

Santos Ltd  
ABN 80 007 550 923  
GPO Box 2455  
Adelaide SA 5001  
Telephone: 08 8218 5111  
Facsimile: 08 8218 5131  
www.santos.com.au

# Santos

## News Release

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Issued by Investor Relations

22 August 2001

### **Santos Quarter Billion Dollar Interim Profit**

Santos today announced a record half year profit for the six months ended 30 June 2001 of \$251.5 million, a 21.5% increase on the 2000 first half result of \$207.0 million. This result reflects record first half sales revenue.

Earnings per share were 41.1 cents compared with 34.1 cents in the 2000 first half.

Directors have declared an interim ordinary dividend of 15 cents per share, fully franked. The 2001 interim dividend has been held at the same level as in 2000, consistent with the Company's growth strategy, announced at the Annual General Meeting in May. The dividend will be paid on 28 September 2001 to shareholders registered in the books of the Company at the close of business on 7 September 2001. This dividend payment date is seven weeks earlier than in 2000.

Commenting on the results the Managing Director, Mr John Ellice-Flint said:

“This is a very good interim result and it places the company in a strong position for the year. The second half result will depend on production and cost performance, which are controllable, and oil prices and exchange rates which are not. We expect 2001 production to be close to last year's record level of 56 million barrels of oil equivalent, despite the lost production due to the incident at Moomba, and we are taking action on costs”.

I am particularly pleased with our exploration results in the first half. All of the business units have had exploration success. Key discoveries include the Otway gas finds, the continued Cooper Basin successes, the Runnells gas extension in the US and the recent Santos operated offshore Corowa oil discovery in Western Australia and Oyong oil and gas discovery in Indonesia.

Our second half exploration portfolio contains some promising prospects of a material nature.

We are off to a good start in implementing our strategy and after three months we are well into the program. Important management appointments have been made in exploration, drilling, supply, new ventures and cost base optimisation that will all contribute to achieving our strategic goals.”

For clarification contact:

Graeme Bethune – General Manager, Finance & Investor Relations on  
08 8218 5157 or 0419 828 617

Santos Stock Symbols:	Shares:	STO (ASX)
	ADR:	STOSY (NASDAQ)

	<b>Half Year Ended 30/6/01</b>	<b>Half Year Ended 30/6/00</b>	<b>% Increase (Decrease)</b>
<b>FINANCIAL PERFORMANCE</b> ( <i>\$ million</i> )			
Sales revenue	751.4	712.4	5.5
Cost of sales	(362.6)	(331.3)	9.5
Gross profit	388.8	381.1	2.0
Other revenue	25.8	24.0	7.5
Proceeds from sale of non current assets	22.0	9.3	136.6
Book value of non current assets sold	(22.1)	(9.4)	135.1
Write-down of exploration expenditure	-	(4.7)	(100.0)
Selling, general and administrative expenses	(21.7)	(17.5)	24.0
Borrowing costs	(33.5)	(39.5)	(15.2)
QCT Resources equity accounted loss	-	(18.7)	(100.0)
Operating profit before tax	359.3	324.6	10.7
Income tax on operating profit	(107.8)	(117.6)	(8.3)
<b>Operating profit after tax</b>	<b>251.5</b>	<b>207.0</b>	<b>21.5</b>
<b>Earnings per share (cents)</b>	<b>41.1</b>	<b>34.1</b>	<b>20.5</b>
<b>Ordinary dividend per share (cents fully franked)</b>	<b>15.0</b>	<b>15.0</b>	<b>-</b>
<b>CASH FLOW</b> ( <i>\$ million</i> )			
<b>Net operating cash flow after tax</b>	<b>256.6</b>	<b>440.3</b>	<b>(41.7)</b>
- per share ( <i>cents</i> )	41.9	72.6	(42.3)
<b>FINANCIAL POSITION</b> ( <i>\$ million</i> )			
<b>Total shareholders' equity</b>	<b>2,490.5</b>	<b>2,173.9</b>	<b>14.6</b>
<b>Total assets</b>	<b>4,789.1</b>	<b>4,679.7</b>	<b>2.3</b>
<b>Net debt</b>	<b>1,083.5</b>	<b>1,402.2</b>	<b>(22.7)</b>
<b>CAPITAL EXPENDITURE</b>			
<b>Exploration expenditure</b>	<b>85.1</b>	<b>36.0</b>	<b>136.4</b>
<b>Development expenditure (incl. plant &amp; equip)</b>	<b>222.5</b>	<b>127.5</b>	<b>74.5</b>
<b>RATIOS</b>			
<b>Net debt/equity (%)</b>	<b>43.5</b>	<b>64.5</b>	<b>(32.6)</b>
<b>Return on average shareholders' equity (%) (annualised)</b>	<b>21.0</b>	<b>19.6</b>	<b>7.1</b>
<b>Return on average capital employed (%) (annualised)</b>	<b>16.2</b>	<b>13.4</b>	<b>20.9</b>

## **SANTOS 2001 HALF YEAR RESULTS**

(Unless otherwise stated, comparisons are with the corresponding period in 2000)

### **1. PROFIT**

#### **Sales Volume**

Sales volume fell from 27.6 million barrels of oil equivalent (boe) to 26.5 million boe reflecting lower crude oil production principally due to planned shut-ins at Barrow/Thevenard Island and Stag oil fields.

#### **Sales Revenue**

Sales revenue increased by 5.5% to a record \$751.4 million reflecting higher prices received for all products.

#### **Cost of Sales**

Operating costs increased by \$10.2 million due primarily to workovers of the Stag oil field and commencement of Legendre oil production, both offshore Australia, and higher maintenance costs. Average operating costs per boe produced, increased to \$4.54 (2000 - \$3.97/boe).

Total royalties increased by \$4.7 million to \$49.7 million principally due to higher sales revenue.

Depreciation and depletion increased by 4.4% to \$160.2 million, reflecting the higher cost base, primarily in the Cooper Basin. Depreciation and depletion per boe increased to \$6.05 (2000 - \$5.54/boe).

#### **Selling, General and Administration Expenses**

Selling, general and administrative expenses were \$21.7 million (\$17.5 million in the 2000 first half).

#### **Other Expenses**

There was no write-down of exploration expenditure (\$4.7 million in the 2000 first half).

## **Earnings Before Interest Expense and Tax**

Earnings before interest expense and tax increased by 7.9% to \$392.8 million. Borrowing costs fell by \$6.0 million to \$33.5 million, primarily due to lower net debt.

Operating profit before income tax increased by 10.7% to \$359.3 million. Income tax on operating profit fell by \$9.8 million, reflecting the lower company tax rate of 30% (34% in 2000).

## **Operating Profit After Tax**

Net profit after tax increased by 21.5% to \$251.5 million, with earnings per share of 41.1 cents.

## **2. CASH FLOW AND BALANCE SHEET**

Operating cash flow fell to \$256.6 million, mainly due to the payment of income tax of \$198.8 million for the year 2000 and the timing of payments to suppliers.

Operating cash flow per share was 41.9 cents compared with 72.6 cents in the 2000 first half.

A 2000 final dividend of 15.0 cents per share and a special dividend of 10.0 cents per share, totalling \$153.1 million (2000 - \$91.0 million) were paid to shareholders.

Net debt stood at \$1,083.5 million at 30 June 2001.

The net debt to equity ratio at 30 June 2001 was 43.5%, down from 64.5% at the end of June 2000, although above the 31 December 2000 level of 37.5%. The increase in gearing is due to the year 2000 income tax payments and the payment of the 2000 special dividend referred to above.

After providing for the interim ordinary dividend of 15.0 cents per share, shareholders' equity at 30 June 2001 was \$2,490.5 million compared with \$2,310.9 million at 31 December 2000.

### **3. STRATEGIC PLAN IMPLEMENTATION**

At the Annual General Meeting on 4 May the Company released the results of a strategy review aimed at lifting performance to first quartile by the end of 2003, based on exploration, acquisitions, production and reservoir optimisation, gas commercialisation and cost reduction. Below is a brief summary covering implementation to date:

#### **(a) Production and Reservoir Optimisation**

The first stage of a gas production optimisation program has been completed in which a multi disciplinary team involving operations and engineering employees conducted Integrated Field Reviews of the Challum and Moomba South gas fields. The reviews have identified opportunities to increase gas production at a relatively low cost. Follow up implementation is now under-way.

Having confirmed the capability of the Integrated Field Review process, it will now be rolled out to the remainder of the gas fields in the Cooper Basin.

The Cooper Basin cased and suspended wells project has also commenced. Around 125 wells are being screened and integrated into the forward program. The first project of the program has been successful with Tallerangie-1 flowing at 3.3 million cubic feet per day.

#### **(b) Exploration**

At the May AGM Santos stated that it would high grade its exploration program through a rigorous screening process and target exploration opportunities which are material to the company and robust in a low price environment. An Exploration Forum was created charged with implementing this approach and ranking all exploration opportunities across the company. This process has been initiated in respect to the remaining 2001 drilling candidates and the Exploration Forum will be instrumental in ranking and determining the 2002 exploration program. Santos also created a New Ventures team to assess new exploration opportunities outside the current areas of focus.

**(c) Acquisitions**

Santos will continue to pursue acquisitions to grow its existing focus areas and as a tool to gain entry to new focus areas. During the half Santos acquired a 40% interest in the 6.6 trillion cubic feet Evans Shoal gas field through the acquisition of Natural Gas Australia. Associated with this transaction, the Company became a shareholder in Methanol Australia Limited, which has developed an innovative approach to commercialisation of the Evans Shoal gas resource for methanol or LNG.

**(d) Gas Commercialisation**

A Gas Forum has been created with the task of developing opportunities to commercialise Santos' gas resources. Key strategies include the development of Santos' Timor Sea gas reserves and the marketing of uncontracted gas reserves in the Cooper Basin, PNG and Indonesia. Contract negotiations with existing and new Cooper Basin domestic gas customers are continuing.

**(e) Cost Optimisation**

Santos is well advanced in the implementation of its cost initiatives and business re-engineering. A project team has been formed that will review all aspects of the Company's cost base with the help of external consultants. Projects have been initiated to streamline decision-making processes. The role of the new position of General Manager Drilling is to review and improve the Company's drilling operations. The recently appointed Supply Manager and Cost Base Optimisation Manager will coordinate closely with the cost project team in implementing initiatives to reduce capital and operating costs by at least \$50 million per annum by 2003.

**4. Moomba Liquids Pumping Station**

Following rebuilding the Moomba liquids pumping station is now back on stream. Santos is covered by comprehensive insurance policies that cover both property damage and business interruption. The policy excess (or deductible) is \$13 million (Santos share). The Company expects that it will be in a position to recognise recoveries from the claims in the second half.

## 5. EXPLORATION

During the first half of 2001, Santos participated in the drilling of 29 exploration wildcat wells at a total cost of \$85.1 million. A success rate of 66% was achieved and total resource potential of 41 million boe discovered.

	Wells Drilled		Successful Wells		Success
	Oil	Gas	Oil	Gas	Rate %
South Australia	4	6	1	4	50
Victoria	-	5	-	5	100
Queensland	-	6	-	5	83
Offshore Australia	4	-	2	-	50
South East Asia	-	3	-	1	33
USA	-	1	-	1	100
<b>Total</b>	<b>8</b>	<b>21</b>	<b>3</b>	<b>16</b>	<b>66%</b>

Results of the first half exploration program included:

- A successful drilling program in the Otway Basin with five successful gas discoveries. One of these wells, Tregony-1, is already in production with the other four wells to be connected during 2002.
- The gas exploration program in South Australia and South West Queensland resulted in nine gas discoveries.
- The oil program in the South Australian Cooper Basin produced one success, Moomba 136, currently producing 6,000 barrels of oil per day (Santos interest 59.75%).
- The Corowa 1 well discovered a new oil field in the Carnarvon Basin (WA 264-P) and flowed oil at 5,276 bopd (Santos Interest 66.67%).
- The Oyong 1 well discovered a new oil and gas field in the Sampang PSC in Indonesia intersecting a 110 metre gas and 35 metre oil column in the Mundu formation. Testing has been completed. The oil zone flowed at over 1,100 barrels a day through an 11 millimetre choke and the gas zone flowed at 12.4 million cubic feet a day on a 19 millimetre choke at 1005 pounds per square inch (Santos' interest 45%).

An additional 2 wells were spudded, but not completed, during the first half subsequently resulting in one oil and one gas discovery.

In the second half of 2001 the Company expects to participate in the drilling of an additional 22 exploration wells.



	<b>Wells to be drilled</b>		
	<b>Oil</b>	<b>Gas</b>	<b>Total</b>
Onshore Australia			
South Australia	1	1	2
South West Queensland	0	2	2
Surat/Denison	2	4	6
Offshore Australia	2	0	2
South East Asia	1	2	3
USA	0	7	7
<b>Total</b>	<b>6</b>	<b>16</b>	<b>22</b>

## **6. DEVELOPMENT**

Expenditure on development (including plant and equipment) in the first half of 2001 was \$222.5 million, compared with \$127.5 million in the 2000 first half. A large part of the increase reflects spending in offshore Australia on the Bayu Undan development.

On 17 May initial oil production commenced from the Legendre oil field. Production has produced up to 32,000 barrels of oil per day. Work was also undertaken on the Roller pipeline and Stag oil field.

Work has continued on the development of the Bayu Undan liquids project and on Cooper Basin development.

## **7. CAPITAL MANAGEMENT**

Santos aims to structure its balance sheet in such a way as to:

- Provide financial flexibility for growth,
- Minimise the cost of capital, and
- Provide returns in the most efficient way for shareholders.

The Company's primary Capital Management objective is to ensure that it has sufficient capital for growth. However it is aware of its significant franking account balance and will look to distribute imputation credits in a manner that is in the long term interests of the Company's shareholders.

# Half Yearly Report

Name of entity

<b>SANTOS LTD</b>
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ACN, ARBN or ARSN

Half yearly

Preliminary  
final

Half year ended ('current period')

007 550 923
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30 June 2001
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## Equity accounted results for announcement to the market

\$A million

Sales revenue ( <i>item 1.1</i> )	Up	5.5%	to	751.4	
Abnormal items after tax attributable to members ( <i>item 2.5</i> )				Nil	
Operating profit after tax (before amortisation of goodwill) attributable to members ( <i>item 1.26</i> )	Up	21.0%	to	256.0	
Operating profit after tax attributable to members ( <i>item 1.10</i> )	Up	21.5%	to	251.5	
Extraordinary items after tax attributable to members ( <i>item 1.13</i> )				Nil	
Operating profit and extraordinary items after tax attributable to members ( <i>item 1.16</i> )	Up	21.5%	to	251.5	
Exploration and development expenditure incurred:					
- non-producing areas ( <i>item 5.2</i> )				32.6	
- producing areas ( <i>item 6.2</i> )				<u>164.3</u>	
Total exploration and development expenditure incurred	Up	71.5%	to	196.9	
Exploration and development expenditure written off:					
- non-producing areas ( <i>item 5.3</i> )				Nil	
- producing areas ( <i>item 6.4</i> )				<u>Nil</u>	
Total exploration and development expenditure written off				Nil	
<b>Dividends</b>	<b>Amount per security</b>	<b>Franked amount per security at 30% tax</b>	<b>Franked amount per security at 34% tax</b>		
Interim dividend ( <i>item 15.6</i> )	15.0¢	15.0¢		N/A	
Previous corresponding period ( <i>item 15.7</i> )	15.0¢	N/A		15.0¢	
Record date for determining entitlements to the dividend ( <i>see item 15.2</i> )	<table border="1" style="width: 100%; text-align: center;"> <tr> <td>7 September 2001</td> </tr> </table>			7 September 2001	
7 September 2001					
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 statement of financial performance

	Current period \$A million	Previous corresponding period - \$A million
1.1 Sales Revenue	751.4	712.4
Cost of sales	(362.6)	(331.3)
Gross profit	388.8	381.1
1.2 Share of associates' "net loss attributable to members" (equal to item 16.7)	-	(18.7)
Other revenue from ordinary activities		
Proceeds from sale of non-current assets	22.0	9.3
Other	25.8	24.0
1.3 Other revenue	47.8	33.3
Book value of non-current assets sold	(22.1)	(9.4)
Write-down of exploration expenditure	-	(4.7)
Selling, general and administrative expenses	(21.7)	(17.5)
Borrowing costs	(33.5)	(39.5)
1.4 <b>Operating profit before abnormal items and tax</b>	<b>359.3</b>	<b>324.6</b>
1.5 Abnormal items before tax (detail in item 2.4)	-	-
1.6 Operating profit before tax (items 1.4 + 1.5)	359.3	324.6
1.7 Less tax	(107.8)	(117.6)
1.8 Operating profit after tax but before outside equity interests	251.5	207.0
1.9 Less outside equity interests	-	-
1.10 <b>Operating profit after tax attributable to members</b>	<b>251.5</b>	<b>207.0</b>
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 <b>Total operating profit and extraordinary items after tax (items 1.8 + 1.11)</b>	<b>251.5</b>	<b>207.0</b>
1.15 Operating profit and extraordinary items after tax attributable to outside equity interests (items 1.9 + 1.12)	-	-
1.16 <b>Operating profit and extraordinary items after tax attributable to members (items 1.10 + 1.13)</b>	<b>251.5</b>	<b>207.0</b>
1.17 Retained profits at beginning of financial period	738.1	495.2
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	-	-
1.19 Aggregate of amounts transferred from reserves	-	-
1.20 Total available for appropriation	989.6	702.2
1.21 Dividends provided for or paid	(92.9)	(91.0)
1.22 Aggregate of amounts transferred to reserves	-	-
1.23 <b>Retained profits at end of financial period</b>	<b>896.7</b>	<b>611.2</b>
1.16 <b>Operating profit and extraordinary items after tax attributable to members (items 1.10 + 1.13)</b>	<b>251.5</b>	<b>207.0</b>
Increase in foreign currency translation reserve on translation of self-sustaining foreign operations	1.1	0.6
<b>Total changes in equity from non-owner related transactions attributed to the shareholders' of Santos Ltd</b>	<b>252.6</b>	<b>207.6</b>

**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	256.0	211.5
1.25 Less outside equity interests	-	-
1.26 Operating profit after tax (before amortisation of goodwill) attributable to members	256.0	211.5

**Intangible, abnormal  
and extraordinary items**

	<i>Consolidated – current period</i>			
	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	-	-	-	-
<b>2.3 Total amortisation of intangibles</b>	4.5	-	-	4.5
2.4 Abnormal items	-	-	-	-
<b>2.5 Total abnormal items</b>	-	-	-	-
2.6 Extraordinary items	-	-	-	-
<b>2.7 Total extraordinary items</b>	-	-	-	-

**Comparison of half year profits**

*(Preliminary final report only)*

	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)	N/A	N/A
3.2 Consolidated operating profit after tax attributable to members for the 2nd half year	N/A	N/A

<b>Consolidated statement of financial position</b>		At end of current period \$A million	As shown in last annual report \$A million	As in last half yearly report \$A million
<b>Current assets</b>				
4.1	Cash	129.7	182.5	93.3
4.2	Receivables	229.4	234.7	212.7
4.3	Investments	-	-	-
4.4	Inventories	101.6	98.8	98.4
4.5	Other	25.7	20.8	-
4.6	<b>Total current assets</b>	<b>486.4</b>	<b>536.8</b>	<b>404.4</b>
<b>Non-current assets</b>				
4.7	Receivables	48.3	-	-
4.8	Investments in associates	-	-	295.7
4.9	Other investments	35.6	33.8	36.6
4.10	Inventories	-	-	-
4.11	Exploration and development expenditure capitalised in areas in the exploration and development stage	330.9	302.6	307.0
4.12	Exploration and development expenditure capitalised in areas in which production has commenced (net)	2,371.4	2,321.1	2,243.6
4.13	Land and buildings, plant and equipment (net)	1,392.4	1,344.0	1,267.7
4.14	Intangibles (net)	31.1	35.6	40.1
4.15	Other	93.0	85.9	84.6
4.16	<b>Total non-current assets</b>	<b>4,302.7</b>	<b>4,123.0</b>	<b>4,275.3</b>
4.17	<b>Total assets</b>	<b>4,789.1</b>	<b>4,659.8</b>	<b>4,679.7</b>
<b>Current liabilities</b>				
4.18	Accounts Payable	247.2	285.9	169.2
4.19	Borrowings	78.6	61.5	0.4
4.20	Provisions	205.5	416.5	240.4
4.21	Other	-	-	-
4.22	<b>Total current liabilities</b>	<b>531.3</b>	<b>763.9</b>	<b>410.0</b>
<b>Non-current liabilities</b>				
4.23	Accounts Payable	-	-	-
4.24	Borrowings	1,134.6	987.6	1,495.1
4.25	Provisions	632.7	597.4	600.7
4.26	Other	-	-	-
4.27	<b>Total non-current liabilities</b>	<b>1,767.3</b>	<b>1,585.0</b>	<b>2,095.8</b>
4.28	<b>Total liabilities</b>	<b>2,298.6</b>	<b>2,348.9</b>	<b>2,505.8</b>
4.29	<b>Net assets</b>	<b>2,490.5</b>	<b>2,310.9</b>	<b>2,173.9</b>
<b>Equity</b>				
4.30	Capital	1,592.5	1,572.6	1,563.2
4.31	Reserves	1.3	0.2	(0.5)
4.32	Retained profits	896.7	738.1	611.2
4.33	Equity attributable to members of the parent entity	2,490.5	2,310.9	2,173.9
4.34	Outside equity interests in controlled entities	-	-	-
4.35	<b>Total equity</b>	<b>2,490.5</b>	<b>2,310.9</b>	<b>2,173.9</b>
4.36	Preference capital included as part of 4.33	-	-	-

### 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	302.6	282.0
5.2 Expenditure incurred during current period:		
- exploration	27.8	9.9
- development	4.8	5.3
5.3 Expenditure written off during current period	-	(4.7)
5.4 Acquisitions, disposals, revaluation increments, etc.	-	14.5
5.5 Expenditure transferred to exploration and development in producing areas	(4.3)	-
5.6 <b>Closing balance as shown in the consolidated statement of financial position (item 4.11)</b>	<b>330.9</b>	<b>307.0</b>

### 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	2,321.1	2,076.0
6.2 Expenditure incurred during current period:		
- exploration	57.3	26.1
- development	107.0	73.5
6.3 Expenditure transferred from exploration and development in non-producing areas	4.3	-
6.4 Expenditure written off during current period	-	-
6.5 Acquisitions, disposals, revaluation increments, etc.	(14.7)	167.6
6.6 Expenditure transferred to land and buildings, plant and equipment	-	-
Depletion	(103.6)	(99.6)
6.7 <b>Closing balance as shown in the consolidated statement of financial position (item 4.12)</b>	<b>2,371.4</b>	<b>2,243.6</b>

**Consolidated statement of cash flows**

	Current period \$A million	Previous corresponding period - \$A million
<b>Cash flows related to operating activities</b>		
7.1 Receipts from customers	793.4	692.9
7.2 Payments to suppliers and employees	(225.4)	(122.8)
7.3 Dividends received from associates	-	-
7.4 Other dividends received	0.4	1.0
7.5 Interest and other items of similar nature received	5.5	3.2
7.6 Interest and other costs of finance paid	(45.5)	(49.1)
7.7 Income taxes paid	(221.6)	(50.2)
7.8 Other:		
- overriding royalties, pipeline tariffs and other receipts	24.8	5.9
- government royalties and petroleum resource rent tax paid	(75.0)	(40.6)
<b>7.9 Net operating cash flows</b>	<b>256.6</b>	<b>440.3</b>
<b>Cash flows related to investing activities</b>		
7.10 Payment for:		
- exploration	(74.5)	(40.8)
- development	(102.7)	(64.0)
- land and buildings, plant and equipment	(101.0)	(46.9)
- acquisition of oil and gas assets	(0.7)	(273.6)
- other investments	(1.6)	(1.1)
- restoration	-	(0.6)
7.11 Proceeds from sale of property, plant and equipment	22.0	10.8
7.12 Payment for purchases of equity investments	-	-
7.13 Proceeds from sale of equity investments	-	-
7.14 Loans to other entities	(48.3)	-
7.15 Loans repaid by other entities	-	-
7.16 Other	-	-
<b>7.17 Net investing cash flows</b>	<b>(306.8)</b>	<b>(416.2)</b>
<b>Cash flows related to financing activities</b>		
7.18 Proceeds from issues of securities (shares, options, etc.)	19.8	0.6
7.19 Proceeds from borrowings	129.9	60.1
7.20 Repayment of borrowings	-	-
7.21 Dividends paid	(153.1)	(91.0)
7.22 Other	-	-
<b>7.23 Net financing cash flows</b>	<b>(3.4)</b>	<b>(30.3)</b>
<b>7.24 Net increase (decrease) in cash held</b>	<b>(53.6)</b>	<b>(6.2)</b>
7.25 Cash at beginning of period	182.5	97.9
7.26 Exchange rate adjustments to item 7.25.	0.8	1.6
<b>7.27 Cash at end of period</b>	<b>129.7</b>	<b>93.3</b>

**Non-cash financing and investing activities**

None.

## 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	129.7	93.3
8.2	Deposits at call	-	-
8.3	Bank overdraft	-	-
8.4	Other	-	-
8.5	<b>Total cash at end of period (item 7.27)</b>	<b>129.7</b>	<b>93.3</b>

## Ratios

		Current period	Previous corresponding period
<b>Profit before abnormals and tax / sales</b>			
9.1	Consolidated operating profit before abnormal items and tax (item 1.4) as a percentage of sales revenue (item 1.1)	47.8%	45.6%
<b>Profit after tax / equity interests</b>			
9.2	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 4.33)	10.1%	9.5%

## Earnings per security (EPS)

		Current period	Previous corresponding period
10.1	Calculation of the following in accordance with <i>AASB 1027: Earnings per Share</i>		
	(a) Basic EPS	41.1¢	34.1¢
	(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	612,151,269	606,423,915

## 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	5.0	3.2
12.2 Interest revenue included in item 12.1 but not yet received	-	-
12.3 Interest expense included in item 1.4 (include all forms of interest, lease finance charges, etc.)	33.5	39.5
12.4 Interest costs excluded from item 12.3 and capitalised in asset values	8.1	6.0
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)	163.6	163.3

## Control gained over entities having material effect

13.1 Name of entity	N/A
	\$A million
13.2 Consolidated operating profit (loss) 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 (loss) 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 (or group of entities)	N/A
	\$A million
14.2 Consolidated operating profit (loss) and extraordinary items after tax of the entity (or group of entities) for the current period to the date of loss of control	N/A
14.3 Date to which the profit (loss) in item 14.2 has been calculated	N/A
14.4 Consolidated operating profit (loss) and extraordinary items after tax of the entity (or group of entities) while controlled during the whole of the previous corresponding period	N/A
14.5 Contribution to consolidated operating profit (loss) and extraordinary items from sale of interest leading to loss of control	N/A

## 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	28 September 2001
15.2	Record date to determine entitlements to the dividend (ie, on the basis of registrable transfers received by 5.00 pm if securities are not CHESS approved, or security holding balances established by 5.00 pm or such later time permitted by SCH Business Rules if securities are CHESS approved)	7 September 2001
15.3	If it is a final dividend, has it been declared?	N/A

## Amount per security

	Dividends	Amount per security	Franked amount per security at 30% tax	Franked amount per security at 34% tax	Amount per security of foreign source dividend
15.4	<b>Final dividend:</b> Current year	N/A	N/A	N/A	N/A
15.5	Previous year	N/A	N/A	N/A	N/A
15.6	<b>Interim dividend:</b> Current year	15.0¢	15.0¢	N/A	Nil
15.7	Previous year	15.0¢	N/A	15.0¢	Nil

## Total dividend per security (interim *plus* final)

	Current year	Previous year
15.8 Ordinary securities	N/A	N/A
15.9 Preference securities	N/A	N/A

## Half yearly report - interim dividend on all securities

	Current period \$A million	Previous corresponding period - \$A million
15.10 Ordinary securities	92.9	91.0
15.11 Preference securities	-	-
15.12 <b>Total</b>	<b>92.9</b>	<b>91.0</b>

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

N/A

Any other disclosures in relation to dividends

None.

**Details of aggregate share of profits (losses) of associate**

Entity's share of associate's	Current period \$A million	Previous corresponding period - \$A million
Operating profit before abnormal items and income tax	-	(1.3)
Abnormal item – write-down of coal assets	-	(23.4)
16.1 Operating profit after abnormal item and before income tax	-	(24.7)
16.2 Income tax benefit	-	6.0
16.3 Operating loss after income tax	-	(18.7)
16.4 Extraordinary items net of tax	-	-
16.5 Net loss	-	(18.7)
16.6 Outside equity interests	-	-
16.7 Net loss attributable to members	-	(18.7)

**Material interests in entities which are not controlled entities**

<i>Name of entity</i>	Percentage of ownership interest held at end of period or date of disposal		Contribution to operating profit (loss) and extraordinary items after tax (item 1.14)	
	Current Period	Previous corresponding period	Current period \$A million	Previous corresponding period - \$A million
17.1 <b>Equity accounted associate</b>				
QCT Resources Limited	-	36.4	-	(18.7)
17.2 Total			-	(18.7)
17.3 <b>Other material interests</b>	-	-	-	-
17.4 Total			-	(18.7)

## 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	613,066,203	612,999,303	N/A	N/A
Ordinary shares – Executive Share Plan	815,250	-	*	0.01
18.4 Changes during current period				
(a) Increases through issues	37,800	-	6.55	6.55
(b) Decreases through returns of capital, buybacks	-	-	N/A	N/A
(c) Converted from Santos Executive Share Plan	7,500	7,500	2.47	2.47
	4,000	4,000	2.48	2.48
	7,500	7,500	3.70	3.70
	4,000	4,000	3.72	3.72
(d) Quotation of employee Share Purchase Plan Shares	-	141,100	3.72	3.72
(e) Exercise of options (Santos Executive Share Option Plan)	1,100,000	1,100,000	6.32	6.32
	1,750,000	1,750,000	5.59	5.59
	100,000	100,000	4.84	4.84
	450,000	450,000	5.12	5.12
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)			<i>Exercise price (\$)</i>	<i>Expiry date</i>
	3,750,000	-	6.32	24/07/2002
	650,000	-	5.59	30/04/2003
	1,975,000	-	4.84	15/06/2003
	2,225,000	-	5.12	14/06/2004
	900,000	-	3.92	17/04/2005
	3,000,000	-	5.83	25/08/2010
	700,000	-	6.69	5/06/2006
18.8 Issued during current period	700,000	-	6.69	5/06/2006
18.9 Exercised during current period	1,100,000	-	6.32	24/07/2002
	1,750,000	-	5.59	30/04/2003
	100,000	-	4.84	15/06/2003
	450,000	-	5.12	14/06/2004
18.10 Expired during current period	50,000	-	5.12	14/06/2004
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

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 30% (previous corresponding period: 34%)

Tax effect of permanent differences which increase/(decrease) income tax expense:

Non-assessable items

Share of associated company's operating loss after tax

Net effect of permanent differences

Income tax expense adjusted for permanent differences

Restatement of net deferred income tax due to change in future income tax rates

Income tax attributable to operating profit after abnormal items

	Current period \$A million	Previous corresponding period - \$A million
	107.8	110.4
	-	3.8
	-	6.3
	-	10.1
	107.8	120.5
	-	(2.9)
	107.8	117.6

## 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)

During the first half of 2001 the Company entered into agreements with Natural Gas Australia Limited ("NGA") to enable it to obtain up to a 40% economic interest in the Evans Shoal gas field in the Timor Sea and to acquire all outstanding shares and options in NGA to be effected by schemes of arrangement. As at 30 June 2001 the Company has advanced NGA \$48.3 million (US\$25.0 million) pursuant to these agreements. These schemes of arrangement were approved and became effective subsequent to the end of the first half of 2001 and pursuant thereto 4,524,568 fully paid ordinary shares in the capital of the Company were issued on 31 July 2001. NGA is now a wholly owned subsidiary of the Company.

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

The consolidated entity has \$495.2 million (2000: \$249.4 million) of franking account credits at 30% (2000: 34%) available for future distribution, after adjusting for franking credits which will arise from the payment of the current income tax provision at 30 June 2001 and after deducting franking credits to be used in payment of the 2001 interim dividend.

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

None.

## 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 Act 2001 or other standards acceptable to ASX.

Identify other standards used

Nil

- 2 This report, and the accounts upon which the report is based (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 accounts to which one of the following applies.

The accounts have been audited.

The accounts have been subject to review.

The accounts are in the process of being audited or subject to review.

The accounts 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 Act 2001.

- 6 The entity has a formally constituted audit committee.

Sign here: .....

M G Roberts  
Company Secretary

Date: 22 August 2001

Phone: (08) 8218 5111