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Santos

News Release

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SANTOS FULL YEAR PROFIT OF $176 MILLION
Record Sales Mitigate Oil Price Impact

Santos today announced an after tax operating profit for the 1998 full year of $176.3 million, a reduction of 14.5% on the record 1997 earnings. Record production and sales volumes mitigated the impact of the fall in the average oil price received of 23.6% in Australian dollar terms.

This result is in line with the company's expectations as announced in the Fourth Quarter Report in January 1999.

Commenting, Managing Director – Mr Ross Adler said:

> "1998 was another record year for Santos in terms of production and sales achieved. It is disappointing that the fall in the oil price prevented the benefits of this progress flowing to profit."

Despite the fall in prices, operating cash flow was $457.6 million, approximately equal to the record 1997 level of $460.7 million.

Directors declared a final ordinary dividend of 13 cents per share, fully franked. The final dividend will be paid on 30 April 1999 to shareholders registered in the books of the company at the close of business on 8 April 1999. The final dividend brings Santos' total 1998 dividend to 25 cents per share, the same level as the 1997 dividend.

The substantial progress made during the year included:

- The commencement of production from the Stag (Carnarvon Basin), Elang/Kakatua/Kakatua North (Timor Gap) and SE Gobe (Papua New Guinea) oil fields.

- Delivery of first gas from south west Queensland to Mt Isa.

- Commencement of the Eugene Island 335 oil and gas development project in the Gulf of Mexico.

- Drilling of 81 exploration wells with a 54% success rate including a successful program in the Carnarvon Basin with three discoveries (Legendre South, Mutineer and John Brookes) out of six wells drilled and the successful appraisal of the Reindeer gas field proven by the Caribou-1 well.

- The signing of a further contract for East Spar gas.

- The acquisition of additional interests in south west Queensland and the Gulf of Mexico.

- The successful sale of Santos Europe Ltd.

Subsequent to year end the company announced the acquisition of a 31% interest in PDL 1 in Papua New Guinea. PDL 1 contains the majority of the Hides Gas Field. The Hides Field is a world class resource which is estimated to contain proven and probable reserves in excess of five trillion cubic feet of gas. Reserves from the Hides Gas Field are planned to be incorporated into the proposed Papua New Guinea to Queensland gas project. There is also scope for Hides to supply other value-adding gas projects in Papua New Guinea.

Commenting on the outlook for 1999, Mr Adler said:

> "With oil prices at 12 year lows, we expect 1999 to be another difficult year.
>
> During the first two months of 1999 the price of West Texas Intermediate Crude has averaged USD12.26 per barrel, 15% below the average price of USD14.43 in 1998. These prices are well below the five year average price of USD18.50.
>
> The company is actively seeking to further mitigate the fall in world oil prices through increasing production, conserving capital, curtailing spending and enhancing productivity.
>
> Production and sales volumes increased to record levels in 1998 and are likely to be higher again in 1999 with the full year effect of recent development projects. In 1998 operating costs per boe produced fell for the third year in a row and we plan to reduce them further in 1999.
>
> Spending on exploration and development is being reduced by approximately $170 million. This reflects the completion of a number of major development projects, the Company's substantial level of reserves - with an average life of over 20 years - and the impact of low oil prices.

Looking to the longer term, the Company's outlook is positive with a good suite of exploration and development opportunities."

For clarification contact:

Ross Adler, Managing Director on 08 8218 5908; or
Graeme Bethune, General Manger – Finance & Investor Relations on
08 8218 5157 or 0419 828 617

Financial Summary

	Year Ended 31.12.98	Year Ended 31.12.97	% Increase (Decrease)
PROFIT AND DIVIDEND *($ million)*			
Sales Revenue	**769.4**	778.5	(1.2)
Proceeds on sale of Santos Europe Ltd	**137.0**	-	
Total Revenue	**1002.8**	863.1	16.2
Depreciation, Depletion & Amortisation	**(225.9)**	(207.2)	
Writedown of exploration expenditure	**(4.9)**	-	
Earnings before interest expense and tax	**334.6**	376.5	(11.1)
Interest expense	**(67.3)**	(54.2)	
Operating profit before tax	**267.3**	322.3	(17.1)
Tax on operating profit	**(91.0)**	(116.1)	
Operating profit after tax	**176.3**	206.2	(14.5)
Earnings per share *(cents)*	**29.1**	35.3	(17.6)
Dividends per share *(cents fully franked)*	**25.0**	25.0	
CASH FLOW *($ million)*			
Net operating cash flow after tax	**457.6**	460.7	
- per share *(cents)*	**75.6**	78.9	
BALANCE SHEET *($ million)*			
Total shareholders' equity	**1939.2**	1919.0	
Total assets	**4236.1**	4036.2	
Net debt	**1280.0**	1114.2	
CAPITAL EXPENDITURE			
Exploration expenditure	**180.7**	190.1	
Development expenditure (including plant & equip)	**323.8**	385.1	
RATIOS			
Net debt/equity *(%)*	**66.0**	58.1	
Return on average shareholders' equity *(%)*	**9.1**	11.8	

SANTOS 1998 FULL YEAR RESULTS

1. PROFIT

Sales Volume

Sales volume increased from 41.3 million barrels of oil equivalent (boe) to a record level of 45.1 million boe, due to higher gas and ethane sales (2.1 million boe) and increased sales of petroleum liquids (1.7 million boe).

Sales Revenue

Sales revenue decreased slightly to $769.4 million. Sales volume growth has largely offset the impact on revenue of lower liquids prices.

Expenses

Operating costs increased by $17.2 million due to increased production, primarily from new oil development projects (Stag, Elang/Kakatua/Kakatua North and SE Gobe). Average operating costs per boe produced fell by 1.5% to $4.49.

Pipeline tariffs increased by $10.7 million reflecting increased gas sales to south east Queensland and the MIM contract.

Royalties decreased by $9.7 million.

The depletion, depreciation and amortisation expense increased by $18.7 million reflecting higher production.

There was a writedown in exploration expenditure of $4.9 million (nil in 1997) in respect of interests in the Browse Basin, Bula/Seram in Indonesia and New Zealand.

Earnings Before Interest Expense and Tax

Earnings before interest expense and tax fell by 11.1% to $334.6 million.

Interest on higher borrowings associated with the funding of the company's development program increased the net interest expense by $13.1 million to $67.3 million.

Operating profit before income tax fell by 17.1% to $267.3 million. Income tax on operating profit decreased by $25.1 million to $91 million primarily due to the fall in operating profit before tax.

Operating Profit after Tax

A net profit after tax of $176.3 million was achieved in 1998, compared with a result of $206.2 million in 1997.

The sale of Santos Europe Ltd contributed $7.4 million to earnings reflecting sales proceeds of $137.0 million and book value of assets at time of sale of $129.6 million.

No abnormal items were recorded in either 1997 or 1998.

2. CASH FLOW

Cash flow from operations fell slightly to $457.6 million.

Operating cash flow was 75.6 cents per share.

Dividends of $151.4 million (1997 - $142.5 million) were paid to shareholders.

3. BALANCE SHEET

The level of net debt increased during 1998 to $1,280.0 million due to funding of capital expenditure together with the increase in the Australian dollar equivalent of US dollar denominated debt.

The net debt to equity ratio at year end was 66.0% compared with 58.1% at the end of 1997.

The market price of the Company's investment in QCT Resources Ltd has been affected by low coal prices. Directors believe that long-term carrying value of the investment is appropriate. An external expert's opinion has been obtained, confirming that the long-term value of the investment in QCT Resources Ltd exceeds the carrying value at year end 1998.

After providing for the final dividend of 13 cents per share, shareholders equity at the end of the year was $1,939.2 million.

4. EXPLORATION AND DEVELOPMENT

Total exploration spending in 1998 was $180.7 million compared with $190.1 million in 1997. A total of 81 wells were drilled with a 54% success rate achieved. Highlights included:

- The Legendre South (oil), Mutineer (oil) and John Brookes (gas) discoveries in the Carnarvon Basin;
- The extension of the Reindeer gas field confirmed by the Caribou-1 well in the Carnarvon Basin;
- The discovery of 14 new gas fields in the Cooper/Eromanga Basins;
- The Yandina gas field discovery in the Denison Trough; and
- The Ewing Bank 994#1 oil discovery in the Gulf of Mexico.

Proved and probable reserves at the end of 1998 were 966 million boe, a decrease of 43 million boe from the record reserves in 1997. This figure does not include some notable exploration discoveries made during the year, including John Brookes-1, Mutineer-1 and Ewing Bank 994#1. The Reindeer gas field appraised by Caribou-1 is also excluded. Further appraisal, development and commercialisation studies are being carried out on these resources.

The reduction in reserves derives from record production of 45.6 million boe, a net divestment of 6 million boe and re-evaluation of reserves of 19 million boe. This was partially offset by a gain of 28 million boe from booked exploration discoveries, mainly in the Cooper Basin.

Total reserves life at the end of 1998 was 21 years at 1998 production levels.

At the end of 1998 35% 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 1997	4545	96	88	5789	1009
1998 Production	(185)	(9)	(3)	(286)	(46)
Additions from 1998 Exploration	125	2	2	244	28
Acquisitions/Divestments	(13)	(5)	1	22	(6)
Field Revisions	(73)	(4)	1	(249)	(19)
Estimated Reserves as at 31 December 1998	4399	80	89	5520	966

Development spending in 1998 was $323.8 million, reflecting major projects, development studies and the work program undertaken in existing producing fields.

Major activity included the completion of three oil development projects – Stag (Carnarvon Basin), Elang/Kakatua/Kakatua North (Timor Gap) and SE Gobe (Papua New Guinea) and the expansion of the Ballera Gas Plant associated with the commencement of gas supplies to MIM at Mt Isa.

Production rates from the Stag Field are not meeting expectations. Production in January and February this year averaged 15,500 and 12,500 barrels of oil per day respectively. The operator, Apache Corporation, is proposing a number of initiatives to improve production.

With the completion of these major projects, overall 1999 development expenditure is expected to decrease to slightly above $200 million. However, Santos has a number of other new projects such as the Legendre Oil Field for which it is hoped that development will be committed in 1999.

5. OTHER DEVELOPMENTS

(a) Acquisitions / Divestments

Gulf Australian Hydrocarbons Limited

The acquisition of Gulf Australian Hydrocarbons Limited from Gulf Australia Resources Limited was announced in March 1998. This included a 1.2% interest in the South West Queensland Gas Project and related interests in Authority to Prospect 259P.

Hides Gas Field

In February 1999 the company announced the acquisition of a 31% interest in Petroleum Development Licence 1 (PDL 1) in Papua New Guinea, subject to Papua New Guinea Government approval. PDL 1 contains the majority of the Hides Gas Field and the acquisition is intended to provide Santos with a 25% interest in the entirety of the Hides Gas Field. The Hides Gas Field is a world class resource which is planned to be incorporated in the proposed Papua New Guinea – Queensland Gas Project and which has other development potential.

Bula / Seram

In February 1999, Santos entered into an agreement to divest its interests in the Seram PSC and Bula oil field in Indonesia.

(b) Development Projects

The Eugene Island 335 oil and gas field in the Gulf of Mexico was developed. Production from this field commenced in early 1999.

(c) East Spar Gas Sale Agreement

A further agreement to supply East Spar gas was announced in April 1998. The gas supply contract with Wesfarmers CSBP Limited was the fourth gas sale agreement reached since an additional 30% interest in East Spar was acquired from WMC in 1997, increasing Santos' interest to 45%.

(d) Central Gulf of Mexico – Expansion of Interests

In March 1998, Santos USA Corporation was successful in bidding for 6 exploration blocks in the Central Gulf of Mexico in the US Offshore Continental Shelf Lease Sale No. 169.

6. 1999 EXPLORATION PROGRAM

Total exploration expenditure is planned to reduce to a level not exceeding $100 million in 1999, of which it is planned that approximately $40 million will be spent on onshore exploration. The reduction reflects the Company's substantial level of reserves, together with lower oil prices.

It is planned to drill 46 wells, covering a range of good exploration opportunities.

Features of the 1999 program include:

- 28 wells to be drilled onshore Australia;
- The program in Offshore Australia which will concentrate on the Carnarvon Basin;
- Drilling in Papua New Guinea; and
- Drilling activity in the Gulf of Mexico following upon acreage acquired through lease sales and farm-ins.

Preliminary Final Report

(not equity accounted)

Name of entity

SANTOS LTD

ACN or ARBN	Half yearly *(tick)*	Preliminary final *(tick)*	Financial year ended ('current period')
007 550 923		✓	31 December 1998

For announcement to the market

$A million

Sales revenue *(item 1.1)*	Down	1.2%	to	769.4
Abnormal items after tax attributable to members *(item 2.5)*				Nil
Operating profit after tax (before amortisation of goodwill) attributable to members *(item 1.25)*	Down	13.9%	to	185.3
Operating profit after tax attributable to members *(item 1.10)*	Down	14.5%	to	176.3
Extraordinary items after tax attributable to members *(item 1.13)*				Nil
Operating profit and extraordinary items after tax attributable to members *(item 1.16)*	Down	14.5%	to	176.3
Exploration and development expenditure incurred:				
- non-producing areas *(item 5.2)*				79.6
- producing areas *(item 6.2)*				259.3
Total exploration and development expenditure incurred	Down	8.4%	to	338.9
Exploration and development expenditure written off:				
- non-producing areas *(item 5.3)*				2.9
- producing areas *(item 6.4)*				2.0
Total exploration and development expenditure written off				4.9

Dividends	Amount per ordinary share	Franked amount per ordinary share at 36% tax
Final dividend *(item15.4)*	13 ¢	13 ¢
Previous corresponding period *(item 15.5)*	13 ¢	13 ¢

Record date for determining entitlements to the dividend *(see item 15.2)*	8 April 1999

Brief explanation of omission of directional and percentage changes to profit in accordance with Note 1 and 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

		Current period $A million	Previous corresponding period $A million
1.1	Sales revenue	769.4	778.5
	Proceeds from sale of controlled entity	137.0	-
	Other revenue	96.4	84.6
1.2	Total other revenue	233.4	84.6
1.3	**Total revenue**	**1,002.8**	**863.1**
1.4	**Operating profit before abnormal items and tax**	**267.3**	**322.3**
1.5	Abnormal items before tax (detail in item 2.4)	-	-
1.6	Operating profit before tax (items 1.4 + 1.5)	267.3	322.3
1.7	Less tax	(91.0)	(116.1)
1.8	Operating profit after tax but before outside equity interests	176.3	206.2
1.9	Less outside equity interests	-	-
1.10	**Operating profit after tax attributable to members**	**176.3**	**206.2**
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)	**176.3**	**206.2**
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)	176.3	206.2
1.17	Retained profits at beginning of financial period	338.6	283.7
1.18	Aggregate of amounts transferred from reserves	14.9	-
1.19	Total available for appropriation	529.8	489.9
1.20	Dividends provided for or paid	(151.5)	(151.3)
1.21	Aggregate of amounts transferred to reserves	-	-
1.22	**Retained profits at end of financial period**	**378.3**	**338.6**

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 $A million	Previous corresponding period - $A million
1.23	Operating profit after tax before outside equity interests (items 1.8) and amortisation of goodwill	185.3	215.2
1.24	Less outside equity interests	-	-
1.25	Operating profit after tax (before amortisation of goodwill) attributable to members	185.3	215.2

Intangible, abnormal and extraordinary items

		Consolidated – current period			
		Before tax $A million	Related tax $A million	Related outside equity interests $A million	Amount (after tax) attributable to members $A million
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

		Current year - $A million	Previous year - $A million
3.1	Consolidated operating profit after tax attributable to members reported for the *1st* half year (item 1.10 in the half yearly report)	84.2	102.3
3.2	Consolidated operating profit after tax attributable to members for the *2nd* half year	92.1	103.9

Consolidated balance sheet

		At end of current period $A million	As shown in last annual report $A million	As in last half yearly report $A million
	Current assets			
4.1	Cash	117.8	109.8	90.3
4.2	Receivables	122.0	119.6	105.7
4.3	Investments	-	-	-
4.4	Inventories	72.5	74.8	86.3
4.5	Other	-	-	-
4.6	**Total current assets**	**312.3**	**304.2**	**282.3**
	Non-current assets			
4.7	Receivables	-	-	-
4.8	Investments	386.8	389.7	403.4
4.9	Inventories	-	-	-
4.10	Exploration and development expenditure capitalised in areas in the exploration and development stage	169.3	248.2	143.6
4.11	Exploration and development expenditure capitalised in areas in which production has commenced (net)	2,074.1	1,891.7	2,030.5
4.12	Land and buildings, plant and equipment (net)	1,179.8	1,084.4	1,149.8
4.13	Intangibles (net)	53.6	62.6	58.0
4.14	Other	60.2	55.4	59.9
4.15	**Total non-current assets**	**3,923.8**	**3,732.0**	**3,845.2**
4.16	**Total assets**	**4,236.1**	**4,036.2**	**4,127.5**
	Current liabilities			
4.17	Accounts payable	151.1	183.5	181.8
4.18	Borrowings	0.4	3.7	0.4
4.19	Provisions	121.3	144.8	109.7
4.20	Other	-	-	-
4.21	**Total current liabilities**	**272.8**	**332.0**	**291.9**
	Non-current liabilities			
4.22	Accounts payable	-	-	-
4.23	Borrowings	1,397.4	1,220.3	1,327.1
4.24	Provisions	626.7	564.9	584.2
4.25	Other	-	-	-
4.26	**Total non-current liabilities**	**2,024.1**	**1,785.2**	**1,911.3**
4.27	**Total liabilities**	**2,296.9**	**2,117.2**	**2,203.2**
4.28	**Net assets**	**1,939.2**	**1,919.0**	**1,924.3**
	Equity			
4.29	Capital	1,555.0	151.4	151.4
4.30	Reserves	5.9	1,429.0	1,422.8
4.31	Retained profits	378.3	338.6	350.1
4.32	Equity attributable to members of the parent entity	1,939.2	1,919.0	1,924.3
4.33	Outside equity interests in controlled entities	-	-	-
4.34	**Total equity**	**1,939.2**	**1,919.0**	**1,924.3**
4.35	Preference capital and related premium included as part of 4.32	**-**	**-**	**-**

Exploration and development expenditure capitalised in areas in the exploration and development stage

		Current period $A million	Previous corresponding period- $A million
5.1	Opening balance	248.2	152.9
5.2	Expenditure incurred during current period: - exploration - development	 79.6 -	 75.9 11.6
5.3	Expenditure written off during current period	(2.9)	-
5.4	Acquisitions, disposals, revaluation increments, etc.	(12.4)	35.2
5.5	Expenditure transferred to exploration and development in producing areas	(143.2)	(27.4)
5.6	**Closing balance as shown in the consolidated balance sheet** (item 4.10)	**169.3**	**248.2**

Exploration and development expenditure capitalised in areas in which production has commenced

		Current period $A million	Previous corresponding period- $A million
6.1	Opening balance	1,891.7	1,529.4
6.2	Expenditure incurred during current period - exploration - development	 101.2 158.1	 114.2 168.1
6.3	Expenditure transferred from exploration and development in non-producing areas	143.2	27.4
6.4	Expenditure written off during current period	(2.0)	-
6.5	Acquisitions, disposals, revaluation increments, etc.	(70.2)	164.0
6.6	Expenditure transferred to land and buildings, plant and equipment	(12.0)	-
	Depletion	(135.9)	(111.4)
6.7	**Closing balance as shown in the consolidated balance sheet** (item 4.11)	**2,074.1**	**1,891.7**

Consolidated statement of cash flows

		Current period $A million	Previous corresponding period- $A million
	Cash flows related to operating activities		
7.1	Receipts from customers	759.9	809.2
7.2	Payments to suppliers and employees	(218.8)	(187.9)
7.3	Dividends received	26.8	23.9
7.4	Interest and other items of similar nature received	4.7	6.4
7.5	Interest and other costs of finance paid	(75.3)	(73.6)
7.6	Income taxes paid	(31.5)	(98.7)
7.7	Other: pipeline tariffs and other receipts overriding	21.5	16.5
	royalties received government royalties &	11.0	16.6
	resource rent tax paid	(40.7)	(51.7)
7.8	**Net operating cash flows**	**457.6**	**460.7**
	Cash flows related to investing activities		
7.9	Payment for		
	- exploration	(188.4)	(166.9)
	- development	(178.2)	(129.8)
	- land and buildings, plant & equipment	(185.0)	(196.2)
	- acquisition of oil and gas assets	(1.7)	(194.7)
	- other investments	(25.4)	-
7.10	Proceeds from sale of property, plant and equipment	7.6	16.6
7.11	Payment for purchases of equity investments	(25.5)	(40.0)
7.12	Proceeds from sale of equity investments	137.0	-
7.13	Loans to other entities	-	-
7.14	Loans repaid by other entities	-	-
7.15	Other: proceeds from sale of notes	27.2	-
	other	4.1	3.7
7.16	**Net investing cash flows**	**(428.3)**	**(707.3)**
	Cash flows related to financing activities		
7.17	Proceeds from issues of securities (shares, options, etc.)	2.2	268.2
7.18	Proceeds from borrowings	149.7	73.5
7.19	Repayment of borrowings	-	-
7.20	Dividends paid	(151.4)	(142.5)
7.21	Other	-	-
7.22	**Net financing cash flows**	**0.5**	**199.2**
7.23	**Net increase(decrease) in cash held**	29.8	(47.4)
7.24	Cash at beginning of period	109.8	152.0
	Cash held by controlled entity sold	(22.1)	-
7.25	Exchange rate adjustments to item 7.24.	0.3	5.2
7.26	**Cash at end of period**	**117.8**	**109.8**

Non-cash financing and investing activities

Not applicable

Non-cash financing and investing activities

Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows are as follows. If an amount is quantified, show comparative amount.

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 $A million	Previous corresponding period- $A million
8.1	Cash on hand and at bank	117.8	109.8
8.2	Deposits at call	-	-
8.3	Bank overdraft	-	-
8.4	Other	-	-
8.5	**Total cash at end of period** (item 7.26)	**117.8**	**109.8**

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)	34.7	41.4
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)	9.1	10.7

Earnings per security (EPS)		Current period	Previous corresponding period
10.1	Calculation of the following in accordance with *AASB 1027: Earnings per Share*		
	(a) Basic EPS	29.1 ¢	35.3 ¢
	(b) Diluted EPS	N/A	N/A
	(c) Weighted average number of ordinary shares outstanding during the period used in the calculation of the Basic EPS	605.6 million	583.7 million

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 $A million	Previous corresponding period - $A million
12.1	Interest revenue included in determining item 1.4	4.7	6.3
12.2	Interest revenue included in item 12.1 but not yet received	0.1	0.3
12.3	Interest expense included in item 1.4	67.3	54.2
12.4	Interest costs excluded from item 12.3 and capitalised in asset values	12.7	20.9
12.5	Outlays (except those arising from the acquisition of an existing business) capitalised in intangibles	-	-
12.6	Depreciation and amortisation (excluding amortisation of intangibles)	225.9	207.2

Control gained over entities having material effect

13.1	Name of entity	N/A

		$A Million
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

14.1	Name of entity	Santos Europe Ltd

		$A Million
14.2	Consolidated operating profit and extraordinary items after tax of the entity for the current period to the date of loss of control	2.4
14.3	Date to which the profit in item 14.2 has been calculated.	31 May 1998
14.4	Consolidated operating profit and extraordinary items after tax of the entity while controlled during the whole of the previous corresponding period.	0.6
14.5	Contribution to consolidated operating profit and extraordinary items from sale of interest leading to loss of control	7.4

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 Indonesia, Papua New Guinea and the United States 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 1999
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 1999
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	12 ¢	12 ¢

Total dividend per security (interim *plus* final)

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

Preliminary Final report - final dividend on all securities

		Current period $A million	Previous corresponding period - $A million
15.10	Ordinary shares	151.5	151.3
15.11	Preference securities	-	-
15.12	**Total**	**151.5**	**151.3**

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 plans	N/A

Any other disclosures in relation to dividends

None

Investment in associated entity and other material interests

The economic entity has an interest in an associated entity which is not equity accounted (i.e. part of Item 1.14). Supplementary equity accounting information is presented below.

Investments in associated entities		Current period $A million	Previous corresponding period - $A million
16.1	Statutory carrying value of investments in associated entities (SCV)	351.7	325.7
16.2	Share of associated entities' retained profits and reserves not included in SCV:		
	Retained Profits	(28.5)	(24.4)
	Reserves	-	-
16.3	**Equity carrying value of investments**	323.2	301.3

Name of entity	Percentage of ownership interest (ordinary securities, units etc) held at end of period		Contribution to operating profit (loss) and extraordinary items after tax	
17.1 **Associated entity**	Current period	Previous corresponding period	Current period $A million	Previous corresponding period - $A million
			Equity accounted	
QCT Resources Ltd	36.4	34.9	12.3	5.3
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		Total number	Number quoted	Issue price per security $	Amount paid up per security $
18.1	**Preference securities**	Nil	N/A	N/A	N/A
18.2	Changes during current period	Nil	N/A	N/A	N/A
18.3	**Ordinary securities** Ordinary Shares Ordinary shares - Executive Share Plan	 605,909,045 1,929,750	 605,712,645 -	 N/A *	 N/A 0.01
18.4	**Changes during current period** (a) Increases through issues (b) Decreases through returns of capital, buybacks	 71,800 312,620 124,600 -	 - 312,620 - -	 5.30 4.07 4.01 N/A	 5.30 4.07 4.01 N/A
18.5	**Convertible debt securities**	Nil	N/A	N/A	N/A
18.6	Changes during current period	Nil	N/A	N/A	N/A
18.7	**Options** (Santos Executive Share Option Plan)			*Exercise price ($)*	*Expiry date*
		5,100,000 3,150,000 2,825,000	- - -	6.32 5.59 4.84	24/7/2002 30/4/2003 15/6/2003
18.8	Issued during current period	3,150,000 2,825,000	- -	5.59 4.84	30/4/2003 15/6/2003
18.9	Exercised during current period	Nil	N/A	N/A	N/A
18.10	Expired during current period	450,000	-	6.32	24/7/2002
18.11	**Debentures**	Nil	N/A		
18.12	**Unsecured notes**	Nil	N/A		

* Balance to be called up is not quantified and will depend upon the event giving rise to the call.

Taxation

	Current period $A million	Previous corresponding period - $A million
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%	96.2	116.0
Tax effect of permanent differences which increase/(decrease) income tax expense:		
Non-deductible depreciation & amortisation of buildings, plant & equipment	2.7	4.8
Non-deductible depletion of exploration and development expenditure	9.0	9.6
Write-down of exploration expenditure	1.8	-
Amortisation of goodwill	3.2	3.2
Non-assessable income	(1.6)	(2.3)
Rebate on dividend Income	(8.4)	(7.1)
Research and development allowances	(10.5)	(6.8)
Net effect of permanent differences	(3.8)	1.4
Income tax expense adjusted for permanent differences	92.4	117.4
Recognition of tax benefits previously not recognised	-	(2.7)
Income tax under/(over) provided in prior years	(1.4)	1.4
Income tax attributable to operating profit after abnormal items	91.0	116.1

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)

On 1 February 1999 the Company announced the acquisition, subject to Papua New Guinea Government approvals, of a 31% interest in Petroleum Development Licence No. 1 which contains the majority of the Hides Gas Field.

In addition, Petroleum Exploration Licence Nos. 5 and 6 in South Australia expired, in accordance with their terms, at the end of February 1999.

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

Santos Ltd has $107.9 million of franking credits available for future distribution, of franked dividends, after adjusting for franking credits which will arise from the payment of current income tax provision at 31 December 1998 and after deducting franking credits to be used in the payment of the 1998 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.

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	4 May 1999
Time	11:00 am
Approximate date the annual report will be available	30 March 1999

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 prepared 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 The auditors' report is not qualified.

6 The entity has a formally constituted audit committee.

Sign here: .... Date: 15 March 1999

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