Transition to A-IFRS

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Important Notice

The figures contained in this presentation are Santos' current best estimate of the consequences for Santos of adopting A-IFRS. However, these may be further refined prior to the release of our half year results and remain subject to change.

All amounts are preliminary and unaudited. They reflect the work of the Company's IFRS project team and are based on A-IFRS standards and interpretation as at 6 June 2005. They may change as a result of the audit process, the accounts preparation process or guidance issued by the AASB or IASB.

All forward looking statements represent our best estimate to date and should not be relied upon as final or exhaustive statements of all possible effects of A-IFRS when formally applied.

Forward looking statements are inherently uncertain as they are based upon assumptions that may not turn out to be correct. Our estimates do not include the effect or likely effect of future transactions or acquisitions on financial statements – they are based on events up to 6 June 2005.

The Company, through its Investor Relations group, will be happy to discuss with you the information included in this presentation. However, we will not be able to provide further estimates of the impact of adoption of A-IFRS at this time.

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Agenda

- Key messages
- Timing
- Financial Impacts on Opening Balance Sheet
- Analysis of Future Impacts on Income Statement
- Summary and Questions

A-IFRS at Santos - Key Messages

Underlying rationale for transition to A-IFRS is sound

- International standardisation of accounting policies
- Improved transparency
- Improved comparability between companies
- Enhanced access to capital

Consistent with changing face of Santos

- Increasingly global approach to business

No impact on Santos' strategy or business performance

- Cashflow unchanged
- Dividend capacity unchanged
- Credit rating reaffirmed

Timing of A-IFRS Implementation

Clarifying now to separate transition from actual financial performance

First accounts incorporating A-IFRS will be 2005 Half Year

- Mandatory, not optional
- Applies from 1 January 2005
- Opening balance sheet as at 1 January 2004 restated to calculate 2004 impacts
- Guidance for 2004 P&L restatement, although potential for minor change

Key transition impacts

Of the 47 new A-IFRS standards issued, only 5 have any significant impacts on Santos' opening balance sheet

- AASB 112 Income Taxes
- AASB 121 The Effect of Changes in Foreign Exchange Rates
- AASB 136 Impairment of Assets
- AASB 137 Provisions, Contingent Liabilities and Contingent Assets
- AASB 6 Exploration for and Evaluation of Mineral Resources

AASB 112 Income Taxes

Summary

- Increase the amount of deferred income tax liability
- Reflects differences between the accounting and tax basis of net assets rather than just timing differences

Application at 31.12.03

- Increases net deferred tax liabilities $148 m
- Reduces equity $148 m

Future impacts

- Effective tax rate closer to statutory rates applicable in countries of operations
- More deferred tax assets and liabilities on balance sheet

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AASB 121 Effects of FX Rates

Summary

- Adopt US dollar as functional currency for Timor Gap, Indonesian and PNG operations
- Adjust carrying values of all assets and liabilities using the A$ to US$ closing rate at each balance date
- Adjustments booked to foreign currency translation reserve

Application at 31.12.03

- Decreases total assets $214 m
- Decreases deferred tax liabilities $62 m
- Decreases foreign currency translation reserve $152 m

Future impacts

- More effective natural hedge of US dollar denominated debt against US dollar assets

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AASB 136 Impairment Testing

Summary

- Assess impairment of the carrying value of producing assets by applying the Cash Generating Unit (CGU) concept
- Impacts mainly late life fields (Carnarvon, USA, Bonaparte)

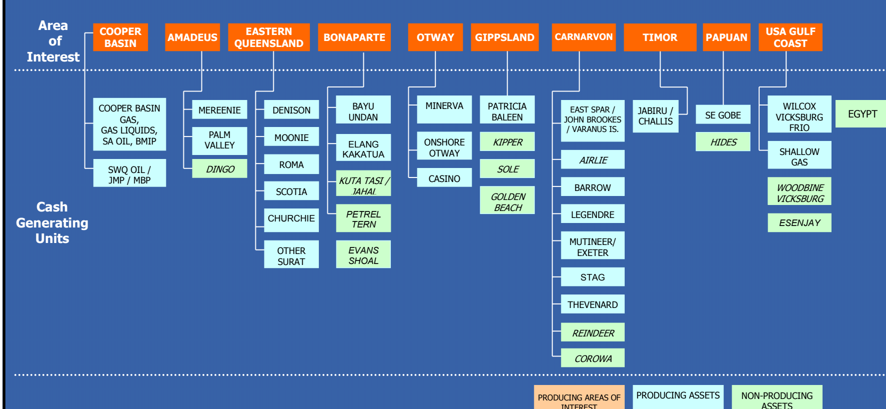
Application at 31.12.03

• Reduces carrying value of assets	$337 m
• Reduces carrying value of liabilities	$78 m
• Reduces equity	$259 m

Future impacts

- Lower asset values will result in lower future DD&A charges
- Future impairment write-backs as well as write-downs through income statement

Cash Generating Units



Note: USA CGU's to be further broken down to field level

AASB 137 Restoration & Abandonment

Summary

- Adjust the restoration liabilities to reflect the present value of the total expected restoration costs
- Capitalise the present value as a component part of the asset

Application at 31.12.03

• Increases carrying value of assets	$106 m
• Increases provisions	$42 m
• Increases deferred tax liabilities	$20 m
• Increases equity	$44 m

Future impacts

- Small annual increase in depletion expense due to higher asset values
- Increased interest expense on restoration liabilities
- Offset by a reduction in restoration expense

AASB 6 Exploration and Evaluation

Interim standard issued in December 2004

- Comprehensive international standard not yet developed
- Santos currently complies with the interim standard

AASB 6 provides options in relation to treatment of exploration and evaluation expenditure

- Either Fully Capitalise – All E&E costs capitalised and subjected to impairment testing; or
- Partially capitalise – only successful well costs are capitalised ie "Successful Efforts" method; or
- Expense – all E&E costs expensed until development approval

Santos has chosen the Successful Efforts method

Shift to Successful Efforts

Industry Standard

- Used by all US majors, and over 50% of US independents
- Consistent with BHP Billiton and Woodside

Recommended by IASC Steering Committee

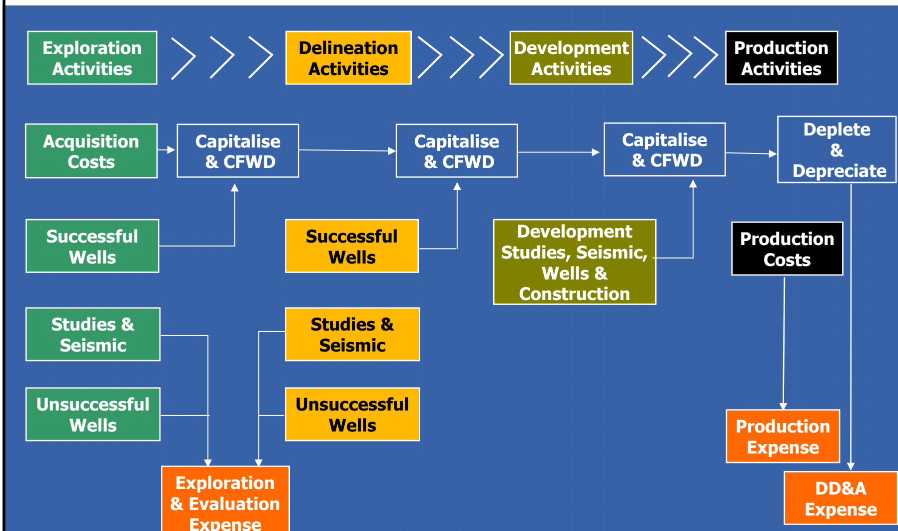
Increases transparency

Increases comparability across peer companies

Improves internal cost awareness

- Direct expensing of studies, seismic and unsuccessful well costs

Successful Efforts Accounting



Successful Efforts

Impacts mostly areas with large accumulated exploration costs

- Cooper, Carnarvon, Bonaparte, USA

Application at 31.12.03

- Reduces capitalised exploration $672 m
- Reduces net deferred tax liabilities $185 m
- Reduces equity $487 m

  (in addition to AASB 136 impact)

Future impacts

- Increased exploration expense, depending on drilling success
- Offset by reduced depletion charge

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Summary Balance Sheet Impacts

All figures in A$m	Total Assets	Total Liabilities	Shareholders Equity
Previous A-GAAP as at 31 Dec 2003	5,218	2,130	3,088
Adjustments			
Impairment	(337)	(78)	(259)
Functional Currency	(214)	(62)	(152)
Restoration	106	62	44
Tax	-	148	(148)
Successful Efforts	(672)	(185)	(487)
Other	10	22	(12)
Restated A-IFRS as at Dec 2003	**4,111**	**2,037**	**2,074**

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Summary 2004 Impacts

($m)	AGAAP	AIFRS	
Depreciation Expense	171	167	Depreciation $/boe 3.63 to 3.55
Depletion Expense	344	294	Depletion $/boe 7.30 to 6.24
Exploration Expense			
Non-producing Areas	6	31	44% success rate in 2004
Producing Areas	-	82	
Impairment Expense/(Write-back)	16	(5)	2004 economic assumptions higher
Restoration Expense			
Future Restoration Costs	20	-	Lower restoration expense
Interest on Restoration Liabilities	-	14	offset by higher interest on liabilities
(Profit) on Sale of Assets	(52)	(61)	Reduced carrying value
Income Tax Expense	161	174	
NPAT	**380**	**344**	

Note: These estimates may be revised on detailed implementation of the IFRS standards through to 30 June 05

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Summary 2004 Impacts Cont..

($m)	AGAAP	AIFRS	
ROCE (%)	**9.4%**	**11.5%**	Lower book value of assets
Retained Earnings	1,368	470	Increase $129 m after dividends
Gearing (%)	24%	32%	Lower shareholders funds
Operating Cash Flow	**605**	**605**	Unchanged

Note: These estimates may be revised on detailed implementation of the IFRS standards through to 30 June 05

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2005 Exploration & Evaluation Costs

All figures in A$m	2004 Actual	2005 Forecast	
Exploration			
Studies & seismic	67	66	Expense 100%
Well costs	59	104	Capitalise successful wells
Total exploration	126	170	
Evaluation			
Studies & seismic	22	29	Expense 100%
Well costs	69	80	Capitalise successful wells
Total evaluation (delineation)	91	109	
Total E&E expenditure	217	279	
Total expensed	119	?	2005: $95m plus unsuccessful well costs
Well success rate (%)	44%	?	

Note: This guidance reflects current expectations and is subject to actual events in 2005

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Summary

Transition Impacts

- Successful Efforts approach to exploration and evaluation
- Impairment testing on a Cash Generating Unit and Discounted Cash Flow basis
- Provision for restoration (NPV) upfront and capitalise as component of asset
- Asset carrying values subject to functional currency adjustment
- Increased deferred tax balances

Future impacts

- Lower depletion expense due to lower asset carrying values
- Higher exploration expense, depending on exploration success

Business Fundamentals Unchanged

Cash flows • Strategy • Credit rating

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