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Santos

News Release

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Santos 1999 Interim Profit

Santos today announced an after tax profit for the 1999 first half of $83.6 million, $0.6 million below the 1998 first half result of $84.2 million.

The Company's underlying operating result improved by $20.4 million as a result of an 18.4% growth in sales volumes.

Record first half sales revenue, production and sales volumes were achieved.

Operating cash flow increased by 26.2% to $245.1 million.

However the strong operating result was offset by reduced investment income which reflects the absence of significant asset sales proceeds, the absence of a special dividend which contributed to the 1998 result and lower returns from QCT Resources Ltd.

Earnings per share were 13.8 cents compared with 13.9 cents in 1998. Net operating cash flow per share was 40.4 cents compared with 32.1 cents in the 1998 first half.

Directors have maintained the interim dividend of 12 cents per share, fully franked, the same as the 1998 interim dividend. The dividend will be paid on 17 November 1999 to shareholders registered in the books of the Company at the close of business on 22 October 1999.

Commenting on the results the Managing Director, Mr Ross Adler said:

> "Santos achieved strong operational results and a substantial increase in cash flow during the half. This was despite a fall of 5.1% in the average US dollar oil price realised over the six month period to 30th June 1999.
>
> The lower investment income was generally as expected.

Notwithstanding the lower investment income in the first half and expected for the full year, it is presently expected that the full year results should at least equal that achieved last year. The actual result will depend on the production volume and liquid prices achieved for the balance of this year.

Production volume is expected to reach almost 50 million barrels of oil equivalent."

For clarification contact:

Dr Graeme Bethune – General Manager, Finance & Investor Relations on
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Financial Summary

	Half Year Ended 30.6.99	**Half Year Ended 30.6.98**	**% Increase (Decrease)**
PROFIT AND DIVIDEND *($ million)*			
Sales Revenue	412.8	340.5	21.2
Other Revenue:			
• Investment Income	0.5	22.2	(97.7)
• Other	15.5	19.0	(18.4)
Total Revenue	428.8	381.7	12.3
Depreciation, Depletion & Amortisation	(129.9)	(113.6)	14.3
Earnings before interest expense and tax	160.7	154.0	4.4
Interest Expense	(37.3)	(29.1)	28.2
Operating Profit before tax	123.4	124.9	(1.2)
Tax on operating profit	(39.8)	(40.7)	(2.2)
Operating profit after tax	83.6	84.2	(0.7)
Earnings per share *(cents)*	13.8	13.9	(0.7)
Dividends per share *(cents fully franked)*	12.0	12.0	-
CASH FLOW *($ million)*			
Net operating cash flow after tax	245.1	194.2	26.2
- per share *(cents)*	40.4	32.1	25.9
BALANCE SHEET *($ million)*			
Total shareholders' equity	1920.3	1924.3	(0.2)
Total assets	4258.6	4127.5	3.2
Net debt	1363.6	1237.2	10.2
CAPITAL EXPENDITURE			
Exploration Expenditure	34.9	96.3	(63.8)
Development expenditure (incl. plant & equip)	111.0	198.7	(44.1)
RATIOS			
Net debt/equity *(%)*	71.0	64.3	
Return on average shareholders' equity *(%)* **(annualised)**	8.7	8.8	

SANTOS 1999 HALF YEAR RESULTS [1]

1. PROFIT

Operating Profit after Tax

A net profit after tax of $83.6 million was achieved. This compares with a result of $84.2 million in the 1998 first half.

The operating profit after tax for the 1999 first half represents a $20.4 million improvement to the company's underlying operating result prior to investment income:

	1999 1st half ($m)	1998 1st half ($m)
Operating Result after Tax	83.1	62.7
Investment Income after Tax	0.5	21.5
Net Profit after Tax	83.6	84.2

Investment income decreased by $21.0 million after tax as a result of the 1998 comparative numbers including the gain on sale of Santos Europe Limited ($7.4 million) and the Oil Company of Australia special dividend ($6.1 million), together with the reduced profit of QCT Resources Ltd in 1999 ($7.5 million).

No abnormal items were recorded in either the 1998 or 1999 first half.

An 8.7% return (annualised net profit after tax) on average shareholders' funds was achieved.

Earnings per share were 13.8 cents, a marginal reduction on the result of 13.9 cents achieved in the 1998 first half.

Sales Volume

Sales Volume increased from 20.1 million barrels of oil equivalent (boe) to 23.8 million boe reflecting increases in sales of all products.

Sales Revenue

Sales revenue increased by 21.2% to $412.8 million, primarily due to higher sales volumes.

[1] Directors have adopted AASB1016 "Disclosure of Information about Investments in Associates" (equity accounting) effective from 1 January 1999 when it first became effective under the Corporations Law for companies reporting at 31 December.

Expenses

Operating costs increased by $15.8 million principally due to increased production.

Pipeline tariffs increased by $4.1 million reflecting full year sales to north west Queensland.

Total royalties increased by $1.9 million.

Depreciation and depletion increased by 12.6% to $122.9 million, reflecting higher levels of production.

Earnings Before Interest Expense and Tax

Earnings before interest expense and tax increased by 4.4% to $160.7 million.

Interest expense increased by 28.2% to $37.3 million principally due to the reduction in capitalised interest as new development projects commenced production. Total interest expenditure (prior to capitalisation) only increased slightly.

Operating profit before income tax decreased by 1.2% to $123.4 million.

2. CASH FLOW

Cash flow generated from operations increased by 26.2% to $245.1 million. Cash flow per share was 40.4 cents compared with 32.1 cents in the 1998 first half.

3. BALANCE SHEET

Net debt stood at $1,363.6 million at 30 June 1999.

The net debt to equity ratio at 30 June 1999 was 71.0% compared with 66.0% at the end of 1998.

After providing for the interim dividend of 12 cents per share, shareholders' equity at 30 June 1999 was $1,920.3 million as compared with $1,939.2 million at 31 December 1998. The reduction in shareholders' equity reflects the reduced carrying value of QCT Resources Ltd of $28.5 million resulting from the application of equity accounting.

4. OTHER BUSINESS DEVELOPMENTS

(a) Acquisitions

Hides Gas Field

In March, Santos acquired a 31% interest in Petroleum Development Licence 1 (PDL 1) in Papua New Guinea. PDL 1 contains the majority of the Hides Gas Field. Reserves from the Hides gas field are planned to be incorporated into the proposed Papua New Guinea to Queensland Gas Project.

Otway Basin

The Company completed its acquisition of additional interests in both PEP 132 and PEP 108 onshore in the Otway Basin. PEP 108 includes the Mylor and Fenton Creek gas fields. Santos now has a 100% interest in PEP 108 and a 90% interest in PEP 132.

Kipper Gas Field

In March, Santos acquired an approximate 7.5% economic interest in Retention Lease Vic/RL2, which contains part of the Kipper gas field, located in Bass Strait in the Gippsland Basin. This field is currently the subject of commercialisation and feasibility studies. An additional economic interest of approximately 2.7% was acquired in the half year and a further 2.7% subsequent to the end of the half year.

(b) Mylor and Fenton Creek Gas Sale Agreement

In March, Santos announced that the Mylor and Fenton Creek gas fields onshore in the Otway Basin would be developed and that a gas sale agreement had been executed with the Victorian Government's Gascor Pty Ltd. This project represents Santos' first production and first direct sale in Victoria. Mylor and Fenton Creek gas production commenced on 31 July 1999.

(c) East Spar Gas Contract Commences

Subsequent to the completion of the 1999 first half, a new East Spar gas sale agreement commenced. The contract to supply gas to Wesfarmers CSBP Limited ("CSBP") commenced on 1 July 1999.

The gas supplied to CSBP is being transported from the East Spar Joint Venture (ESJV) production facility on Varanus Island to the Dampier-Bunbury Natural Gas Pipeline by a recently completed second gas pipeline.

(d) Eugene Island 335 Development Project

Production from the Eugene Island 335 oil and gas field in the Gulf of Mexico commenced in January 1999.

(e) Ballera Gas Plant Phase 4 Expansion Completed

Phase 4 of the Ballera Gas Plant development in south west Queensland was completed increasing Ballera's capacity to approximately 155 terajoules per day. The expansion has been undertaken to provide gas to WMC at Mt Isa.

5. EXPLORATION

During the first half of 1999, Santos participated in the drilling of 17 exploration wells at a total cost of $34.9 million.

	Wells Drilled		**Successful Wells**		**Success**
	Oil	**Gas**	**Oil**	**Gas**	**Rate %**
South Australia	-	5	-	1	20
Queensland	1	1	0	0	0
Offshore Australia	3	-	0	-	0
South East Asia	2	-	0	0*	0
USA	-	5	-	1	20
Total	**6**	**11**	**0**	**2**	**12**

* Stanley 1 was an oil exploration well which discovered non-commercial gas and condensate.

The highlights of the first half exploration program were the Touriga 1 gas field discovery in the South Australian section of the Cooper/Eromanga Basins and the successful appraisal of the Yandina Field in the Denison Trough by the Yandina 3 well. (Note: Yandina 3 commenced drilling in the 1999 first half and was completed in July 1999.)

In the second half of 1999 the Company expects to participate in the drilling of 22 exploration wells.

	Wells to be drilled		
	Gas	**Oil**	**Total**
Onshore Australia			
South Australia	2	1	3
South West Queensland	3	-	3
Surat/Denison	4	3	7
Offshore Australia	1	-	1
South East Asia	2	1	3
USA	5	-	5
Total	**17**	**5**	**22**

The following table provides the indicative second half drilling program for major wells in Offshore Australia, South East Asia and the United States.

Well	Basin/Area	Permit	Working Interest	Timing	Target
Segat-3	Sumatra	Bentu PSC	61.1%	Drilling	Gas
Bishop Cattle #1	Texas, Gulf Coast	-	25.0%	Drilling	Gas
Moon-1	Carnarvon	WA-214-P	20.0%	Sept	Gas
A Garcia #1	Texas, Gulf Coast	-	50.0%	Sept	Gas
Baru-5	Sumatra	Korinci-Baru PSC	61.1%	Sept	Gas
SE Gobe-7	Papua New Guinea	PDL3	6.975%	Sept	Oil
State Tract #157	Texas Gulf Coast	-	25.31%	Dec	Gas

6. DEVELOPMENT

Expenditure on development (including plant and equipment) in the first half of 1999 was $111.0 million, compared with $198.7 million for the corresponding period in 1998.

Major development activity included the Varanus Island second gas pipeline, the Mylor and Fenton Creek gas project in Victoria, completion of the Ballera Gas Plant Phase 4 expansion in south west Queensland and the Eugene Island 335 field development project in the Gulf of Mexico. Principal field development activity initiated during the period included 23 gas development wells, 4 oil development wells and 29 other field development projects, including compression, connecting suspended wells and upgrading performance of wells already online.

Half Yearly Report

(equity accounted)

Name of entity

Santos Ltd

ACN, ARBN or ARSN	Half yearly	Preliminary final	Half year ended ('current period')
007 550 923	✓		30 June 1999

Equity accounted results for announcement to the market

$A million

Sales revenue *(item 1.1)*	up	21.2%	to	412.8
Abnormal items after tax attributable to members *(item 2.5)*	gain (loss) of			NIL
Operating profit after tax (before amortisation of goodwill) attributable to members *(item 1.26)*	down	0.7 %	to	88.1
Operating profit after tax attributable to members *(item 1.10)*	down	0.7 %	to	83.6
Extraordinary items after tax attributable to members *(item 1.13)*	gain (loss) of			NIL
Operating profit and extraordinary items after tax attributable to members *(item 1.16)*	down	0.7 %	to	83.6
Exploration and development expenditure incurred:				
- non producing ares *(item 5.2)*				13.4
- producing areas (*item 6.2)*				79.4
Total exploration and development expenditure incurred	down	53.0%	to	92.8
Exploration and development expenditure written off:				
- non producing ares *(item 5.3)*				NIL
- producing areas (*item 6.4)*				NIL
Total exploration and development expenditure written off				NIL

Dividends (distributions)	Amount per ordinary share	Franked amount per ordinary share at 36% tax
Interim dividend *(item 15.6)*	12¢	12¢
Previous corresponding period *(item 15.7)*	12¢	12¢

Record date for determining entitlements to the dividend, *(see item 15.2)*	22 October 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 (or equivalent operating) revenue	412.8	340.5
1.2	Share of associates' "net profit (loss) attributable to members" (equal to item 16.7)	0.5	-
	Proceeds from sale of controlled entity	-	137.0
	Other revenue	21.2	33.9
1.3	Total other revenue	21.2	170.9
1.4	**Operating profit before abnormal items and tax**	**123.4**	**124.9**
1.5	Abnormal items before tax (detail in item 2.4)	-	-
1.6	Operating profit before tax (items 1.4 + 1.5)	123.4	124.9
1.7	Less tax	(39.8)	(40.7)
1.8	Operating profit after tax but before outside equity interests	83.6	84.2
1.9	Less outside equity interests	-	-
1.10	**Operating profit after tax attributable to members**	**83.6**	**84.2**
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)	**83.6**	**84.2**
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)	**83.6**	**84.2**
1.17	Retained profits at beginning of financial period	378.3	338.6
1.18	If change in accounting policy as set out in clause 11 of AASB 1018 Profit and Loss Accounts, adjustments as required by that clause (refer Comments by Directors)	(28.5)	-
1.19	Aggregate of amounts transferred from reserves	-	-
1.20	Total available for appropriation	433.4	422.8
1.21	Dividends provided for or paid	(72.7)	(72.7)
1.22	Aggregate of amounts transferred to reserves	-	-
1.23	**Retained profits at end of financial period**	**360.7**	**350.1**

Profit restated to exclude amortisation of goodwill		Current period $A million	Previous corresponding period - $A million
1.24	Operating profit after tax before outside equity interests (item 1.8) and amortisation of goodwill	88.1	88.7
1.25	Less outside equity interests	-	-
1.26	Operating profit after tax (before amortisation of goodwill) attributable to members	88.1	88.7

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	4.5	-	-	4.5
2.2	Amortisation of other intangibles	-	-	-	-
2.3	**Total amortisation of intangibles**	4.5	-	-	4.5
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 (loss) after tax attributable to members reported for the *1st* half year (item 1.10 in the half yearly report)	N/A	N/A
3.2	Consolidated operating profit (loss) after tax attributable to members for the *2nd* half year	N/A	N/A

Consolidated balance sheet

	Current assets	At end of current period $A million	As shown in last annual report $A million	As in last half yearly report $A million
4.1	Cash	64.0	117.8	90.3
4.2	Receivables	115.8	122.0	105.7
4.3	Investments	-	-	-
4.4	Inventories	83.3	72.5	86.3
4.5	Other	-	-	-
4.6	**Total current assets**	**263.1**	**312.3**	**282.3**
	Non-current assets			
4.7	Receivables	-	-	-
4.8	Investments	350.4	386.8	403.4
4.9	Inventories	-	-	-
4.10	Exploration and development expenditure capitalised in non-producing areas	272.5	169.3	143.6
4.11	Exploration and development expenditure capitalised in producing areas (net)	2,075.0	2,074.1	2,030.5
4.12	Land and buildings, plant and equipment (net)	1,188.5	1,179.8	1,149.8
4.13	Intangibles (net)	49.1	53.6	58.0
4.14	Other	60.0	60.2	59.9
4.15	**Total non-current assets**	**3,995.5**	**3,923.8**	**3,845.2**
4.16	**Total assets**	**4,258.6**	**4,236.1**	**4,127.5**
	Current liabilities			
4.17	Accounts payable	120.1	151.1	181.8
4.18	Borrowings	0.4	0.4	0.4
4.19	Provisions	147.6	121.3	109.7
4.20	Other	-	-	-
4.21	**Total current liabilities**	**268.1**	**272.8**	**291.9**
	Non-current liabilities			
4.22	Accounts payable	-	-	-
4.23	Borrowings	1,427.2	1,397.4	1,327.1
4.24	Provisions	643.0	626.7	584.2
4.25	Other	-	-	-
4.26	**Total non-current liabilities**	**2,070.2**	**2,024.1**	**1,911.3**
4.27	**Total liabilities**	**2,338.3**	**2,296.9**	**2,203.2**
4.28	**Net assets**	**1,920.3**	**1,939.2**	**1,924.3**
	Equity			
4.29	Capital	1,555.3	1,555.0	151.4
4.30	Reserves	4.3	5.9	1,422.8
4.31	Retained profits	360.7	378.3	350.1
4.32	Equity attributable to members of the parent entity	1,920.3	1,939.2	1,924.3
4.33	Outside equity interests in controlled entities	-	-	-
4.34	**Total equity**	**1,920.3**	**1,939.2**	**1,924.3**
4.35	Preference capital and related premium included as part of 4.32	**-**	**-**	**-**

Exploration and development expenditure capitalised in non-producing areas

		Current period $A million	Previous corresponding period- $A million
5.1	Opening balance	169.3	248.2
5.2	Expenditure incurred during current period:		
	- exploration	13.4	51.0
	- development	-	-
5.3	Expenditure written off during current period	-	-
5.4	Acquisitions, disposals, revaluation increments, etc.	98.8	(12.4)
5.5	Expenditure transferred to exploration and development in producing areas	(9.0)	(143.2)
5.6	**Closing balance as shown in the consolidated balance sheet** (item 4.10)	**272.5**	**143.6**

Exploration and development expenditure capitalised in producing areas

		Current period $A million	Previous corresponding period- $A million
6.1	Opening balance	2,074.1	1,891.7
6.2	Expenditure incurred during current period		
	- exploration	21.5	45.3
	- development	57.9	101.2
6.3	Expenditure transferred from exploration and development in non-producing areas	9.0	143.2
6.4	Expenditure written off during current period	-	-
6.5	Acquisitions, disposals, revaluation increments, etc.	(9.9)	(75.8)
6.6	Expenditure transferred to land and buildings, plant and equipment	-	(12.0)
	Depletion	(77.6)	(63.1)
6.7	**Closing balance as shown in the consolidated balance sheet** (item 4.11)	**2,075.0**	**2,030.5**

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	416.3	350.3
7.2	Payments to suppliers and employees	(125.0)	(99.2)
7.3	Dividends received from associates	7.5	8.7
7.4	Other dividends received	-	6.2
7.5	Interest and other items of similar nature received	2.3	2.3
7.6	Interest and other costs of finance paid	(42.6)	(40.8)
7.7	Income taxes paid	(5.6)	(31.0)
7.8	Other:		
	- pipeline tariffs and other receipts	7.6	13.1
	- overriding royalties received	4.5	4.8
	- government royalties and resource rent tax paid	(19.9)	(20.2)
7.9	**Net operating cash flows**	245.1	194.2
	Cash flows related to investing activities		
7.10	Payment for:		
	- exploration	(53.8)	(101.0)
	- development	(62.4)	(97.3)
	- land & building, plant & equipment	(45.7)	(93.6)
	- acquisition of oil and gas assets	(102.6)	-
	- restoration	(0.4)	(4.4)
7.11	Proceeds from sale of property, plant and equipment	8.2	2.9
7.12	Payment for purchases of equity investments	(14.2)	(39.1)
7.13	Proceeds from sale of equity investments	-	137.0
7.14	Loans to other entities	-	-
7.15	Loans repaid by other entities	-	-
7.16	Other	1.0	2.0
7.17	**Net investing cash flows**	(269.9)	(193.5)
	Cash flows related to financing activities		
7.18	Proceeds from issues of securities (shares, options, etc.)	0.3	0.4
7.19	Proceeds from borrowings	49.5	79.6
7.20	Repayment of borrowings	-	-
7.21	Dividends paid	(78.8)	(78.7)
7.22	Other	-	-
7.23	**Net financing cash flows**	(29.0)	1.3
7.24	**Net increase (decrease) in cash held**	(53.8)	2.0
7.25	Cash at beginning of period	117.8	109.8
	Cash held by controlled entity sold	-	(22.1)
7.26	Exchange rate adjustments to item 7.25.	-	0.6
7.27	**Cash at end of period**	**64.0**	**90.3**

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 $A million	Previous Corresponding period - $A million
8.1	Cash on hand and at bank	64.0	90.3
8.2	Deposits at call	-	-
8.3	Bank overdraft	-	-
8.4	Other	-	-
8.5	**Total cash at end of period** (item 7.27)	**64.0**	**90.3**

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)	29.9%	36.7%
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 4.34)	4.4%	4.4%

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	13.8¢	13.9¢
	(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	605,940,164	605,435,550

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	2.3	2.2
12.2	Interest revenue included in item 12.1 but not yet received (if material)	-	0.1
12.3	Interest expense included in item 1.4 (include all forms of interest, lease finance charges, etc.)	37.3	29.1
12.4	Interest costs excluded from item 12.3 and capitalised in asset values (if material)	3.3	10.4
12.5	Outlays (except those arising from the acquisition of an existing business) capitalised in intangibles (if material)	-	-
12.6	Depreciation and amortisation (excluding amortisation of intangibles)	125.4	109.1

Control gained over entities having material effect

Not Applicable

Loss of control of entities having material effect

Not Applicable

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, Indonesia and Papua New Guinea 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	17 November 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)	22 October 1999
15.3	If it is a final dividend, has it been declared?	Not applicable

Amount per security

			Amount per security	Franked amount per security at 36% tax
15.4	**Final dividend:**	Current year	Not Applicable	Not Applicable
15.5		Previous year	Not Applicable	Not Applicable
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 securities	Not Applicable	Not Applicable
15.9	Preference securities	Not Applicable	Not Applicable

Half yearly report - interim dividend on all securities

		Current period $A million	Previous corresponding period - $A million
15.10	Ordinary securities	72.7	72.7
15.11	Preference securities	-	-
15.12	**Total**	**72.7**	**72.7**

The dividend 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	Not Applicable

Any other disclosures in relation to dividends

None

Details of aggregate share of profits (losses) of associates

	Entity's share of associates'	Current period $A million	Previous corresponding period $A million*
16.1	Operating profit (loss) before income tax	5.0	15.8
16.2	Income tax expense	(4.5)	(8.3)
16.3	Operating profit (loss) after income tax	0.5	7.5
16.4	Extraordinary items net of tax	-	-
16.5	Net profit (loss)	0.5	7.5
16.6	Outside equity interests	-	-
16.7	Net profit (loss) attributable to members	0.5	7.5

Material interests in entities which are not controlled entities

Name of entity	Percentage of ownership interest held at end of period		Contribution to operating profit (loss) and extraordinary items after tax (item 1.14)	
17.1 **Equity accounted associates**	Current period	Previous corresponding period	Current period $A million	Previous corresponding period $A million*
QCT Resources Ltd	36.4	35.9	0.5	7.5
17.2 Total	N/A	N/A	0.5	7.5
17.3 **Other material interests**	-	-	-	-
17.4 Total	N/A	N/A	0.5	N/A

* Equity accounting was adopted on 1 January 1999. The comparative amounts have been provided for information purposes only.

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	605,972,145	605,792,445	N/A	N/A
	Ordinary shares - Executive Share Plan	1,921,750	-	*	0.1
18.4	Changes during current period				
	(a) Increases through issues	55,100	-	4.41	4.41
	(b) Decreases through returns of capital, buybacks	-	-	N/A	N/A
	(c) Converted from Santos Executive Share Plan	4,500 3,500	4,500 3,500	3.70 3.72	3.70 3.72
	(d) Quotation of Employee Share Purchase Plan shares	-	71,800	5.30	5.30
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*
		5,000,000 3,150,000 2,775,000 2,925,000	- - - -	6.32 5.59 4.84 5.12	24/07/2002 30/04/2003 15/06/2003 14/06/2004
18.8	Issued during current period	2,925,000	N/A	5.12	14/06/2004
18.9	Exercised during current period	Nil	N/A	N/A	N/A
18.10	Expired during current period	100,000 50,000	N/A	6.32 4.84	24/07/2002 15/06/2003
18.11	**Debentures**	Nil	N/A		
18.12	**Unsecured notes**	Nil	N/A		

* Balance to be called 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%	44.4	45.0
Tax effect of permanent differences which increase/(decrease) income tax expense:		
Non-deductible depreciation & amortisation of buildings, plant & equipment	1.2	2.3
Non-deductible depletion of exploration and development expenditure	3.6	4.3
Amortisation of goodwill	1.6	1.6
Non-assessable income	(3.4)	(7.9)
Over provision of income tax in previous year	(3.7)	-
Other non-deductible items	-	-
Research and development allowances	(1.5)	-
Development allowances	(2.4)	(4.6)
Net effect of permanent differences	(4.6)	(4.3)
Income tax expense adjusted for permanent differences	39.8	40.7
Recognition of tax benefits previously not recognised	-	-
Income tax attributable to operating profit after abnormal items	39.8	40.7

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)

None

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

Santos Ltd has $102.7 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 30 June 1999 and after deducting franking credits to be used in payment of the 1999 interim dividend.

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

Accounting for Investments in Associates

The Directors have adopted AASB 1016 “Disclosure of Information about Investments in Associates” effective from 1 January 1999. Accordingly, the economic entity has applied the equity method of accounting for investments in associates for the first time. The equity method requires the carrying amount of investments in associates to be adjusted by the economic entity’s share of the associates’ net profit or loss after tax and other movements in reserves. These amounts are recognised in the consolidated profit and loss account and consolidated reserves respectively. In previous years, the economic entity accounted for the investments in associates using the cost method.

The consolidated carrying value of investments in associated company and beginning retained earnings were decreased by $28.5 million on initial application of the standard.

The change in accounting policy has resulted in a decrease of $7.0 million in consolidated profit after tax for the period ended 30 June 1999 and a decrease of $7.0 million in the carrying value of investments in associated company for the period ended 30 June 1999.

Annual meeting

The annual meeting will be held as follows:

Place	N/A
Date	N/A
Time	N/A
Approximate date the annual report will be available	N/A

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.
- ☐ 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 As this is a half yearly report the audit report by the auditor has been attached to this report to satisfy the requirements of the Corporations Law.

6 The entity has a formally constituted audit committee.

Sign here: .... Date: 6 September 1999

M G ROBERTS
Company Secretary
Phone (08) 8218 5111