

News Release

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**INCREASE IN SANTOS FULL YEAR PROFIT TO $206 MILLION
RESERVES INCREASE TO OVER ONE BILLION BARRELS**

Santos today announced an after tax operating profit for the 1997 full year of $206.2 million, an increase of 5.3% on the 1996 result of $195.9 million.

The increased profit was primarily the result of record production and sales revenue.

The company's proved and probable reserves also increased, from 860 million barrels of oil equivalent (boe) at the end of 1996 to 1009 million boe at the end of 1997, a production replacement rate of 463%.

Commenting, Managing Director - Mr Ross Adler - said:

> "This is a pleasing result. 1997 was a transition year while new gas and oil projects were advanced for start up during 1998. Further benefits are expected to be realised from these projects over the next couple of years.
>
> Going forward, Santos has before it a wider range of opportunities than at any other time in the company's history. In particular our substantial reserves base forms the foundation for future growth. The Queensland and Northern Territory Business Unit now has a higher level of reserves (384 million boe) than any other part of the Group and the Offshore Australia Business Unit has reserves of over 200 million boe."

Net profit after tax, before foreign currency gains increased by 13.3% from $179.9 million in 1996 to $203.9 million in 1997.

Operating cash flow increased by 11.5% from $413.1 million in 1996 to $460.7 million in 1997.

Directors declared a final ordinary dividend of 13 cents per share, fully franked. The final dividend will be paid on 30 April 1998 to shareholders registered in the books of the company at the close of business on 8 April 1998. The final dividend brings Santos' total 1997 dividend to 25 cents per share, one cent higher than the 1996 total dividend of 24 cents per share.

Earnings per share were 35.3 cents compared with 35.4 cents in 1996.

Highlights of 1997 include:

- The acquisition of petroleum interests which provide the company with additional producing interests and exploration acreage in the Carnarvon Basin and the Gulf of Mexico.
- Delivery of first gas from South West Queensland to Brisbane.
- Drilling of 112 exploration wells with a 65% success rate, including the largest onshore Australian gas discovery since 1971 and five discoveries Offshore Australia in the Zone of Cooperation, Bonaparte Basin and the Carnarvon Basin.
- Substantial progress on the development of the Stag and Elang oil fields Offshore Australia and the SE Gobe oil field in Papua New Guinea, all for first production in 1998.
- Establishment of the South East Asia Business Unit following the acquisition of petroleum assets from MIM.
- A successful 1 for 8 rights issue which raised $267 million after costs to assist in funding the company's expansion programme.

Commenting on the outlook for 1998, Mr Adler said:

> "The first half of 1998 will be affected by the lower oil and liquids prices currently prevailing. However, during 1998, a number of development projects will come on line which are expected to increase significantly production in the second half. The results achieved for the 1998 year will depend on the precise timing of commencement of production of these projects and on prevailing oil prices and the US/Australian dollar exchange rate. At this stage it is expected that results in the first half will be somewhat lower compared with 1997. However, assuming that oil and liquids prices remain at around current levels, it is presently expected that results for the full year will be similar to or exceed 1997 results. This is because new production projects will compensate for the adverse effect of lower liquids prices in Australian dollar terms".

Reflecting the success of the 1997 exploration program, the company plans to increase its oil and gas exploration program to $206 million in 1998. This program, which involves drilling 117 wells, compares with a 112 well program costing $190 million in 1997.

Commenting on the exploration program, Santos' Managing Director, Ross Adler said:

"Santos spent a record amount of $190 million on exploration in 1997. It is pleasing that this program has produced such good results.

The further increase in spending in 1998 reflects the breadth of opportunities in our exploration portfolio.

This year's program contains a good balance of low, medium and high risk prospects. About half of the total expenditure will target opportunities in Offshore Australia, South East Asia and the United States."

For clarification contact:

Mr Ross Adler, Managing Director on 08 8218 5908
Dr Graeme Bethune, General Manager - Finance & Investor Relations on 08 8218 5157 or 0419 828 617

Financial Summary

	Year Ended 31.12.97	Year Ended 31.12.96	% Increase (Decrease)
PROFIT AND DIVIDEND *($ million)*			
Sales Revenue	**778.5**	729.2	6.8
Total Revenue	**859.5**	804.0	6.9
Depreciation, Depletion & Amortisation	**(207.2)**	(191.6)	8.1
Earnings before interest expense, foreign currency & tax	**372.9**	357.2	4.4
Foreign currency gains			
-unrealised	**0.1**	10.9	(99.1)
-realised	**3.5**	14.1	(75.2)
Earnings before interest expense and tax	**376.5**	382.2	(1.5)
Interest expense	**(54.2)**	(50.3)	7.8
Operating profit before tax	**322.3**	331.9	(2.9)
Tax on operating profit	**(116.1)**	(136.0)	(14.6)
Operating profit after tax	**206.2**	195.9	5.3
Earnings per share *(cents)*	**35.3**	35.4	(0.3)
Dividends per share *(cents fully franked)*	**25.0**	24.0	4.2
CASH FLOW *($ million)*			
Net operating cash flow after tax	**460.7**	413.1	11.5
- per share *(cents)*	**78.9**	74.6	5.8
BALANCE SHEET *($ million)*			
Total shareholders' equity	**1919.0**	1586.3	21.0
Total assets	**4036.2**	3443.4	17.2
Net debt	**1114.2**	938.6	18.7
RATIOS			
Net debt/equity *(%)*	**58.1**	59.2	
Return on average shareholders' equity *(%)*	**11.8**	12.6	

SANTOS 1997 FULL YEAR RESULTS

1. PROFIT

Sales Volume

Sales volume increased from 38.3 million barrels of oil equivalent (boe) to a record level of 41.3 million boe, due primarily to higher gas and ethane sales (3.4 mmboe), offset partially by lower sales of petroleum liquids (0.4 mmboe). The acquisition of WMC's interests in East Spar contributed 1.1 mmboe to sales volumes.

Sales Revenue

Sales revenue increased by 6.8% to $778.5 million. The $49.3 million increase in revenue is primarily due to the increase in sales volumes of gas and ethane.

Expenses

Operating costs increased by $7.8 million principally due to Santos' additional interest in East Spar and the processing of gas through the Ballera Gas Plant for gas sale contracts which commenced during the year.

There are no writedowns of exploration expenditure in 1997 ($11.2 million in 1996). This is based on a detailed assessment of the recoverability of the Group's oil and gas assets in producing areas and review of exploration activity in non-producing areas.

Depreciation and depletion increased by 8.1% to $207.2 million

Earnings Before Interest Expense, Foreign Currency and Tax

Earnings before interest expense, foreign currency gains and tax increased by 4.4% to $372.9 million.

Foreign currency gains of $3.6 million ($3.5 million realised) were recognised in the Profit and Loss Account in 1997 and arose principally from conversion of US dollar cash deposits to Australian currency. In the previous year there were foreign currency gains of $25 million of which $14.1 million was realised.

US dollar denominated borrowings were fully designated either as a hedge of US dollar denominated investments in self sustaining overseas controlled entities or, from 1 January 1997, as a hedge of future US dollar denominated sales revenues. Accordingly, there were no foreign currency gains or losses arising from translation of US dollar denominated borrowings brought to account in 1997.

As a result and in accordance with Australian Accounting Standards, $29.2 million of unrealised foreign currency losses were deferred as at 31 December 1997. The ultimate foreign currency gains or losses will be included in the measurement of the specific hedged US dollar denominated sales revenues to be realised in the years 2001 through 2005.

Earnings Before Interest Expense and Tax

Earnings before interest expense and tax fell by $5.7 million to $376.5 million due to the $25 million of foreign currency gains in 1996.

Interest on higher borrowings associated with the funding of acquisitions and the significant development program increased the gross interest expense by $7.3 million to $75.1 million. Capitalisation of interest of $20.9 million on the financing of development projects ($17.5 million in 1996) reduced the net interest expense to $54.2 million.

Operating profit before income tax decreased by $9.6 million to $322.3 million. The income tax expense on operating profit was $19.9 million lower than in 1996, primarily due to lower non-deductible items, the SA Cooper Basin Development allowance and research and development credits. In 1997, income tax expense represented 36.0% of operating profit before tax, compared with a figure of 41.0% in 1996.

Operating Profit after Tax

A net profit after tax of $206.2 million was achieved in 1997, an increase of 5.3%. This compares with a result of $195.9 million in 1996.

No abnormal items were recorded in either 1996 or 1997.

Net profit after tax, before foreign currency gains increased by 13.3% from $179.9 million in 1996 to $203.9 million in 1997.

An 11.8% return (net profit after tax) on average shareholders' funds was achieved.

Earnings per share were 35.3 cents compared with 35.4 cents in 1996. In accordance with accounting standards the calculation of the 1996 earnings per share has been restated to take account of the bonus element of the rights issue.

2. CASH FLOW

Cash flow from operations increased by 11.5% to $460.7 million. Higher sales receipts more than offset the increased income tax paid in respect of 1996 tax liabilities.

Operating cash flow per share increased from 74.6 cents to 78.9 cents. Cash flow per share in 1996 has been restated to take account of the bonus element of the rights issue.

3. BALANCE SHEET

At the end of 1997 the carrying value of non-current investments in other than controlled entities exceeded their market values. Directors do not consider that there has been a permanent diminution in their values and accordingly the carrying values have not been written down in 1997.

During 1997, a one for eight renounceable rights issue raised $267 million after costs.

Net debt at year end was $1,114.2 million.

The net debt to equity ratio at year end was 58.1% compared with 59.2% at the end of 1996.

After providing for the final dividend of 13 cents per share, shareholders' equity at year end was $1,919.0 million.

4. EXPLORATION AND DEVELOPMENT

Total exploration spending in 1997 was $190.1 million compared with $121.1 million in 1996. A total 112 wells were drilled with a 65% success rate. Highlights include the largest Australian onshore gas discovery since 1971, 23 new field discoveries in the Cooper/Eromanga Basins and five discoveries Offshore Australia.

Proved and probable reserves at the end of 1997 were 1009 million barrels of oil equivalent after production of 41.1 million boe. This is an increase of 17%, or 149 million boe, since the end of 1996.

This represents a production replacement rate of 463%. The major contributor was the exploration program which added a record 135 million boe.

Total reserves life at the end of 1997 was 24 years at 1997 production rates, up from 22 years at the end of 1996.

While 79% of the additions came from gas and ethane, reserves of petroleum liquids grew to a record 227 million boe, equivalent to 20 years of reserve life at the 1997 level of production.

The average finding cost during the year was an industry competitive $1.41 per boe.

Queensland discoveries contributed 95 million boe of the increase in reserves. Other discoveries added 40 million boe of the reserves (almost equivalent to the 1997 level of company production).

As at the end of 1997 36% of Santos' reserves were located outside the Cooper/Eromanga Basins.

Proved and Probable Hydrocarbons Reserves - Net

	Sales Gas PJ (inc ethane)	Crude Oil million barrels	Condensate million barrels	LPG thousand tonnes	Total million boe
Estimated Reserves as at 31 December 1996	3862	80	73	5582	860
1997 Production	(172)	(7)	(2)	(264)	(41)
Additions from 1997 Exploration	632	13	9	626	135
Acquisitions	253	4	9	-	56
Field Revisions	(30)	6	(1)	(155)	(1)
Estimated Reserves as at 31 December 1997	4,545	96	88	5789	1,009

Development spending in 1997 was $385.1 million compared with $256.1 million in 1996. Substantial progress was achieved on a number of gas and oil development projects.

5. MAJOR 1997 DEVELOPMENTS

(a) Acquisitions

WMC Resources Limited

Santos acquired a 30% interest in the East Spar gas and condensate field in the Carnarvon Basin off the Western Australian coast, together with exploration interests, from WMC Resources Limited (WMC), effective 1 January 1997.

MIM Holdings Limited

The acquisition of the petroleum assets of MIM Holdings Limited which was announced in September 1996, became effective on 21 January 1997.

(b) First Gas Supplied to Brisbane from South West Queensland

A long term contract to supply Brisbane with gas sourced from South West Queensland commenced during the year. The process of supplying this gas to Brisbane involved the upgrading of the Ballera Gas Plant.

(c) East Spar Gas Sale Agreements

Three gas sale agreements were reached for East Spar during the year. Total contract commitments for East Spar gas now represent approximately three quarters of the total proven reserves.

(d) Mereenie Gas Contract

In November 1997, a new gas contract for 67.5 petajoules of gas was signed between the Mereenie Producers and Gasco Pty Limited, a subsidiary of the Northern Territory Power and Water Authority.

(e) Incitec Ltd Gas Contract

In December 1997, the company announced that it had concluded a contract with Incitec Ltd for the direct supply of gas requirements to three Incitec plants in New South Wales. The gas sold to Incitec forms part of the existing contract quantity between AGL and the Cooper Basin Gas Producers.

6. 1998 EXPLORATION PROGRAM

	Wells	$M
South Australia	30	59
Queensland & Northern Territory	32	41
Offshore Australia	13	43
South East Asia	10	35
US/UK	32	28
TOTAL	**117**	**206**

Exploration expenditure is planned to increase in 1998 to a level of $206 million.

Total spending in Offshore Australia, South East Asia and the United States, will comprise 50% of the program.

The major highlights of the 1998 exploration program are as follows:

- The program will feature the drilling of 117 wells, with 83 of these wells forming part of the 1998 gas program.
- In South Australia 28 gas wells and 2 oil wells are to be drilled.
- In Queensland and the Northern Territory 21 gas wells and 11 oil wells are planned.
- The Offshore Australia exploration program features the drilling of 10 oil wells and 2 gas wells in the Carnarvon Basin and the Northern Offshore region (Timor Gap, Timor Sea and Browse Basin). One gas well will be drilled in the Bass Basin.

- Six wells are expected to be drilled on low risk gas prospects in the central Gulf of Mexico.
- Three oil wells and 1 gas well are planned in Papua New Guinea.
- In Indonesia 3 oil and 2 gas wells will be drilled including one oil well in Irian Jaya.

1998 Indicative Exploration Programs (a)
Offshore Australia and South East Asia Business Units

Well	Basin	Permit	Santos % Interest	Timing	Target
Lepus	Carnarvon	WA-209-P	36.0	P & A	Gas
Psepotus	Browse	WA-242-P	20.0	P & A	Oil
Caribou	Carnarvon	WA-209-P	36.0	C & S	Gas (b)
Kau 2	Irian Jaya	Warim PSC	20.0	Drilling	Oil
Fish River	Timor Sea	AC/P15	33.3	Drilling	Oil
Kittiwake	Timor Sea	WA-199-P	40.9	Quarter 1	Oil
Yolla	Bass	T/RL1	5.0	Quarter 1	Gas
Legendre 4	Carnarvon	WA-1-P	22.6	Quarter 1	Oil
Emily	Carnarvon	TP/7(1-3)	43.7	Quarter 2	Oil
Banka Banka	Timor Sea	AC/P15	33.3	Quarter 2	Oil
Healy	PNG	PPL190	30.1	Quarter 2	Oil
Oseil 2	Indonesia	Seram PSC	2.5	Quarter 2	Oil
Pitcairn North	Carnarvon	WA-191-P	33.4	Quarter 3	Oil
Springbok	Carnarvon	TP/12	90.0	Quarter 3	Oil
Hera	Carnarvon	WA-264-P	66.7	Quarter 3	Oil
Exeter	Carnarvon	WA-191-P	33.4	Quarter 3	Oil
Oakura	Taranaki	PEP38712	46.0	Quarter 3	Oil
Elevala	PNG	PPL158	50.0	Quarter 3	Gas
Gambang 2	Indonesia	Bangko PSC	15.0	Quarter 3	Oil
Tumuli	PNG	PPL106	55.0	Quarter 4	Oil
Sumi	PNG	PPL155	43.8	TBD	Oil
Baru West	Indonesia	Korinci-Baru PSC	61.1	TBD	Gas
Besi	Indonesia	Bentu PSC	61.1	TBD	Gas

(a) Indicative only. Particular wells and timing subject to change.
(b) Extended Reindeer gasfield
TBD = To be determined
P & A = Plugged and Abandoned
C & S = Cased and Suspended

Preliminary Final Report

Name of entity

SANTOS LTD

ACN	Half yearly *(tick)*	Preliminary final *(tick)*	Financial year ended ('current period')
007 550 923		✓	31 December 1997

For announcement to the market

				$Amillion
Sales revenue *(item 1.1)*	Up	6.8%	to	778.5
Abnormal items *after* tax attributable to members *(item 2.5)*				Nil
Operating profit *after* tax (before amortisation of goodwill) attributable to members *(item 1.26)*	Up	5.0%	to	215.2
Operating profit after tax attributable to members *(item 1.10)*	Up	5.3%	to	206.2
Extraordinary items after tax attributable to members *(item 1.13)*				Nil
Operating profit and extraordinary items after tax attributable to members *(item 1.16)*	Up	5.3%	to	206.2
Exploration and development expenditure incurred:				
- non-producing areas *(item 5.2)*				87.5
- producing areas *(item 6.2)*				282.3
Total exploration and development expenditure incurred	Up	63.0	to	369.8
Exploration and development expenditure written off:				
- non-producing areas *(item 5.3)*				
- producing areas *(item 6.4)*				
Total exploration and development expenditure written off	n/a			NIL

Dividends	Amount per ordinary share	Franked amount per ordinary share at 36% tax
Final dividend *(item 15.4)*	[13¢]	[13¢]
Previous corresponding period (*item 15.5)*	13¢	13¢

Record date for determining entitlements to the dividend *(see item 15.2)*	[8] April 1998

Short details of any bonus or cash issue or other item(s) of importance not previously released to the market:

None.

Consolidated profit and loss account

(The figures shown are not equity accounted)

		Current period $Amillion	Previous corresponding period $Amillion
1.1	Sales revenue	778.5	729.2
1.2	Other revenue	81.0	74.8
1.3	**Total revenue**	859.5	804.0
1.4	**Operating profit before abnormal items and tax**	322.3	331.9
1.5	Abnormal items before tax (detail in item 2.4)	-	-
1.6	Operating profit before tax (items 1.4 + 1.5)	322.3	331.9
1.7	Less tax	(116.1)	(136.0)
1.8	Operating profit after tax but before outside equity interests	206.2	195.9
1.9	Less outside equity interests	-	-
1.10	**Operating profit after tax attributable to members**	206.2	195.9
1.11	Extraordinary items after tax (detail in item 2.6)	-	-
1.12	Less outside equity interests	-	-
1.13	Extraordinary items after tax attributable to members	-	-
1.14	**Total operating profit and extraordinary items after tax** (items 1.8 + 1.11)	206.2	195.9
1.15	Operating profit and extraordinary items after tax attributable to outside equity interests (items 1.9 + 1.12)	-	-
1.16	**Operating profit and extraordinary items after tax attributable to members** (items 1.10 + 1.13)	206.2	195.9
1.17	Retained profits at beginning of financial period	283.7	216.8
1.18	Change in accounting policy	-	-
1.19	Aggregate of amounts transferred from reserves	-	-
1.20	Total available for appropriation	489.9	412.7
1.21	Dividends provided for or paid	[(151.3)]	(129.0)
1.22	Aggregate of amounts transferred to reserves	-	-
1.23	**Retained profits at end of financial period**	338.6	283.7

Where applicable, comparatives have been adjusted to place them on a comparable basis with current year figures.

Profit restated to exclude amortisation of goodwill

		Current period $Amillion	Previous corresponding period $Amillion
1.24	Operating profit after tax before outside equity interests (item 1.8) and before amortisation of goodwill	215.2	204.9
1.25	Less outside equity interests	-	-
1.26	Operating profit after tax (before amortisation of goodwill) attributable to members	215.2	204.9

Intangible, abnormal and extraordinary items

		Consolidated - Current Period			
		Before Tax $Amillion	Related Tax $Amillion	Related Outside equity interests $Amillion	Amount (after tax) attributable to members $Amillion
2.1	Amortisation of goodwill	9.0	-	-	9.0
2.2	Amortisation of other intangibles	-	-	-	-
2.3	**Total amortisation of intangibles**	9.0	-	-	9.0
2.4	Abnormal items	-	-	-	-
2.5	**Total abnormal items**	-	-	-	-
2.6	Extraordinary items	-	-	-	-
2.7	**Total extraordinary items**	-	-	-	-

Comparison of half year profits

(Preliminary final report only)

		Current year $Amillion	Previous year $Amillion
3.1	Consolidated operating profit after tax attributable to members reported for the *1st* half year (item 1.10 in the half yearly report)	102.3	88.6
3.2	Consolidated operating profit after tax attributable to members for the *2nd* half year	103.9	107.3

Consolidated balance sheet

		At end of current period $Amillion	As shown in last annual report $Amillion	As in last half yearly report $Amillion
	Current assets			
4.1	Cash	109.8	152.0	74.7
4.2	Receivables	119.6	130.4	123.4
4.3	Investments	-	-	-
4.4	Inventories	74.8	72.6	82.2
4.5	Other	-	-	-
4.6	**Total current assets**	304.2	355.0	280.3
	Non-current assets			
4.7	Receivables	0.5	4.6	0.7
4.8	Investments	389.7	389.7	389.7
4.9	Inventories	-	-	-
4.10	Exploration and development expenditure capitalised in non-producing areas	248.2	152.9	217.5
4.11	Exploration and development expenditure capitalised in producing areas (net)	1,891.7	1,529.4	1,744.8
4.12	Land and buildings, plant and equipment (net)	1,084.4	914.1	1,038.6
4.13	Intangibles (net)	62.6	71.6	67.0
4.14	Other	54.9	26.1	33.2
4.15	**Total non-current assets**	3,732.0	3,088.4	3,491.5
4.16	**Total assets**	4,036.2	3,443.4	3,771.8
	Current liabilities			
4.17	Accounts payable	183.5	83.6	134.5
4.18	Borrowings	3.7	0.4	0.4
4.19	Provisions	144.8	174.5	144.3
4.20	Other	-	-	-
4.21	**Total current liabilities**	332.0	258.5	279.2
	Non-current liabilities			
4.22	Accounts payable	-	-	-
4.23	Borrowings	1,220.3	1,090.2	1,072.5
4.24	Provisions	564.9	508.4	534.0
4.25	Other	-	-	-
4.26	**Total non-current liabilities**	1,785.2	1,598.6	1,606.5
4.27	**Total liabilities**	2,117.2	1,857.1	1,885.7
4.28	**Net assets**	1,919.0	1,586.3	1,886.1
	Equity			
4.29	Capital	151.4	134.4	151.3
4.30	Reserves	1,429.0	1,168.2	1,421.4
4.31	Retained profits	338.6	283.7	313.4
4.32	Equity attributable to members of the parent entity	1,919.0	1,586.3	1,886.1
4.33	Outside equity interests in controlled entities	-	-	-
4.34	**Total equity**	1,919.0	1,586.3	1,886.1
4.35	Preference capital and related premium included as part of 4.32	-	-	-

Where applicable, comparatives have been adjusted to place them on a comparable basis with current year figures.

Exploration and development expenditure capitalised in non-producing areas

		Current period $Amillion	Previous corresponding period $Amillion
5.1	Opening balance	152.9	172.7
5.2	Expenditure incurred during current period:		
	- exploration	75.9	21.1
	- development	11.6	-
5.3	Expenditure written off during current period	-	(6.2)
5.4	Acquisitions, disposals, revaluation increments, etc.	35.2	20.7
5.5	Expenditure transferred to exploration and development in producing areas	(27.4)	(55.4)
5.6	**Closing balance as shown in the consolidated balance sheet** (item 4.10)	248.2	152.9

Exploration and development expenditure capitalised in producing areas

		Current period $Amillion	Previous corresponding period $Amillion
6.1	Opening balance	1,529.4	1,229.7
6.2	Expenditure incurred during current period:		
	- exploration	114.2	100.0
	- development	168.1	105.8
6.3	Expenditure transferred from exploration and development in non-producing areas	27.4	55.4
6.4	Expenditure written off during current period	-	(5.0)
6.5	Acquisitions, disposals, revaluation increments, etc.	164.0	146.9
6.6	Depletion	(111.4)	(103.4)
6.7	**Closing balance as shown in the consolidated balance sheet** (item 4.11)	1,891.7	1,529.4

Consolidated statement of cash flows

		Current period $Amillion	Previous corresponding period $Amillion
	Cash flows related to operating activities		
7.1	Receipts from customers	809.2	721.2
7.2	Payments to suppliers and employees	(187.9)	(196.0)
7.3	Dividends received	23.9	28.2
7.4	Interest and other items of similar nature received	6.4	7.9
7.5	Interest and other costs of finance paid	(73.6)	(65.8)
7.6	Income taxes paid	(98.7)	(69.6)
7.7	Other		
	- pipeline tariffs and other receipts	16.5	21.2
	- overriding royalties received	16.6	16.3
	- government royalties and resource rent tax paid	(51.7)	(50.3)
7.8	**Net operating cash flows**	460.7	413.1
	Cash flows related to investing activities		
7.9	Payment for:		
	- exploration	(166.9)	(120.8)
	- development	(129.8)	(88.4)
	- land and buildings, plant and equipment	(196.2)	(138.0)
	- acquisitions of oil and gas assets	(194.7)	(8.8)
7.10	Proceeds from disposal of property, plant and equipment	16.6	4.7
7.11	Payment for purchases of equity investments	(40.0)	(201.7)
7.12	Proceeds from sale of equity investments	-	-
7.13	Loans to other entities	-	-
7.14	Loans repaid by other entities	-	-
7.15	Other	3.7	(12.6)
7.16	**Net investing cash flows**	(707.3)	(565.6)
	Cash flows related to financing activities		
7.17	Proceeds from issues of securities (shares, options, etc.) and agreed conversions	268.2	0.3
7.18	Proceeds from borrowings (net)	73.5	523.8
7.19	Repayment of term borrowings	-	(183.7)
7.20	Dividends paid	(142.5)	(123.6)
7.21	Other	-	-
7.22	**Net financing cash flows**	199.2	216.8
	Net increase (decrease) in cash held	(47.4)	64.3
7.23	Cash at beginning of period	152.0	87.8
7.24	Exchange rate adjustments to item 7.23	5.2	(0.1)
7.25	**Cash at end of period** *(see Reconciliation of cash)*	109.8	152.0

Non-cash financing and investing activities

Not applicable.

Reconciliation of cash

Reconciliation of cash at the end of the period (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.		Current period $Amillion	Previous corresponding period $Amillion
8.1	Cash on hand and at bank	109.8	152.0
8.2	Deposits at call	-	-
8.3	Bank overdraft	-	-
8.4	Other	-	-
8.5	**Total cash at end of period** (item 7.25)	109.8	152.0

Ratios

		Current period %	Previous corresponding period %
9.1	**Profit before abnormals and tax / sales** Consolidated operating profit before abnormal items and tax (item 1.4) as a percentage of sales revenue (item 1.1)	41.4	45.5
9.2	**Profit after tax / equity interests** Consolidated operating profit after tax attributable to members (item 1.10) as a percentage of equity (similarly attributable) at the end of the period (item 4.32)	10.7	12.3

Earnings per security (EPS)

		Current period	Previous corresponding period
10.1	Calculation of basic, and fully diluted, EPS in accordance with *AASB1027: Earnings per Share*		
	(a) Basic EPS Basic earnings per share disclosed for the year ended 31 December 1996 has been adjusted for the bonus element pursuant to the 1 for 8 renounceable rights issue of ordinary shares allotted to Santos shareholders on 2 June 1997.	35.3¢	35.4¢
	(b) Diluted EPS	N/A	N/A

NTA backing

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

Details of specific receipts / outlays, revenues / expenses

		Current period $Amillion	Previous corresponding period $Amillion
12.1	Interest revenue included in determining item 1.4	6.3	7.8
12.2	Interest revenue included in item 12.1 but not yet received	0.2	0.3
12.3	Interest expense included in item 1.4	54.2	50.3
12.4	Interest costs excluded from item 12.3 and capitalised in asset values	20.9	17.5
12.5	Outlays (except those arising from the acquisition of an existing business) capitalised in intangibles	-	-
12.6	Depreciation and depletion (excluding amortisation of intangibles)	207.2	191.6

Control gained over entities having material effect

13.1	Name of entity (or group of entities)	N/A
13.2	Consolidated operating profit and extraordinary items after tax of the entity (or group of entities) since the date in the current period on which control was acquired	N/A
13.3	Date from which such profit has been calculated	N/A
13.4	Operating profit and extraordinary items after tax of the entity (or group of entities) for the whole of the previous corresponding period	N/A

Loss of control of entities having material effect

Nil.

Reports for industry and geographical segments

Santos Ltd and its controlled entities operate predominantly in one industry, namely exploration, development, production, transportation and marketing of hydrocarbons and in one geographical segment, namely Australia. Operations are also conducted in the United States and United Kingdom but are not material to the Group results. Revenue is derived from the sale of gas and liquid hydrocarbons and transportation of crude oil.

Dividends

15.1	Date the dividend is payable	[30] April 1998
15.2	Record date to determine entitlements to the dividend (ie, on the basis of registrable transfers received up to 5.00 pm if paper based, or by "End of Day" if a proper SCH transfer)	[8] April 1998
15.3	If it is a final dividend, has it been declared?	Yes

Amount per security

			Amount per ordinary share	Franked amount per ordinary share at 36% tax
15.4	**Final Dividend:**	Current Year	13¢	13¢
15.5		Previous Year	13¢	13¢
15.6	**Interim Dividend:**	Current Year	12¢	12¢
15.7		Previous Year	11¢	11¢

Total dividend per security (interim plus final)
(Preliminary final report only)

		Current year	Previous year
15.8	Ordinary shares	[25¢]	24¢
15.9	Preference securities	N/A	N/A

Preliminary Final report - final dividend on all securities

		Current period $Amillion	Previous corresponding period $Amillion
15.10	Ordinary shares	[151.3]	129.0
15.11	Preference securities	-	-
15.12	**Total**	[151.3]	129.0

The dividend or distribution plans shown below are in operation.

The Santos Dividend Reinvestment Plan has been suspended until further notice.

The last date(s) for receipt of election notices for the dividend or distribution plans	Not applicable

Any other disclosures in relation to dividends

None.

Equity accounted associated entities and other material interests

	Investments in Associated Entity	Current period $Amillion	Previous corresponding period $Amillion
16.1	Statutory carrying value of investments in associated entity (SCV)	[ ]	325.7
16.2	Share of associated entity's retained profits and reserves not included in SCV:	[ ]	
	Retained profits	[ ]	(11.5)
	Reserves	[ ]	-
16.3	**Equity carrying value of investments**	[ ]	314.2

Material interests in entities which are not controlled entities

The economic entity has an interest (that is material to it) in the following entity

Name of entity		Percentage of ownership interest (ordinary securities, units etc.) held at end of period		Contribution to operating profit and extraordinary items after tax	
17.1	**Equity accounted associated entities**	Current period	Previous corresponding period	Current period $Amillion	Previous corresponding period $Amillion
				Equity accounted	
	QCT Resources Limited	34.9	34.9	[ ]	19.1
17.2	**Other material interests**			Not equity accounted (ie part of item 1.14)	
		N/A	N/A	N/A	N/A

Issued and quoted securities at end of current period

	Category of Securities	Number issued	Number quoted	Par value (cents)	Paid-up value (cents)
18.1	**Preference securities**	Nil	N/A	N/A	N/A
18.2	Issued during current period	Nil	N/A	N/A	N/A
18.3	**Ordinary securities** Ordinary shares Ordinary shares - Executive Share Plan	 605,400,025 1,929,750	 605,400,025 -	 25 25	 25 1
18.4	Issued during current period: Ordinary shares Ordinary shares - Executive Share Plan	 67,752,357 Nil	 67,752,357 Nil	 25 25	 25 1
	Ordinary shares - converted from Executive Share Plan shares	174,750	174,750	25	25
18.5	**Convertible debt securities**	Nil	N/A	N/A	N/A
18.6	Issued during current period	Nil	N/A	N/A	N/A
18.7	**Options** (refer Attachment for details of Santos Executive Share Option Plan)				
18.8	Issued during current period			Exercise price ($)	Expiry date
		5,550,000	N/A	6.32	24/7/2002
18.9	Exercised during current period	Nil	N/A	N/A	N/A
18.10	Expired during current period	Nil	N/A	N/A	N/A
18.11	**Debentures**	Nil	N/A		
18.12	**Unsecured notes**	Nil	N/A		

Income Tax

	Current period $Amillion	Previous corresponding period $Amillion
The prima facie income tax on operating profit before abnormal items differs from income tax and is calculated as follows:		
Prima facie income tax expense at 36%	116.0	119.5
Tax effect of permanent differences which increase/(decrease) income tax expense:		
Non-deductible depreciation and amortisation of buildings, plant and equipment	4.8	4.7
Non-deductible depletion of exploration and development expenditure	9.6	12.3
Write-down of exploration expenditure	-	2.4
Amortisation of goodwill	3.2	3.2
Non-deductible/(assessable) items	(2.3)	0.4
Rebate on dividend income	(7.1)	(8.7)
Research and development allowances	(6.8)	(0.6)
Net effect of permanent differences	1.4	13.7
Income tax expense adjusted for permanent differences	117.4	133.2
Recognition of tax benefits previously not recognised	(2.7)	-
Income tax under/(over) provided in prior years	1.4	2.8
Income tax attributable to operating profit before abnormal items	116.1	136.0
. Abnormal income tax item	-	-
Income tax attributable to operating profit after abnormal items	116.1	136.0

Comments by directors

Basis of accounts preparation

Material factors affecting the revenues and expenses of the economic entity for the current period

Refer to attached commentary.

A description of each event since the end of the current period which has had a material effect and is not related to matters already reported, with financial effect quantified (if possible)

Nil.

Franking credits available and prospects for paying fully or partly franked dividends for at least the next year

Santos Ltd has $166.2 million of franking credits at 36% available for future distribution of franked dividends, after adjusting for franking credits which will arise from the payment of the current income tax provision at 31 December 1997 and after deducting franking credits to be used in payment of the 1997 final dividend.

Changes in accounting policies since the last annual report are disclosed as follows.

Nil.

Comparatives

Where applicable, comparatives have been adjusted to place them on a comparable basis with the current year figures. The earnings per share amount (item 10.1) disclosed for the year ended 31 December 1996 has been adjusted for the bonus element pursuant to a 1 for 8 renounceable rights issue of ordinary shares allotted to shareholders on 2 June 1997.

Annual meeting

The annual meeting will be held as follows:

Place	The Auditorium at The Adelaide Town Hall Function Centre, 128 King William Street, Adelaide, South Australia
Date	[1] May 1998
Time	11.00 am
Approximate date the annual report will be available	[3] April 1998

Compliance statement

1 This report has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Law or other standards acceptable to ASX.

Identify other standards used	Nil.

2 This report, and the financial statements under the Corporations Law (if separate), use the same accounting policies.

3 This report does give a true and fair view of the matters disclosed.

4 This report is based on financial statements to which one of the following applies.

✓	The financial statements have been audited.		The financial statements have been subject to review by a registered auditor (or overseas equivalent).
	The financial statements are in the process of being audited or subject to review.		The financial statements have *not* yet been audited or reviewed.

5 If the audit report or review by the auditors is not attached, details of any qualifications will follow immediately they are available.

6 The entity has a formally constituted audit committee.

Sign here: ....Date: 11 March 1998

M G ROBERTS
Company Secretary
Phone: (08) 8218 5111

Attachment

Santos Executive Share Option Plan

The Santos Executive Share Option Plan was approved by shareholders at the Annual General Meeting on 15 May 1997. The Plan provides for the grant of options to subscribe for or purchase ordinary shares of $0.25 each in the capital of the Company to eligible executives selected by the Board. Participation will be limited to those executives who, in the opinion of the Board, are able to significantly influence the generation of shareholder wealth. Directors envisage the Plan applying to up to 50 executives.

The exercise price of the options shall not be less than Market Value (as defined in the Rules of the Plan) on the grant date and, in the case of an option to acquire shares by subscription, shall also not be less than the par value of the shares. No consideration is provided by executives for the options.

During the financial year, the Company granted options over 5,550,000 unissued ordinary shares to 39 participating eligible executives, with an exercise price of $6.32 per share and exercise period from 25 July 2000 to 24 July 2002. The market price of ordinary shares on the grant date of the options was $6.19 per share. As at 31 December 1997, the number of options outstanding was 5,550,000.

Except in limited circumstances, the options cannot be exercised before 25 July 2000 and the ability to exercise is conditional on the Company achieving a prescribed performance hurdle. To reach the performance hurdle, the Company's Total Shareholder Return (broadly, growth in share price plus dividends reinvested) over a minimum three year period, must equal or exceed 10% per annum calculated on a compound basis.

If Total Shareholder Return does not reach the performance hurdle after three years, the options may nevertheless be exercisable if the hurdle is subsequently reached within the remaining life of the options. In assessing the performance against the hurdle, the Board may apply on a consistent basis an averaging method over a period of three months to allow for short term volatility.