

SANTOS LTD

Appendix 4D

Half-Year Report under Listing Rule 4.2A

For the period ended 30 June 2007

ABN

80 007 550 923

Previous corresponding period

30 June 2006

2. Results for announcement to the market

			\$A million
Revenue from ordinary activities	Down	7.4%	to 1,231.4
Underlying profit after tax	Down	24.9%	to 305.2
Net profit for the period	Down	29.2%	to 261.6
Profit from ordinary activities after tax attributable to members	Down	29.0%	to 262.2
Net profit for the period attributable to members	Down	29.0%	to 262.2
Interim Dividends	Amount per security	Franked amount per security at 30% tax	
Ordinary securities	20.0¢	20.0¢	
Preference securities	\$2.8592	\$2.8592	
Record date for determining entitlements to the dividends	4 September 2007		
<i>Brief explanation of any of the figures disclosed above necessary to enable the figures to be understood:</i>			
Refer to attached media release for further commentary regarding the half-year 2007 result.			

This half-year report is to be read in conjunction with the June 2007 Half-year Financial Report.

3. NTA backing

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

4. Change in ownership of controlled entities

Control gained over entities having material effect

Name of entity	N/A	
	\$A million	
Date from which control was gained	N/A	
Where material to understanding of the report		
Consolidated profit / (loss) from ordinary activities after tax of the controlled entity since the date in the current period on which control was acquired	N/A	
Profit from ordinary activities after tax of the controlled entity for the whole of the previous corresponding period	N/A	

Loss of control of entities having material effect

Name of entity	N/A	
	\$A million	
Date from which control was lost	N/A	
Consolidated profit from ordinary activities after tax of the controlled entity for the current period to the date of loss of control	N/A	
Consolidated profit from ordinary after tax of the controlled entity while controlled during the whole of the previous corresponding period	N/A	

5. Dividends

Date the dividend is payable	2 October 2007
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	Current period \$A million	Previous corresponding period \$A million
Ordinary securities	115.4	119.2
Preference securities	17.2	15.2
Total	132.6	134.4

None of these dividends are foreign sourced.

6. Dividend Reinvestment Plans

The dividend or distribution plans shown below are in operation.

The Santos Dividend Reinvestment Plan is in operation. Shares are allocated at the daily weighted average market price of the Company's shares on the ASX over a period of 10 business days (as that term is defined for the purposes of the ASX Listing Rules) commencing on the business day after the Dividend Record Date and concluding on Wednesday 19 September 2007, excluding Friday 7 September 2007. The Board has determined that no discount will apply.

The last date for receipt of election notices for the dividend or distribution plans

4 September 2007

7. Details of associates and joint venture entities

Name of entity	Percentage of ownership interest held at end of period or date of disposal	
	Current period \$A million	Previous corresponding period \$A million
N/A	N/A	N/A

Santos Ltd

ABN 80 007 550 923

Santos

**SANTOS LTD
(INCORPORATED IN SOUTH AUSTRALIA ON 18 MARCH 1954)
AND CONTROLLED ENTITIES**

**HALF-YEAR CONDENSED FINANCIAL REPORT
30 JUNE 2007**

SANTOS LTD AND CONTROLLED ENTITIES

INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2007

	Note	CONSOLIDATED 30 June 2007			CONSOLIDATED 30 June 2006		
		Continuing \$million	Discontinued \$million	Total \$million	Continuing \$million	Discontinued \$million	Total \$million
Product sales	3	1,190.4	24.3	1,214.7	1,276.0	37.3	1,313.3
Cost of sales	4	(580.2)	(4.2)	(584.4)	(550.2)	(20.2)	(570.4)
Gross profit		610.2	20.1	630.3	725.8	17.1	742.9
Other revenue	3	16.7	-	16.7	16.3	-	16.3
Other income	3	58.7	(2.8)	55.9	1.4	0.7	2.1
Other expenses	4	(145.7)	(82.7)	(228.4)	(138.4)	(45.6)	(184.0)
Operating profit / (loss) before net financing costs		539.9	(65.4)	474.5	605.1	(27.8)	577.3
Financial income	6	2.8	0.6	3.4	3.7	0.1	3.8
Financial expenses	6	(63.1)	-	(63.1)	(60.4)	-	(60.4)
Net financing (costs) / income		(60.3)	0.6	(59.7)	(56.7)	0.1	(56.6)
Profit / (loss) before tax		479.6	(64.8)	414.8	548.4	(27.7)	520.7
Income tax expense		(152.6)	(0.6)	(153.2)	(151.2)	-	(151.2)
Net profit / (loss) for the period		327.0	(65.4)	261.6	397.2	(27.7)	369.5
Attributable to:							
Equity holders of Santos Ltd		327.6	(65.4)	262.2	397.2	(27.7)	369.5
Minority interest		(0.6)	-	(0.6)	-	-	-
		327.0	(65.4)	261.6	397.2	(27.7)	369.5
Earnings per share attributable to the ordinary equity holders of Santos Ltd (¢)							
Basic earnings per share		51.9		41.0	64.2		59.5
Diluted earnings per share		50.0		40.0	61.4		57.1
Dividends per share (\$)							
Ordinary shares	14			0.20			0.20
Redeemable preference shares	14			2.7272			2.5300

The income statement is to be read in conjunction with the notes to the half-year financial statements.

SANTOS LTD AND CONTROLLED ENTITIES

BALANCE SHEET

AS AT 30 JUNE 2007

		CONSOLIDATED	
		30 June 2007	31 December 2006
		\$million	\$million
	Note		
Current assets			
Cash and cash equivalents		154.5	158.7
Trade and other receivables		463.0	487.5
Inventories		196.1	167.4
Other current assets		32.6	36.1
		<hr/> 846.2	<hr/> 849.7
Assets classified as held for sale		136.3	210.8
		<hr/> 982.5	<hr/> 1,060.5
Total current assets			
Non-current assets			
Exploration and evaluation assets	8	296.5	360.3
Oil and gas assets	9	5,477.2	5,232.7
Other land, buildings, plant and equipment	10	131.2	117.2
Other investments		41.3	45.2
Receivables		24.2	-
Deferred tax assets		69.3	75.1
Other non-current assets		7.1	11.9
		<hr/> 6,046.8	<hr/> 5,842.4
Total non-current assets			
Total assets			
		<hr/> 7,029.3	<hr/> 6,902.9
Current liabilities			
Trade and other payables		745.1	441.8
Deferred income		7.7	6.4
Interest-bearing loans and borrowings		149.1	159.7
Current tax liabilities		67.2	213.5
Provisions		136.7	134.8
Other current liabilities		16.0	8.9
		<hr/> 1,121.8	<hr/> 965.1
Liabilities directly associated with assets classified as held for sale		31.5	16.8
		<hr/> 1,153.3	<hr/> 981.9
Total current liabilities			
Non-current liabilities			
Deferred income		8.3	11.3
Interest-bearing loans and borrowings		1,602.3	1,490.0
Deferred tax liabilities		541.4	517.5
Provisions		518.5	539.1
Other non-current liabilities		6.5	7.6
		<hr/> 2,677.0	<hr/> 2,565.5
Total non-current liabilities			
Total liabilities			
		<hr/> 3,830.3	<hr/> 3,547.4
Net assets			
		<hr/> 3,199.0	<hr/> 3,355.5
Equity			
Issued capital	12	2,212.6	2,254.4
Reserves	13	(216.1)	(200.3)
Retained earnings		1,203.1	1,301.4
		<hr/> 3,199.6	<hr/> 3,355.5
Equity attributable to equity holders of Santos Ltd		3,199.6	3,355.5
Equity attributable to minority interest		(0.6)	-
		<hr/> 3,199.0	<hr/> 3,355.5
Total equity			

The balance sheet is to be read in conjunction with the notes to the half-year financial statements.

SANTOS LTD AND CONTROLLED ENTITIES

CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2007

	CONSOLIDATED	
	30 June 2007 \$million	30 June 2006 \$million
Cash flows from operating activities		
Receipts from customers	1,283.7	1,382.8
Interest received	3.4	3.9
Overriding royalties received	7.5	7.6
Insurance proceeds received	13.1	95.4
Pipeline tariffs and other receipts/(payments)	15.5	(12.2)
Payments to suppliers and employees	(382.0)	(489.1)
Royalty, excise, PRRT and similar taxes payments	(44.0)	(75.2)
Borrowing costs paid	(55.9)	(57.6)
Income taxes paid	(303.5)	(212.7)
Net cash provided by operating activities	537.8	642.9
Cash flows from investing activities		
Payments for:		
Exploration and evaluation expenditure	(137.1)	(147.9)
Oil and gas assets expenditure	(410.2)	(259.2)
Other land, buildings, plant and equipment	(37.8)	(15.3)
Acquisitions of oil and gas assets	(27.7)	(71.5)
Acquisitions of controlled entities	(18.7)	-
Restoration expenditure	(18.2)	(5.2)
Other investing activities	(2.4)	(0.8)
Proceeds from disposal of available-for-sale investments	28.4	-
Proceeds from disposal of non-current assets	0.3	2.2
Net cash used in investing activities	(623.4)	(497.7)
Cash flows from financing activities		
Dividends paid	(108.6)	(118.6)
Proceeds from issues of ordinary shares	0.9	1.7
Off-market buy-back of ordinary shares	(0.3)	-
Repayments of borrowings	(863.5)	(125.9)
Drawdown of borrowings	1,049.0	120.4
Net cash provided by / (used in) financing activities	77.5	(122.4)
Net (decrease) / increase in cash and cash equivalents	(8.1)	22.8
Cash and cash equivalents at the beginning of the period	200.0	229.2
Cash held by controlled entity sold	(1.5)	-
Effects of exchange rate changes on the balances of cash held in foreign currencies	(11.8)	0.2
Cash and cash equivalents at the end of the period *	178.6	252.2

* Cash and cash equivalents at the end of the period includes cash balances attributable to discontinued operations of \$24.1 million.

The cash flow statement is to be read in conjunction with the notes to the half-year financial statements.

SANTOS LTD AND CONTROLLED ENTITIES
STATEMENT OF RECOGNISED INCOME AND EXPENSE
FOR THE SIX MONTHS ENDED 30 JUNE 2007

	CONSOLIDATED	
	30 June 2007 \$million	30 June 2006 \$million
Foreign exchange translation differences	(75.1)	8.4
Net gain on hedge of net investment in foreign subsidiaries	49.3	8.2
Change in fair value of equity securities available for sale, net of tax	18.7	0.5
Share-based payment transactions	1.6	0.7
Actuarial gain / (loss) on defined benefit plan, net of tax	5.8	(1.7)
Net income recognised directly in equity	0.3	16.1
Transfers (net of any related tax):		
Transfer to profit on sale of available-for-sale investments	(8.3)	-
Transfer to profit on disposal of foreign operation	(0.4)	-
Profit for the period	261.6	369.5
Total recognised income and expense for the period	253.2	385.6
Attributable to:		
Equity holders of Santos Ltd	253.8	385.6
Minority interest	(0.6)	-

Other movements in equity arising from transactions with owners as owners are set out in notes 12 and 14.

The statement of recognised income and expense is to be read in conjunction with the notes to the half-year financial statements.

SANTOS LTD AND CONTROLLED ENTITIES
NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2007

1. Corporate Information

Santos Ltd ("the Company") is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange ("ASX").

The financial report was authorised for issue in accordance with a resolution of the Directors on 23 August 2007.

2. Basis of Preparation and Accounting Policies

Basis of preparation

This general purpose condensed financial report for the half year ended 30 June 2007 has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

The half-year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

It is recommended that the half-year financial report be read in conjunction with the annual report for the year ended 31 December 2006 and considered together with any public announcements made by Santos Ltd during the half year ended 30 June 2007 in accordance with the continuous disclosure obligations of the *ASX listing rules*.

Apart from the changes in accounting policy noted below, the accounting policies and methods of computation are the same as those adopted in the most recent annual financial report.

Changes in Accounting Policy

Since 1 January 2007 the consolidated entity has adopted the following Standards and Interpretations, mandatory for annual periods beginning on or after 1 January 2007. Adoption of these Standards and Interpretations did not have any effect on the financial position or performance of the consolidated entity.

- AASB 7 *Financial Instruments: Disclosures*
- AASB 2005-10 *Amendments to Australian Accounting Standards (AASB 132, 101, 114, 117, 133, 139, 1, 4, 1023 and 1038)*
- Interpretation 8 *Scope of AASB 2 Share-based Payment*
- Interpretation 9 *Reassessment of Embedded Derivatives*
- Interpretation 10 *Interim Financial Reporting and Impairment*

The consolidated entity has also early adopted the amendments to Australian Accounting Standards as set out in AASB 2007-4 *Amendments to Australian Accounting Standards arising from ED 151 and Other Amendments [AASB 1, 2, 3, 4, 5, 6, 7, 102, 107, 108, 110, 112, 114, 116, 117, 118, 119, 120, 121, 127, 128, 129, 130, 131, 132, 133, 134, 136, 137, 138, 139, 141, 1023 & 1038]*.

SANTOS LTD AND CONTROLLED ENTITIES
NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2007

2. Basis of Preparation and Accounting Policies (continued)

Accounting for petroleum resource rent tax and similar taxes

As disclosed in the 31 December 2006 Annual Financial Report, there is currently uncertainty regarding the accounting treatment for petroleum resource rent tax ("PRRT") and similar taxes. The Company has continued to account for these taxes under the accruals basis described in the 2006 Annual Financial Report. However, some oil and gas industry participants are of the view that PRRT (and similar taxes) expense is more appropriately measured by applying AASB 112 *Income Taxes* and divergent practices on its reporting remain. In December 2006 the Australian Accounting Standards Board ("AASB") requested an Interpretations Advisory Panel consider whether Australian PRRT should or should not be accounted for as an income tax under AASB 112. The Company will continue to account for these taxes under the accruals basis unless the AASB formalises a definitive view that an alternative approach is more appropriate.

Had PRRT and similar taxes been accounted for as an income tax under AASB 112, a deferred tax liability would have been recognised for \$165.0 million (31 December 2006: deferred tax liability \$108.9 million). Profit before tax would have increased by \$10.1 million (30 June 2006: \$25.8 million), the income tax expense attributed to these taxes would have been \$75.5 million (30 June 2006: \$80.3 million expense), and profit after tax would have decreased by \$65.4 million (30 June 2006: \$54.5 million decrease).

SANTOS LTD AND CONTROLLED ENTITIES
NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2007

	CONSOLIDATED 30 June 2007			CONSOLIDATED 30 June 2006		
	Continuing \$million	Discontinued \$million	Total \$million	Continuing \$million	Discontinued \$million	Total \$million
3. Revenue and Other Income						
Product sales:						
Gas, ethane and liquefied gas	451.0	18.8	469.8	417.1	29.2	446.3
Crude oil	483.3	1.8	485.1	548.1	2.6	550.7
Condensate and naphtha	167.8	3.7	171.5	197.7	5.5	203.2
Liquefied petroleum gas	88.3	-	88.3	113.1	-	113.1
	1,190.4	24.3	1,214.7	1,276.0	37.3	1,313.3
Other revenue:						
Overriding royalties	6.9	-	6.9	7.3	-	7.3
Pipeline tariffs and tolls	3.1	-	3.1	1.3	-	1.3
Trading revenue	3.8	-	3.8	4.0	-	4.0
Other	2.9	-	2.9	3.7	-	3.7
	16.7	-	16.7	16.3	-	16.3
Total revenue	1,207.1	24.3	1,231.4	1,292.3	37.3	1,329.6
Other income:						
Insurance recovery	2.4	-	2.4	-	-	-
Net gain on redetermination of unitised field	44.3	-	44.3	-	-	-
Net gain on sale of available-for-sale investments	11.7	-	11.7	-	-	-
Net loss on sale of controlled entities *	-	(1.1)	(1.1)	-	-	-
Net gain / (loss) on sale of non-current assets	0.3	(1.7)	(1.4)	1.4	0.7	2.1
	58.7	(2.8)	55.9	1.4	0.7	2.1

* Includes impairment loss on remeasurement to fair value less costs to sell of \$1.5 million, net of \$0.4 million gain recycled into profit and loss on the reversal of associated amounts previously deferred in the foreign currency translation reserve.

SANTOS LTD AND CONTROLLED ENTITIES
NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2007

	CONSOLIDATED 30 June 2007			CONSOLIDATED 30 June 2006		
	Continuing \$million	Discontinued \$million	Total \$million	Continuing \$million	Discontinued \$million	Total \$million
4. Expenses						
Cost of sales:						
Cash cost of production						
Production costs:						
Production expenses	184.0	2.0	186.0	158.6	3.6	162.2
Production facilities operating leases	24.9	-	24.9	23.2	-	23.2
	<u>208.9</u>	<u>2.0</u>	<u>210.9</u>	<u>181.8</u>	<u>3.6</u>	<u>185.4</u>
Other operating costs:						
Pipeline tariffs and tolls	26.5	-	26.5	23.7	-	23.7
Royalty and excise	34.0	2.2	36.2	41.5	2.5	44.0
PRRT and similar taxes	10.1	-	10.1	25.8	-	25.8
	<u>70.6</u>	<u>2.2</u>	<u>72.8</u>	<u>91.0</u>	<u>2.5</u>	<u>93.5</u>
	<u>279.5</u>	<u>4.2</u>	<u>283.7</u>	<u>272.8</u>	<u>6.1</u>	<u>278.9</u>
Depreciation and depletion	313.4	-	313.4	256.5	14.1	270.6
Third party gas purchases	6.4	-	6.4	41.5	-	41.5
Increase in product stock	(19.1)	-	(19.1)	(20.6)	-	(20.6)
Total cost of sales	<u>580.2</u>	<u>4.2</u>	<u>584.4</u>	<u>550.2</u>	<u>20.2</u>	<u>570.4</u>
Other expenses:						
Selling, general and administrative:						
Expenses	37.2	9.6	46.8	22.4	2.8	25.2
Depreciation	0.3	-	0.3	0.7	0.6	1.3
	<u>37.5</u>	<u>9.6</u>	<u>47.1</u>	<u>23.1</u>	<u>3.4</u>	<u>26.5</u>
Foreign exchange losses / (gains)	10.4	-	10.4	(0.2)	-	(0.2)
Change in fair value of financial assets designated at fair value through profit or loss	(3.1)	-	(3.1)	-	-	-
Hedge ineffectiveness gains	(0.2)	-	(0.2)	(0.4)	-	(0.4)
Exploration and evaluation expensed	101.1	-	101.1	94.9	37.1	132.0
Net impairment loss on oil and gas assets	-	73.1	73.1	21.0	5.1	26.1
	<u>145.7</u>	<u>82.7</u>	<u>228.4</u>	<u>138.4</u>	<u>45.6</u>	<u>184.0</u>

SANTOS LTD AND CONTROLLED ENTITIES
NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2007

	CONSOLIDATED	
	30 June 2007 \$million	30 June 2006 \$million
4. Expenses (continued)		
Amounts that are unusual because of their nature, size, or incidence:		
Other expenses:		
Net impairment loss on remeasurement of oil and gas assets to fair value less costs to sell (refer notes 7 and 11)	74.6	-
Exploration and evaluation expensed – includes amounts provided for potential remediation and related costs of the Sidoarjo Mudflow incident	-	24.3
	-	24.3

Sidoarjo Mudflow Incident

The Company, through its subsidiary Santos Brantas Pty Ltd (“STOB”), has a non-operated 18% interest in the Brantas Production Sharing Contract (“PSC”), which is operated by 50% participant PT Lapindo Brantas Inc (“Lapindo”). The other party (32%) to the PSC is an Indonesian company, PT Medco E&P Brantas (“Medco”).

The Banjar Panji-1 onshore exploration well is located near Sidoarjo, Surabaya, East Java, within the area of the Brantas PSC. In late May 2006 non-toxic mud started flowing to the surface through vents about 200 metres from the drill hole. The cause of the incident is yet to be determined and is the subject of an Indonesian police investigation. Mud and water however continue to flow from the vents, affecting the site of the drilling operations as well as approximately 600 hectares of land and a number of villages in the area.

The flow of mud and water has resulted in significant property damage, the interruption of local infrastructure and the need to relocate a significant number of local villagers.

Since the release of Santos’ 2006 Annual Report, there have been a number of developments including:

- The Indonesian President has issued a Presidential Regulation (No. 14 of 2007). This Regulation, amongst other things:
 - Establishes the Sidoarjo Mud Mitigation Agency (superseding the National Mitigation Team previously appointed on 8 September 2006) which covers a range of matters including, to handle and take corrective measures for mud blowout mitigation, mud overflow, social issues and infrastructure issues arising from the incident;
 - Requires that the operator of the PSC (Lapindo) to fund the purchase of land and buildings of affected community members within a defined area, and the cost of mud blowout mitigation efforts, including the handling and operation of main dams until the Porong river; and
 - States that the costs of handling infrastructure issues (including the infrastructure for mud overflow handling) are to be borne by and for the Annual State Budget and Expenditures or such other legal fund sources.

SANTOS LTD AND CONTROLLED ENTITIES
NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2007

4. Expenses (continued)

- STOB has been named as one of a number of defendants (including Lapindo and relevant Government authorities) in a legal proceeding commenced in Indonesia by Wahana Lingkungan Hidup Indonesia ("WALHI") which seeks orders that the defendants, amongst other things: have committed a tort; apply all their available resources to stop the mud eruption; repair public and social facilities and infrastructure; address environmental damage; and are responsible for the environmental damage. STOB is vigorously defending that proceeding.
- Medco had alleged that Lapindo acted negligently in relation to the operation of the Banjar Panji-1 well. STOB is aware that Medco had commenced arbitration under the Operating Agreement, but understands that the arbitration has recently ceased. STOB was not a party to the arbitration and has reserved all rights in relation to the incident and its management.

Efforts to contain and manage the mud flow are continuing and according to Lapindo the development of plans for the establishment of long term environmentally sustainable solutions concerning mud disposal of the affected areas are currently underway. STOB remains committed to supporting Lapindo and the Sidoarjo Mud Mitigation Agency in their efforts to manage the incident and assist the community.

STOB has not admitted any liability in relation to the incident under the PSC, the Operating Agreement or at all. However, STOB has continued to pay cash called by Lapindo in relation to PSC operations (subject to a full reservation of its legal rights), of approximately US\$20 million since the date of the incident to 30 June 2007.

The Company regularly reviews the circumstances surrounding the incident and considers the potential impact of changing circumstances on its provision for future costs relating to the incident.

At 30 June 2007, the Board has considered all of the information available to it and, whilst not admitting that the Company has any liability in relation to the incident, concluded that the provision for future costs should not be increased. This provision, which is the Board's prudent estimate of the costs that may arise relating to the incident, continues to reflect an assumption (based upon an assessment of information currently available, including those matters confirmed by Presidential Regulation 14 of 2007) that a resolution will ultimately be agreed between the Government, Lapindo, the non-operating PSC parties (STOB and Medco) and all other relevant parties as to the costs related to long-term mud management options, proposed costs of infrastructure relocation and any third party claims. With the mud flow continuing, the complexity of the incident and the dynamic nature of the ongoing work, there remains uncertainty surrounding these issues. The resolution of these uncertainties may ultimately be on a different basis from presently assumed which could result in the costs borne by STOB being significantly different to the current estimate.

The Company's accounting policy in respect of insurance claims is to recognise insurance proceeds only when the insurers have granted indemnity or there is a high probability that indemnity will be granted. In accordance with this policy, the Company recognised an amount of A\$21.8 million as insurance proceeds at 31 December 2006. The insurance proceeds included STOB's share of the US\$25.0 million well control insurance held by the Joint Venture, and amounts related to the Company's own well control insurance. The Company continues to work with its insurers in progressing its insurance claims.

SANTOS LTD AND CONTROLLED ENTITIES
NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2007

	CONSOLIDATED 30 June 2007			CONSOLIDATED 30 June 2006		
	Continuing \$million	Discontinued \$million	Total \$million	Continuing \$million	Discontinued \$million	Total \$million
5. Earnings						
Earnings before interest, tax, depreciation, depletion, exploration and impairment ("EBITDAX") is calculated as follows:						
Profit / (loss) before tax	479.6	(64.8)	414.8	548.4	(27.7)	520.7
Add back:						
Net financing costs	60.3	(0.6)	59.7	56.7	(0.1)	56.6
Earnings before interest and tax ("EBIT")	539.9	(65.4)	474.5	605.1	(27.8)	577.3
Add back:						
Depreciation and depletion	313.7	-	313.7	257.2	14.7	271.9
Exploration and evaluation expensed	101.1	-	101.1	94.9	37.1	132.0
Impairment loss on remeasurement to fair value less costs to sell of Burro Pipeline Inc	-	1.5	1.5	-	-	-
Net impairment loss on oil and gas assets	-	73.1	73.1	21.0	5.1	26.1
EBITDAX	954.7	9.2	963.9	978.2	29.1	1,007.3
6. Net Financing Costs						
Interest income	(2.8)	(0.6)	(3.4)	(3.7)	(0.1)	(3.8)
Interest paid to third parties	53.6	-	53.6	57.6	-	57.6
Less borrowing costs capitalised	(5.5)	-	(5.5)	(9.2)	-	(9.2)
	48.1	-	48.1	48.4	-	48.4
Unwind of the effect of discounting provisions	12.2	-	12.2	9.8	-	9.8
Interest expense on defined benefit obligation	2.8	-	2.8	2.2	-	2.2
Financial expenses	63.1	-	63.1	60.4	-	60.4
Net financing costs / (income)	60.3	(0.6)	59.7	56.7	(0.1)	56.6

SANTOS LTD AND CONTROLLED ENTITIES
NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2007

7. Discontinued Operations

On 5 December 2006, the Company announced that a decision had been made to sell all of its exploration and production activities in the United States, part of the international reporting segment. The disposal of Burro Pipeline Inc was completed on 17 April 2007. On 16 July 2007 it was announced that conditional agreements had been entered for the sale of the remainder of the United States assets for US\$70.0 million (A\$82.7 million).

For the six months ended 30 June 2007, the discontinued operations reported a net loss of \$65.4 million, and capital expenditure was \$15.7 million.

8. Exploration and Evaluation Assets

	CONSOLIDATED	
	Six months ended 30 June 2007 \$million	Twelve months ended 31 December 2006 \$million
Balance at the beginning of the period	360.3	339.1
Acquisitions of controlled entities	37.4	10.3
Acquisitions of exploration and evaluation assets	4.3	46.2
Additions	130.2	230.4
Exploration and evaluation expensed	(96.0)	(97.2)
Net impairment losses	-	(13.8)
Transfer to oil and gas assets	(129.0)	(114.9)
Assets included in discontinued operations	-	(21.1)
Foreign currency translation	(10.7)	(18.7)
Balance at the end of the period	296.5	360.3

9. Oil and Gas Assets

Assets in Development

Balance at the beginning of the period	207.5	473.1
Additions	53.4	60.9
Transfer from exploration and evaluation assets	92.1	109.4
Transfer to producing assets	-	(420.8)
Exploration and evaluation expensed	-	(9.7)
Foreign currency translation	(11.8)	(5.4)
Balance at the end of the period	341.2	207.5

Producing Assets

Balance at the beginning of the period	5,025.2	4,319.4
Acquisitions of controlled entities	1.2	-
Acquisitions of oil and gas assets	17.8	84.5
Additions	409.5	1,326.5
Transfer from assets in development	-	420.8
Transfer from exploration and evaluation assets	36.9	5.5
Disposals	-	(18.4)
Depreciation and depletion expense	(306.7)	(676.8)
Exploration and evaluation expensed	(5.1)	(240.5)
Net impairment losses	-	(16.3)
Assets included in discontinued operations	-	(121.7)
Foreign currency translation	(42.8)	(57.8)
Balance at the end of the period	5,136.0	5,025.2
Total oil and gas assets	5,477.2	5,232.7

SANTOS LTD AND CONTROLLED ENTITIES
NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2007

	CONSOLIDATED	
	Six months ended 30 June 2007 \$million	Twelve months ended 31 December 2006 \$million
9. Oil and Gas Assets (continued)		
Total oil and gas assets comprises:		
Exploration and evaluation expenditure pending commercialisation	61.2	57.9
Other capitalised expenditure	5,416.0	5,174.8
	<u>5,477.2</u>	<u>5,232.7</u>

10. Other Land, Buildings, Plant and Equipment

Balance at the beginning of the period	117.2	73.5
Acquisitions of controlled entities	-	0.1
Additions	21.0	59.1
Disposals	-	(0.1)
Depreciation	(7.0)	(15.4)
Balance at the end of the period	<u>131.2</u>	<u>117.2</u>

11. Impairment of Cash-Generating Units

The USA cash-generating unit (discontinued operation) is required to be measured at the lower of its carrying amount and fair value less costs to sell, and based on the expected sale proceeds of US\$70.0 million, an impairment loss of A\$74.6 million was recognised.

12. Issued Capital

	Six months ended 30 June 2007 Number of Shares	Twelve months ended 31 December 2006	Six months ended 30 June 2007 \$million	Twelve months ended 31 December 2006 \$million
Movement in fully paid ordinary shares				
Balance at the beginning of the period	598,524,106	594,301,771	1,670.0	1,627.6
Santos Employee Share Acquisition Plan	-	114,356	-	1.2
Santos Employee Share Purchase Plan	-	62,900	-	0.6
Shares issued on exercise of options	150,000	586,702	0.9	3.9
Shares issued on exercise of Share Acquisition Rights	-	127,850	-	-
Dividend Reinvestment Plan	2,891,108	3,330,527	27.5	36.7
Off-market buy-back	(24,671,275)	-	(70.2)	-
Balance at the end of the period	<u>576,893,939</u>	<u>598,524,106</u>	<u>1,628.2</u>	<u>1,670.0</u>
Preference shares				
Redeemable convertible preference shares	6,000,000	6,000,000	584.4	584.4
			<u>2,212.6</u>	<u>2,254.4</u>

SANTOS LTD AND CONTROLLED ENTITIES
NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2007

12. Issued Capital (continued)

Off-market buy-back

On 30 June 2007, the Company bought back 24,671,275 fully paid ordinary shares, representing 4.10% of fully paid ordinary shares on issue at that date, at a price of \$12.16 per share. \$70.2 million was debited against the Company's capital account (including \$1.4 million transaction costs, net of tax) and \$231.2 million was debited against retained earnings.

13. Reserves

	CONSOLIDATED	
	30 June 2007 \$million	31 December 2006 \$million
Reserves attributable to:		
Continuing operations	(239.0)	(227.7)
Discontinued operations	22.9	27.4
	(216.1)	(200.3)

14. Dividends

	Dollars Per Share	Total \$million	Franked/ Unfranked	Payment Date
Dividends recognised in the current period by the Company are:				
2007				
Final 2006 redeemable preference	\$2.7272	16.4	Franked	2 Apr 2007
Final 2006 ordinary	\$0.20	119.7	Franked	2 Apr 2007
		136.1		
2006				
Final 2005 redeemable preference	\$2.5300	15.2	Franked	31 Mar 2006
Final 2005 ordinary	\$0.20	118.9	Franked	31 Mar 2006
		134.1		

Franked dividends paid during the period were franked at the tax rate of 30%.

After the balance sheet date the following dividends were proposed by the Directors. The dividends have not been provided for and there are no income tax consequences.

Interim 2007 redeemable preference	\$2.8592	17.2	Franked	2 Oct 2007
Interim 2007 ordinary	\$0.20	115.4	Franked	2 Oct 2007
		132.6		

The financial effect of these dividends have not been brought to account in the financial statements for the six months ended 30 June 2007 and will be recognised in subsequent financial reports.

SANTOS LTD AND CONTROLLED ENTITIES
NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2007

15. Segment Information

The primary reporting format for the consolidated entity is geographic segments.

Geographic Segments

The consolidated entity operates primarily in Australia but also has international operations in the United States (discontinued operation), Indonesia, Papua New Guinea, Vietnam, Kyrgyz Republic, Egypt and India.

The following table presents revenue and profit information for geographic segments for the half years ended 30 June 2007 and 30 June 2006.

	Continuing		Discontinued		Total
	Australia \$million	International \$million	Total \$million	USA \$million	\$million
Half year ended 30 June 2007					
Revenue					
Total segment revenue	1,163.6	43.2	1,206.8	24.3	1,231.1
Other unallocated revenue			0.3	-	0.3
Total revenue			<u>1,207.1</u>	<u>24.3</u>	<u>1,231.4</u>
Results					
Segment results	618.5	(46.6)	571.9	(65.4)	506.5
Unallocated corporate expenses			(32.0)	-	(32.0)
Earning before interest and tax ("EBIT")			539.9	(65.4)	474.5
Net financing (costs) / income			(60.3)	0.6	(59.7)
Profit / (loss) before tax			479.6	(64.8)	414.8
Income tax expense			(152.6)	(0.6)	(153.2)
Net profit / (loss) for the period			<u>327.0</u>	<u>(65.4)</u>	<u>261.6</u>
Half year ended 30 June 2006					
Revenue					
Total segment revenue	1,266.6	25.3	1,291.9	37.3	1,329.2
Other unallocated revenue			0.4	-	0.4
Total revenue			<u>1,292.3</u>	<u>37.3</u>	<u>1,329.6</u>
Results					
Segment results	682.7	(56.4)	626.3	(27.8)	598.5
Unallocated corporate expenses			(21.2)	-	(21.2)
Earning before interest and tax ("EBIT")			605.1	(27.8)	577.3
Net financing (costs) / income			(56.7)	0.1	(56.6)
Profit / (loss) before tax			548.4	(27.7)	520.7
Income tax expense			(151.2)	-	(151.2)
Net profit / (loss) for the period			<u>397.2</u>	<u>(27.7)</u>	<u>369.5</u>

SANTOS LTD AND CONTROLLED ENTITIES
NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2007

16. Acquisition / Disposal of Controlled Entities

Acquisitions of controlled entities

The following controlled entities were acquired during the six months ended 30 June 2007 and their operating results have been included in the income statement from the dates of acquisition:

Name of entity	Date of acquisition	Beneficial interest acquired %	Purchase consideration \$million	Contribution to consolidated profit since acquisition \$million
Petroleum Ventures B.V.	22 January 2007	100	14.1	(12.2)
Gidgealpa Oil Pty Ltd	7 June 2007	100	1.7	-
Bronco Energy Pty Ltd	25 June 2007	100	10.9	-

Petroleum Ventures B.V. holds a 37.5% interest in Block 12 Production Sharing Contract, covering approximately 5,160 square kilometres in the Nam Con Son Basin, offshore southern Vietnam. Santos acquired the share capital in Petroleum Ventures B.V. following the completion of a farm in agreement to fund a proportion of the costs of a two-well drilling program in 2006, and the receipt of necessary approvals from the Government of the Socialist Republic of Vietnam.

Gidgealpa Oil Pty Ltd holds a 4.9% interest in ATP 269P Cooloom Block located in South West Queensland and is engaged in the exploration and production of oil. Oil sales generated operating revenue of \$0.1 million for the six months to 30 June 2007.

Bronco Energy Pty Ltd holds interests in coal seam gas assets located in permits ATP 613P, ATP 735P, ATP 803P and ATP 804P in Eastern Queensland. The assets are not currently producing and the company has no operating revenue. The purchase price includes a performance payment of \$3.0 million payable upon the existence of 2P reserves in the Permit Area such that Bronco Energy Pty Ltd's share of production of those reserves would be 100PJ, and a second performance payment of \$5.0 million when Bronco Energy Pty Ltd's share of production of those 2P reserves would be 200PJ.

If the acquisitions had occurred on 1 January 2007, there would have been no material change to the consolidated entity's revenue or net profit.

The acquisitions had the following effect on the consolidated entity's assets and liabilities.

	Carrying amounts \$million	Fair value adjustments \$million	Recognised values \$million
Exploration and evaluation assets	-	37.4	37.4
Oil and gas assets	-	1.2	1.2
Deferred tax liability	-	(11.9)	(11.9)
Net identifiable assets and liabilities	-	26.7	26.7
Total consideration			26.7
Deferred consideration			(8.0)
Net cash outflow			18.7

Disposals of controlled entities

During the six months ended 30 June 2007, the consolidated entity disposed of Burro Pipeline Inc, and 50% shareholding in Fairview Power Pty Ltd.

SANTOS LTD AND CONTROLLED ENTITIES
NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2007

17. Commitments

There has been no material change to the commitments disclosed in the most recent annual financial report, other than new capital commitments of \$193.4 million for the use of four offshore drilling rigs during 2007/2008.

18. Contingent Liabilities

There has been no material change to the aggregate of contingent liabilities since the last annual reporting date.

Sidoarjo Mudflow Incident

While the Board has made provision in relation to this incident, the provision reflects an assumption (based on an assessment of information currently available) that a resolution will ultimately be agreed between the Government of Indonesia, Lapindo Brantas Inc, the non-operating PSC parties (of which Santos Brantas Pty Ltd ("STOB") is one) and all other relevant parties as to the costs related to long-term mud management options, proposed costs of infrastructure relocation and any third party claims. With the mud flow continuing, the complexity of the incident and the dynamic nature of the ongoing work, there remains uncertainty surrounding these issues. Should the resolution of the uncertainties be on a different basis than presently assumed, the ultimate costs to be borne by STOB may be significantly different than the current estimates.

Details of the Sidoarjo Mudflow incident are further disclosed in note 4.

19. Post Balance Date Events

The following events occurred subsequent to 30 June 2007, the financial effects of which have not been brought to account in the half-year financial statements for the six months ended 30 June 2007:

- (a) Santos Finance Ltd, a subsidiary of Santos Ltd, has issued US\$500.0 million of Guaranteed Senior Notes to selected institutional investors in the United States on 2 August 2007. The Notes are guaranteed by Santos Ltd.
- (b) On 16 July 2007 it was announced that Santos has entered into conditional agreements to sell its exploration and production interests in the United States to North America Holdings Corp. and IPR Lay Creek, LLC for a collective US\$70.0 million (A\$82.7 million) (as at 1 April 2007), with Santos retaining a 17.5% net profit interest in three proposed exploration wells.

**Directors' Declaration
for the half-year ended 30 June 2007**

In accordance with a resolution of the Directors of Santos Ltd, we state that:

In the opinion of the Directors of Santos Ltd:

1. the financial statements and notes of the consolidated entity are in accordance with the *Corporations Act 2001*, including:
 - (a) give a true and fair view of the financial position as at 30 June 2007 and the performance for the half-year ended on that date of the consolidated entity; and
 - (b) comply with Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and
2. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Dated this 23rd day of August 2007.

On behalf of the Board

Director

Adelaide, South Australia

Director

INDEPENDENT REVIEW REPORT TO THE MEMBERS OF SANTOS LTD

Report on the Half-Year Condensed Financial Report

We have reviewed the accompanying 30 June 2007 financial report of Santos Ltd and the entities it controlled during the period, which comprises the balance sheet as at 30 June 2007, and the income statement, cash flow statement and statement of recognised income and expense for the period ended on that date, other selected explanatory notes and the directors' declaration.

Directors' Responsibility for the 30 June 2007 Financial Report

The directors of the company are responsible for the preparation and fair presentation of the 30 June 2007 financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the 30 June 2007 financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express a conclusion on the 30 June 2007 financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 30 June 2007 and its performance for the period ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001* and other mandatory financial reporting requirements in Australia. As the auditor of Santos Ltd and the entities it controlled during the period, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a 30 June 2007 financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the financial report. The Auditor's Independence Declaration would have been expressed in the same terms if it had been given to the directors at the date this auditor's report was signed.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of Santos Ltd and the entities it controlled during the period, is not in accordance with:

- (a) the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2007 and of its performance for the six months ended on that date; and
 - (ii) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*; and
- (b) other mandatory financial reporting requirements in Australia.

Ernst & Young

R J Curtin
Partner
Adelaide, South Australia
23 August 2007

DIRECTORS' STATUTORY REPORT

The Directors present their report together with the financial report of the consolidated entity, being Santos Ltd (**Company**) and its controlled entities, for the half-year ended 30 June 2007 and the auditors' review report thereon.

1. Review and Results of Operations

A review of the operations and of the results of those operations of the consolidated entity during the half-year is as follows:

Production and Sales

Total production volume for the first half of 2007 of 30.1 million barrels of oil equivalent ("boe") was 1.4 million boe (4.9%) higher than the first half of 2006. The higher production volume was principally attributable to a full six months of gas production from the Casino and Maleo fields, increased production capacity of Coal Seam Gas from the Fairview field and higher customer demand for gas in Eastern Queensland and Northern Territory. These increases were partially offset by natural field decline in the Cooper Basin and the USA.

Total sales volume for the first half of 2007 of 29.9 million boe was 0.2 million boe (0.7%) lower than the first half of 2006. Sales volumes decreased due to lower third party gas sales and the timing of crude liftings.

In US dollar terms, the average oil price realised by the Company of US\$68.19 per barrel was 0.4% lower than the first half of 2006, and the average US dollar condensate price of US\$65.46 per barrel was 4.2% higher. The Australian dollar appreciated against the US dollar in the first half of 2007 (average 0.8189) as compared to first half of 2006 (average 0.7459). In Australian dollar terms, the average oil price realised by the Company of A\$83.27 per barrel was 9.2% lower than in the first half of 2006 and the average condensate price of A\$79.94 per barrel was 5.1% lower. The LPG price was 2.1% lower, and the average gas, ethane and LNG price of \$A3.84 per GJ was 2.9% higher.

Product sales revenue for the first half of 2007 decreased by 7.5% to \$1,214.7 million, reflecting the lower sales volumes and lower average realised prices.

Unusual Items

The results for the first half of 2007 include the following unusual items:

- (i) an impairment write-down of \$74.6 million (\$74.6 million post tax) in relation to the sale of Santos' USA business activities is included in the loss from discontinued operation; and
- (ii) a gain arising from the redetermination of participating interests in the Bayu-Undan unitised field of \$44.3 million (\$31.0 million after tax) is included in other income.

Net Profit and Earnings Per Share

The 2007 first half net profit of \$261.6 million is \$107.9 million lower than in 2006 and includes the unusual items net loss before tax of \$35.5 million (after tax \$43.6 million), referred to above.

Net profit attributable to equity holders of Santos Ltd is \$262.2 million. Basic earnings per share was 41.0 cents, compared with the corresponding result of 59.5 cents in 2006.

Equity attributable to equity holders of Santos Ltd / Dividends and Share Buy-Back

Equity attributable to equity holders of Santos Ltd at 30 June 2007 was \$3,199.6 million.

On 23 August 2007, Directors resolved:-

- (i) that a fully franked interim dividend of 20 cents per fully paid ordinary share be paid on 2 October 2007 to shareholders registered in the books of the Company at the close of business on 4 September 2007; and
- (ii) that in accordance with the Terms of Issue, a fully franked dividend of \$2.8592 per Franked Unsecured Equity Listed Securities be declared and paid on 2 October 2007 to holders registered in the books of the Company at the close of business on 4 September 2007.

The 2007 interim dividend of 20 cents per fully paid ordinary share compares with the 2006 interim dividend of 20 cents per share, fully franked.

The Company completed a \$300.0 million off-market buy-back of ordinary shares on 30 June 2007 pursuant to which the Company bought back 24,671,275 ordinary shares (representing 4.1% of issued ordinary capital) at a price of \$12.16 per share, representing a 14 per cent discount to the Market Value (as defined in the Buy-Back Booklet). For shareholders who successfully tendered

their shares, \$9.37 of the buy-back price will be treated for Australian tax purposes as a fully franked dividend.

Cash Flow

The net cash inflow from operating activities of \$537.8 million was 16.4% lower than the first half of 2006. The lower operating cash flow is principally attributable to lower receipts from customers due to lower realised sales prices and higher income tax paid.

Net Debt / Leverage Ratio

Net debt stood at \$1,572.8 million at 30 June 2007, which was \$123.1 million higher than at the beginning of the year principally to fund the shortfall between cash generated by operations and the cash used in exploration and development activities, net of acquisitions and the payment of dividends.

At 30 June 2007, the gearing ratio (net debt/net debt + equity) was 33.0% compared to 30.2% at the beginning of 2007.

Exploration and Evaluation

Expenditure on exploration and evaluation in the first half of 2007 was \$131.4 million, compared with \$168.6 million for the corresponding period in 2006.

During the first half of 2007, five wildcat exploration wells were drilled and of these two were still in progress and three were plugged and abandoned.

A further 33 evaluation wells were spudded during the first half of 2007 of which 21 were successful and 12 were plugged and abandoned.

Oil and Gas Asset Expenditure

Expenditure on development, including plant and equipment and development wells, in the first half of 2007 was \$496.8 million, compared with \$328.6 million for the corresponding period in 2006. The first half of 2007 development programme included expenditure on the Cooper Oil Project, the Fairview Expansion Project together with the Oyong, Kipper, Henry and PNG LNG development projects .

Business Development

During the first half of 2007 the Company acquired 100% interests in Petroleum Ventures B.V., Gidgealpa Oil Pty Ltd and Bronco Energy Pty Ltd.

Post Balance Day Event

The following events occurred subsequent to 30 June 2007, the financial effects of which have not been brought to account in the half-year financial statements for the six months ended 30 June 2007:

- (a) Santos Finance Ltd, a subsidiary of Santos Ltd, has issued US\$500.0 million of Guaranteed Senior Notes to selected institutional investors in the United States on 2 August 2007. The Notes are guaranteed by Santos Ltd.
- (b) On 16 July 2007 it was announced that Santos has entered into conditional agreements to sell its exploration and production interests in the United States to North America Holdings Corp. and IPR Lay Creek, LLC for a collective US\$70.0 million (A\$82.7 million) (as at 1 April 2007), with Santos retaining a 17.5% net profit interest in three proposed exploration wells.

2. Directors

The names of Directors of the Company in office during or since the end of the half year are:-

Surname	Other Names	
Borda	Kenneth Charles	Appointed 14 February 2007
Dean	Kenneth Alfred	
Ellice-Flint	John Charles (Managing Director)	
Franklin	Roy Alexander	
Gerlach	Stephen (Chairman)	
Harding	Richard Michael	
Sloan	Judith	

Each of the above named Directors held office during and since the end of the half year, except for Mr KC Borda who was appointed a Director of the Company on 14 February 2007.

3. Rounding

Australian Securities and Investments Commission Class Order 98/100, dated 10 July 1998, applies to the Company and accordingly amounts have been rounded off in accordance with that Class Order, unless otherwise indicated.

4. Auditor's Independence Declaration

A copy of the auditor's independence declaration as required by section 307C of the *Corporations Act 2001* is set out on the following page and forms part of this report.

This report is made out on 23 August 2007 in accordance with a resolution of the Directors.

Director

Director

23 August 2007

Auditor's Independence Declaration to the Directors of Santos Limited

In relation to our review of the financial report of Santos Limited for the half-year ended 30 June 2007, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

Ernst & Young

R J Curtin
Partner
Adelaide, South Australia
23 August 2007