



# 2007 Interim Results

John Ellice-Flint - Chief Executive Officer  
Peter Wasow - Chief Financial Officer

23 August 2007

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1.

## Webcast Agenda

John Ellice-Flint  
CEO & Managing Director

### ▶ Operational and financial highlights

Financial performance

Strategic value drivers and outlook

Cooper Basin oil

Eastern Australian gas

Western Australian oil and gas

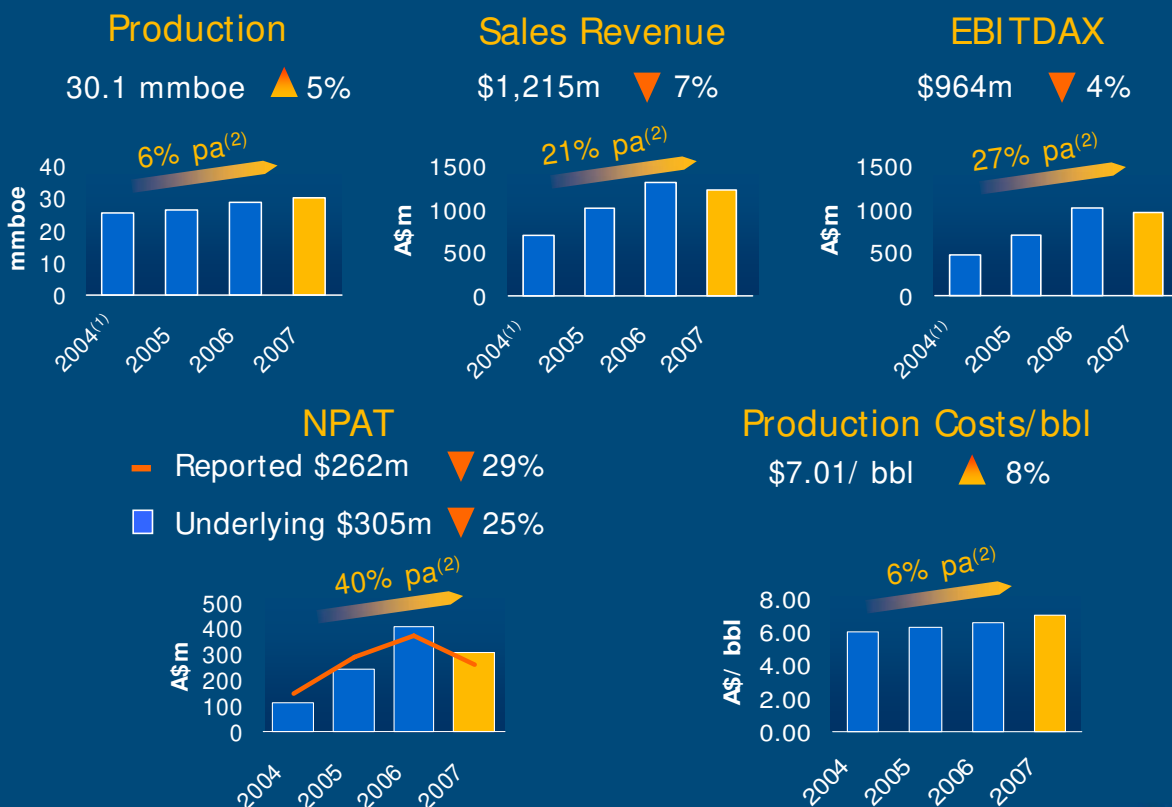
LNG projects

Asian growth

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2.

# Solid Operating Performance



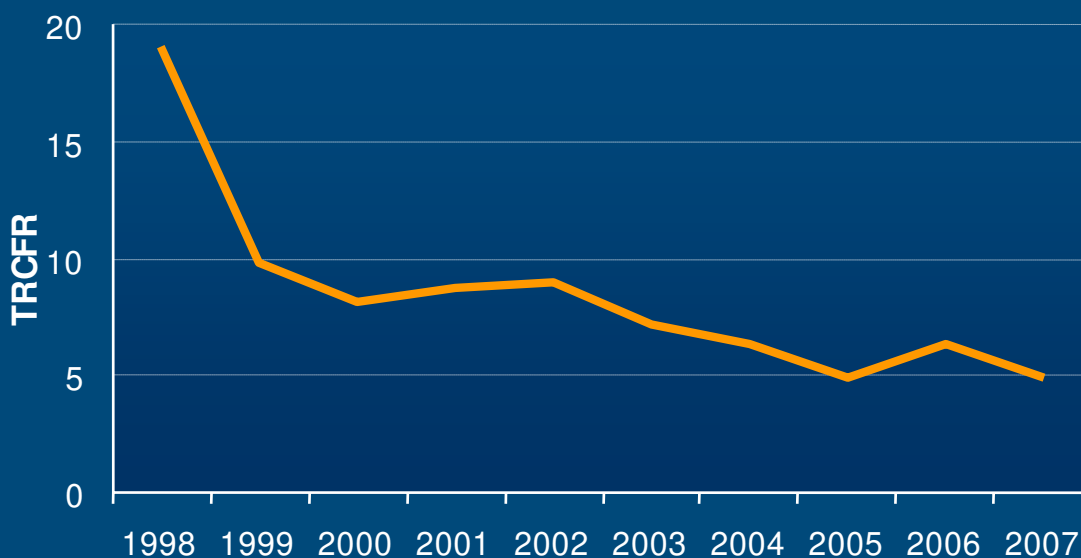
<sup>(1)</sup> 2004 data normalised to remove impact of Moomba incident  
<sup>(2)</sup> 3 year compound annual growth rate (CAGR)

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# Safety Performance

Injury frequency has decreased

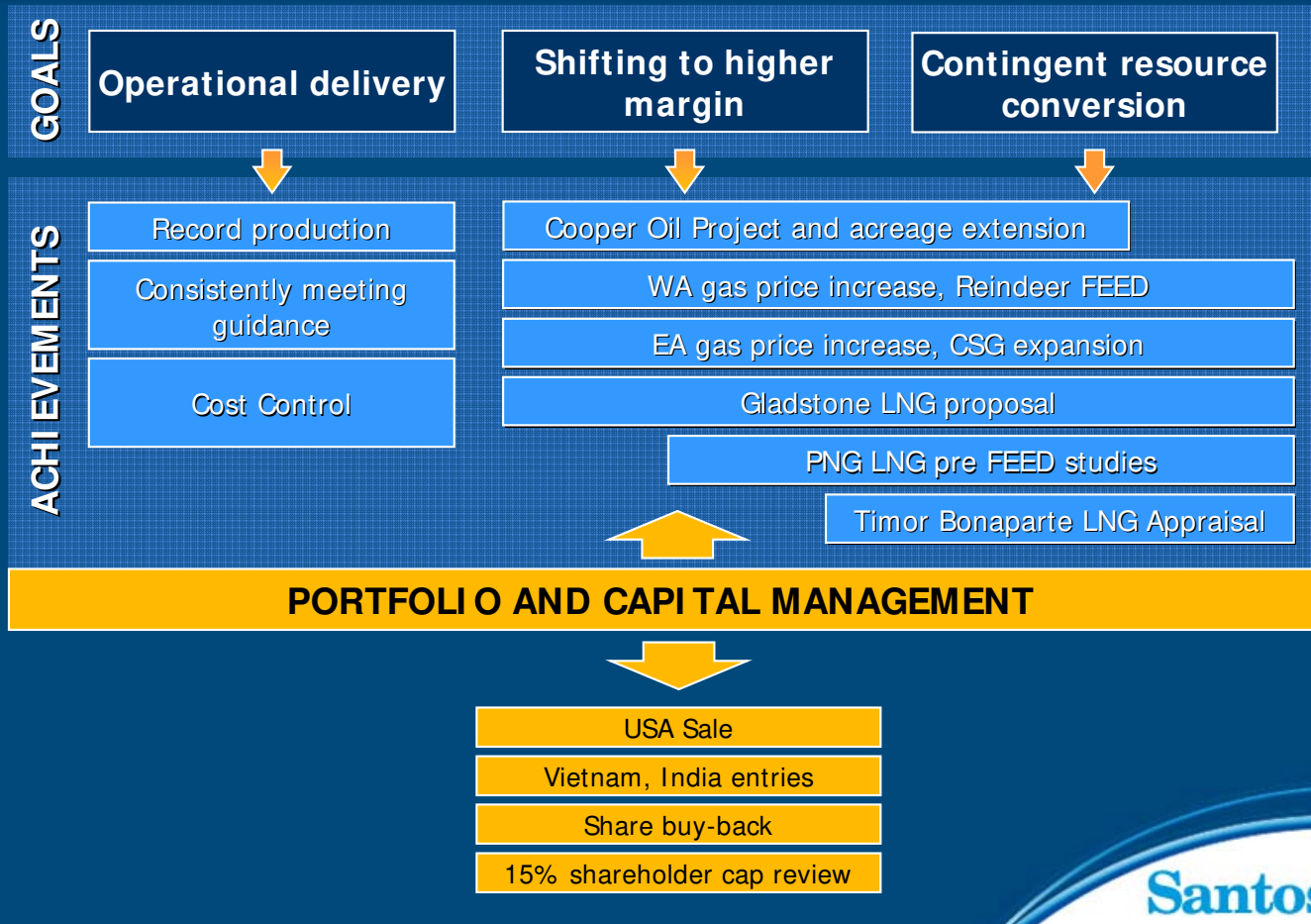


TRCFR = Total Recordable Case Frequency Rate  
 = Number of recordable injuries per million man hours worked

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# Delivering Value



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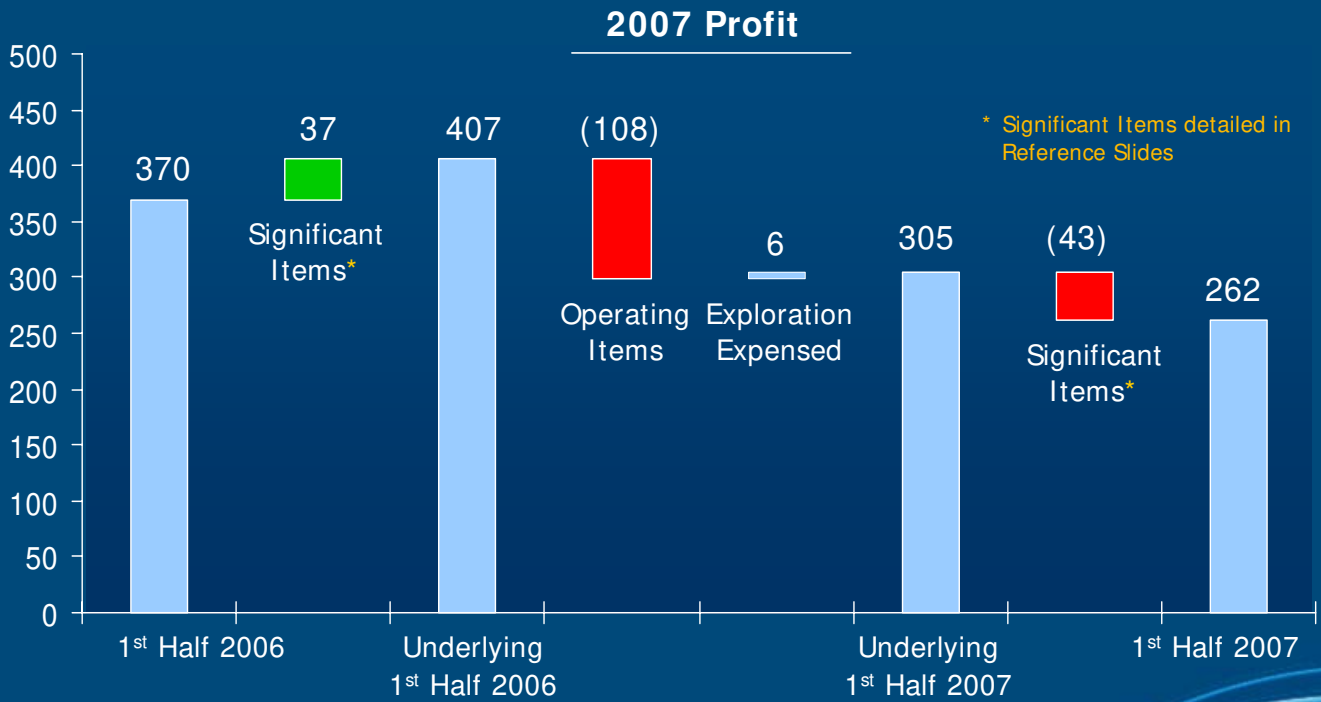
Asian growth

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# Reported and Underlying Profit

\$m



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# Production

mmboe

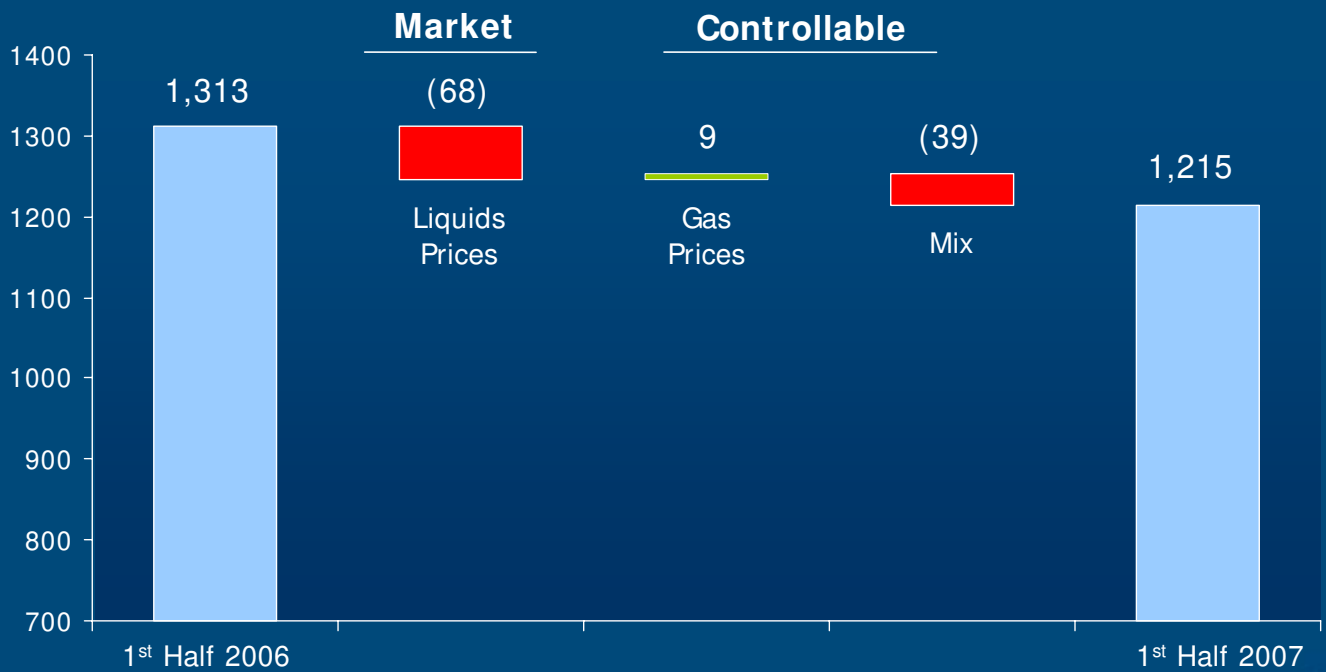


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# Sales

\$m

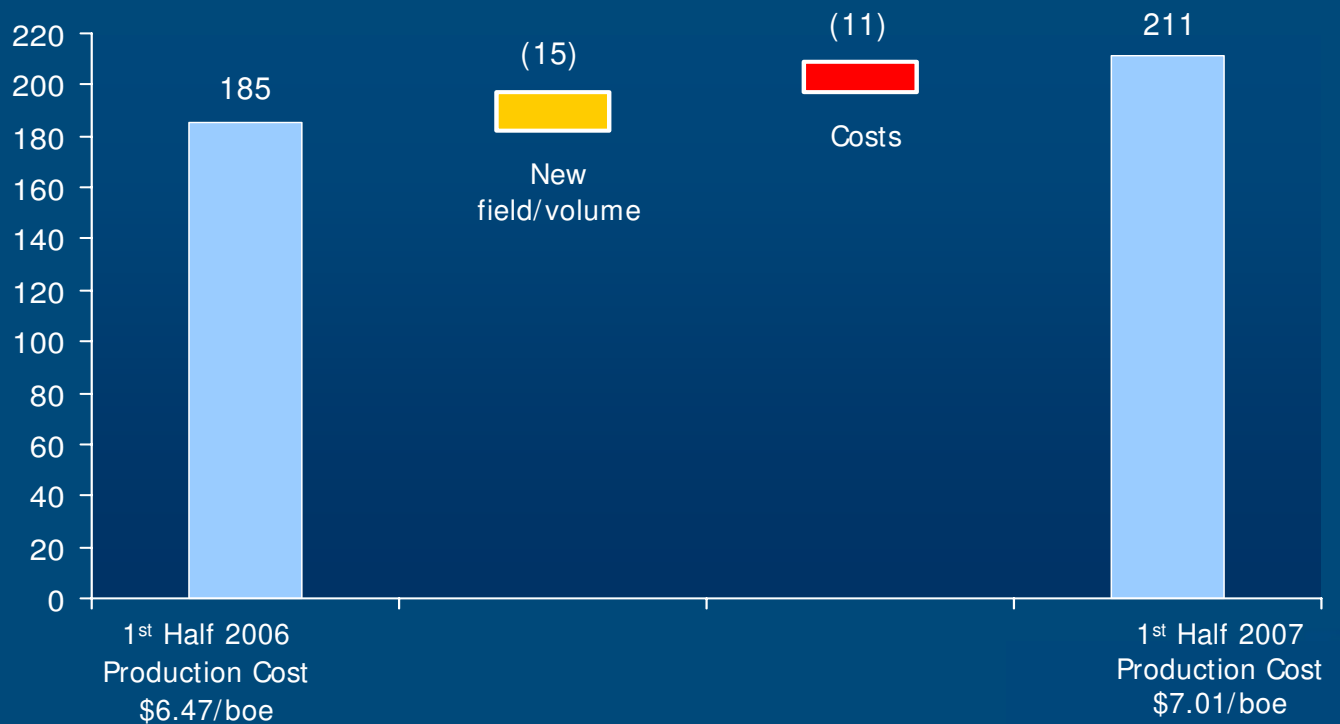


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# Production Costs

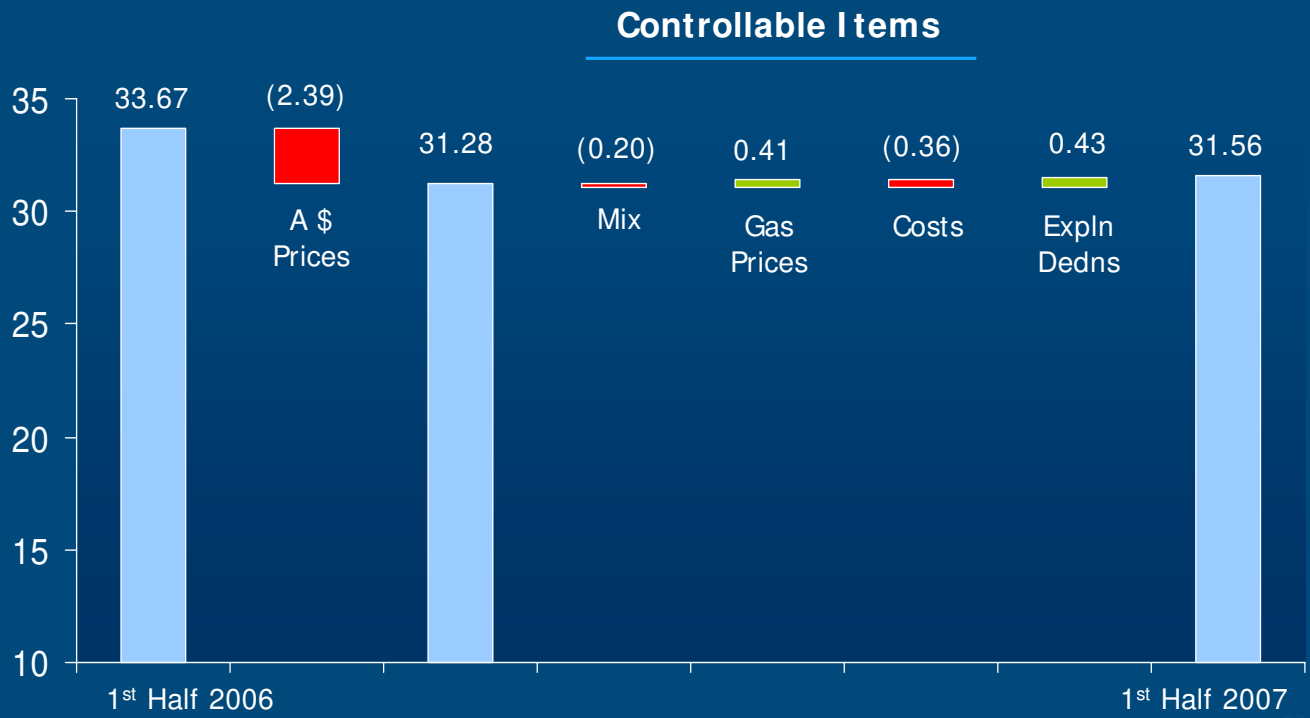
\$m



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# Netback (Cash margin per boe sold)

\$/boe



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# EBITDAX

(\$m)

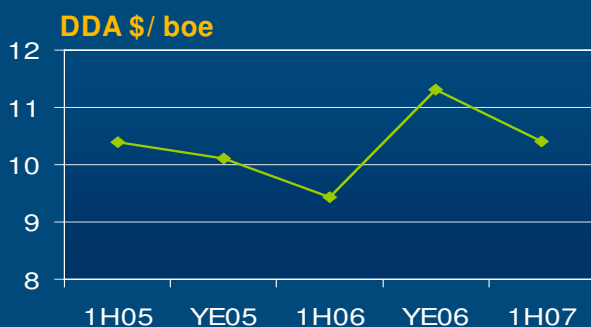
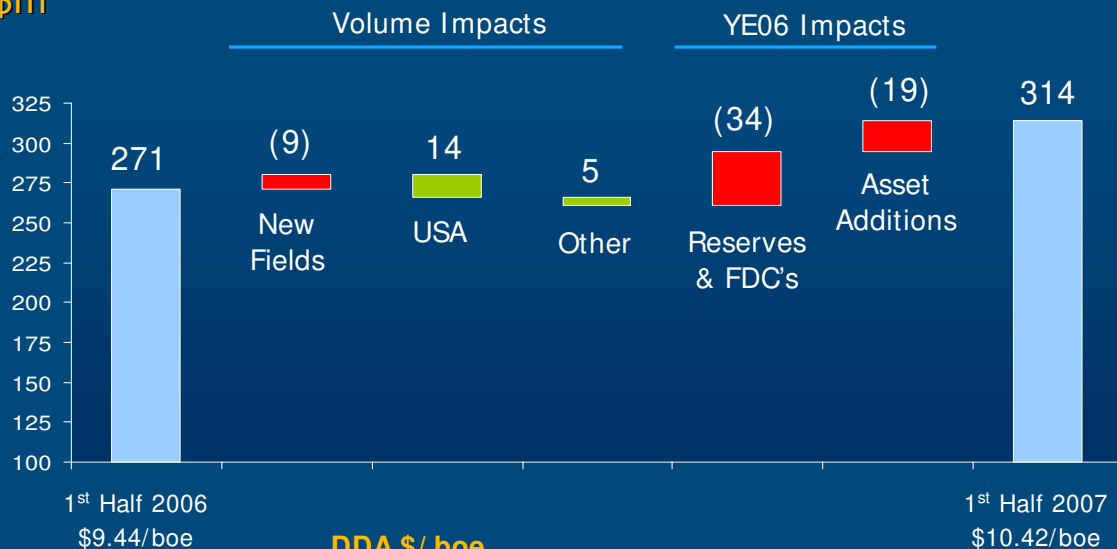


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# Depreciation, Depletion & Amortisation

\$m

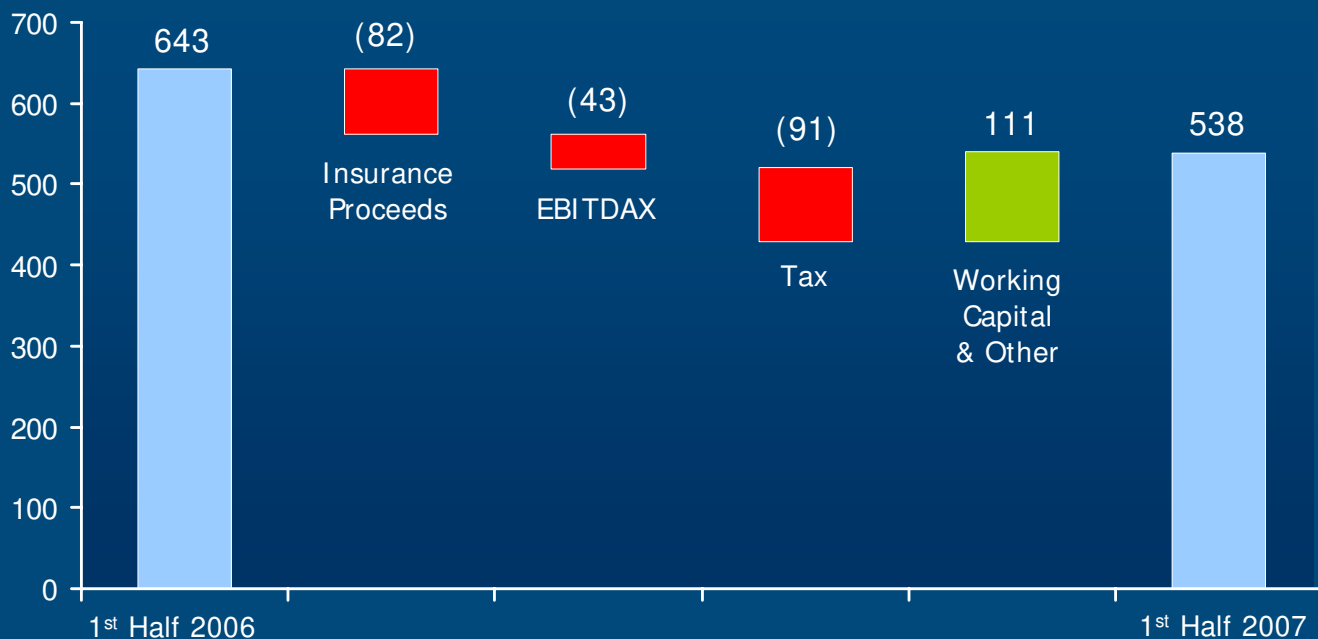


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# Operating Cash Flow

\$m



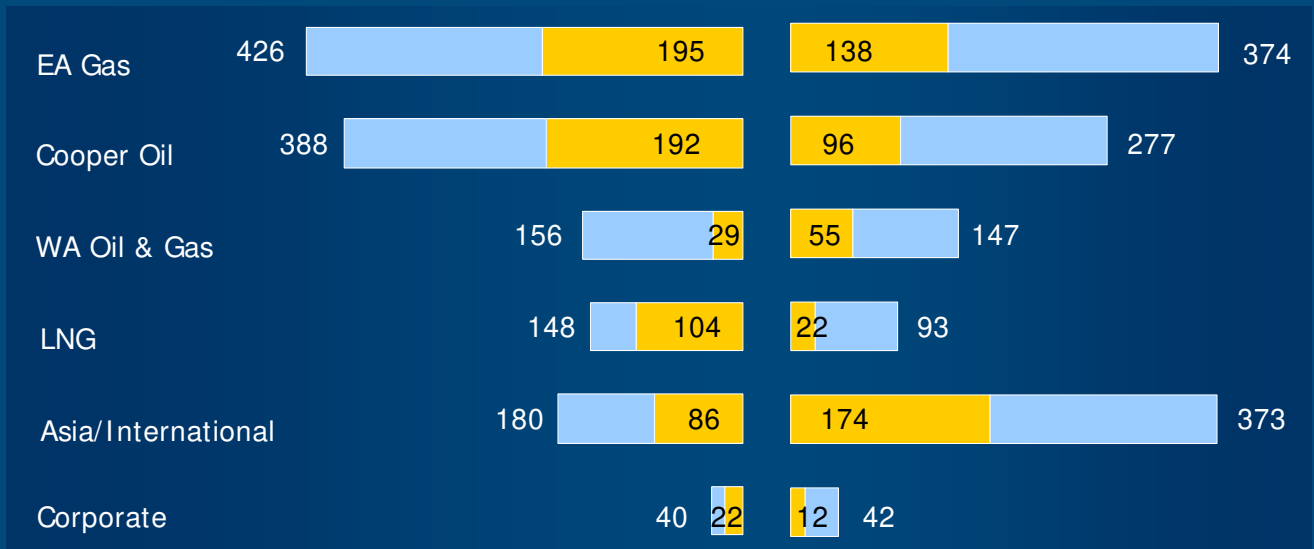
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# Capital Expenditure

**1<sup>st</sup> Half 2007 - \$628m**

**1<sup>st</sup> Half 2006 - \$497m**



**Full Year 2007 - \$1,338m**

**Full Year 2006 - \$1,306m**

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**John Ellice-Flint**  
CEO & Managing Director

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► **Strategic value drivers and outlook**

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Eastern Australian gas

Western Australian oil and gas

LNG projects

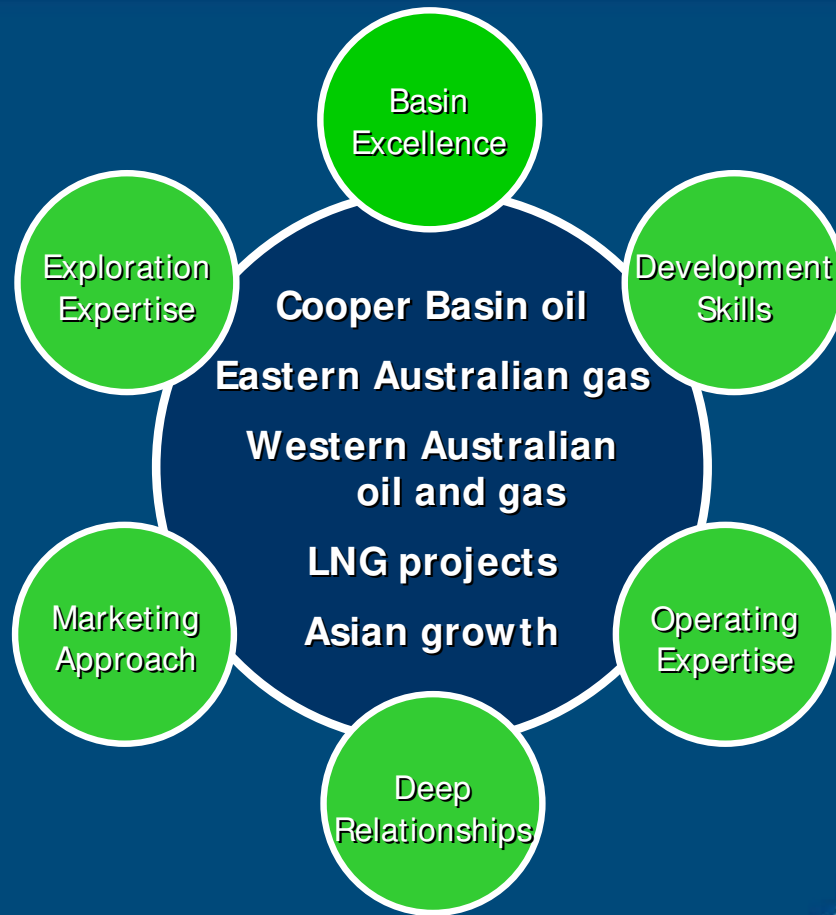
Asian growth

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# Portfolio Leveraging Core Competencies

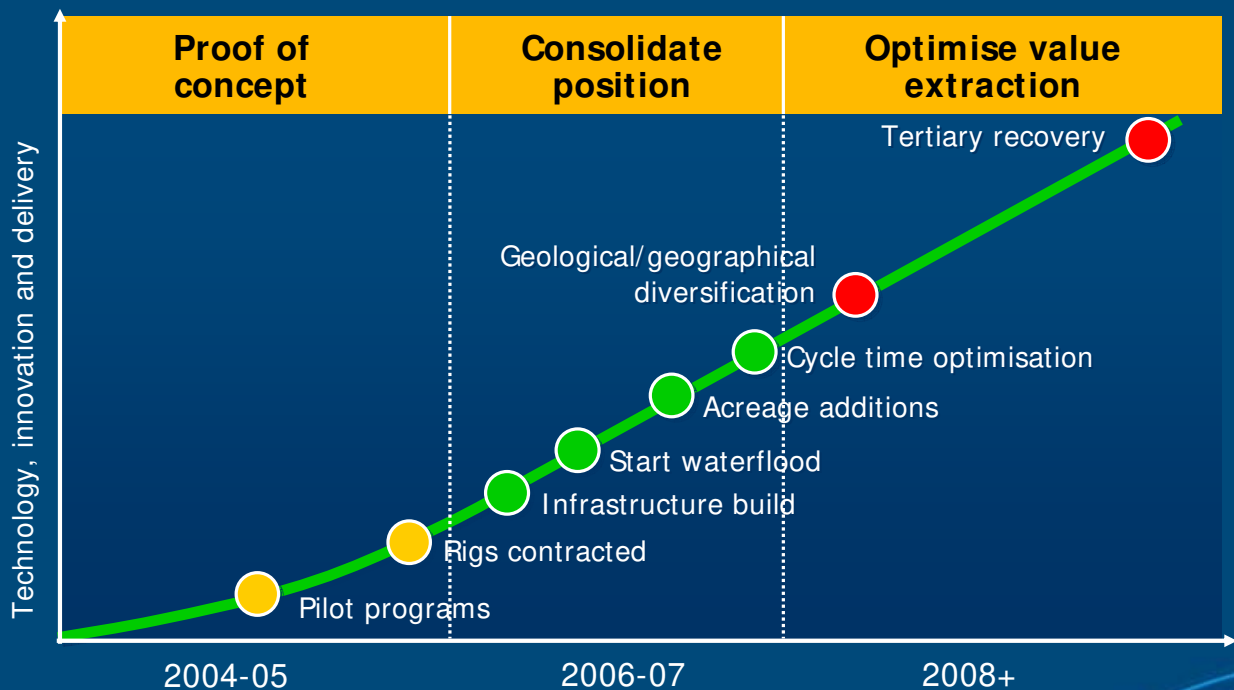


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## Cooper Basin Oil - Journey

High value exploitation project



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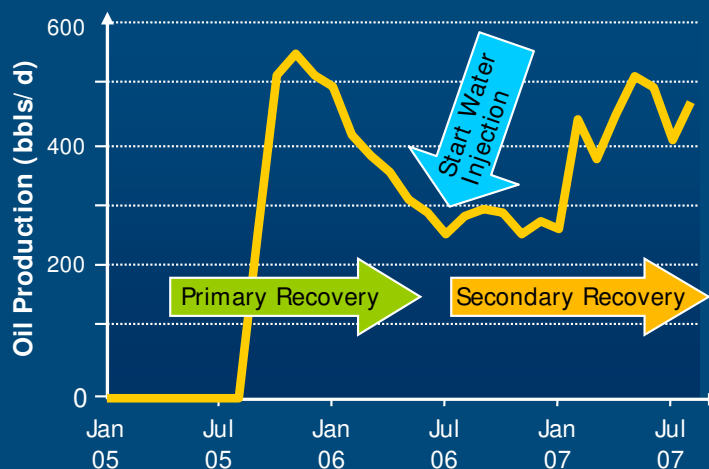
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# Cooper Basin Oil - Enhanced Recovery

## Increased recovery through secondary / tertiary techniques

- Primary recovery
  - Free flow or artificial lift
- Secondary recovery
  - Water injection
  - Initial results encouraging
- Tertiary recovery
  - Chemical or supplemental energy – CO<sub>2</sub>
- Initial results encouraging

Mulberry 5 Production History

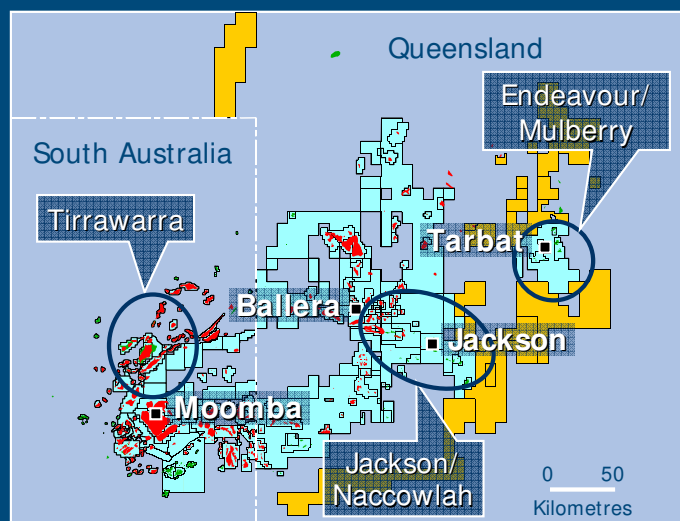


# Cooper Basin Oil – 2007 Activity

## 25% increase in net acreage position since 2005

- Initial focus in Endeavour/Mulberry
  - Tarbat-Jackson pipeline completed
  - Gas fired electric power generation and reticulation online
  - Waterflood operational
- Risk diversification with multiple fields and geographical areas
- Focus shifting to Tirrawarra, Naccowlah

Acreage Growth



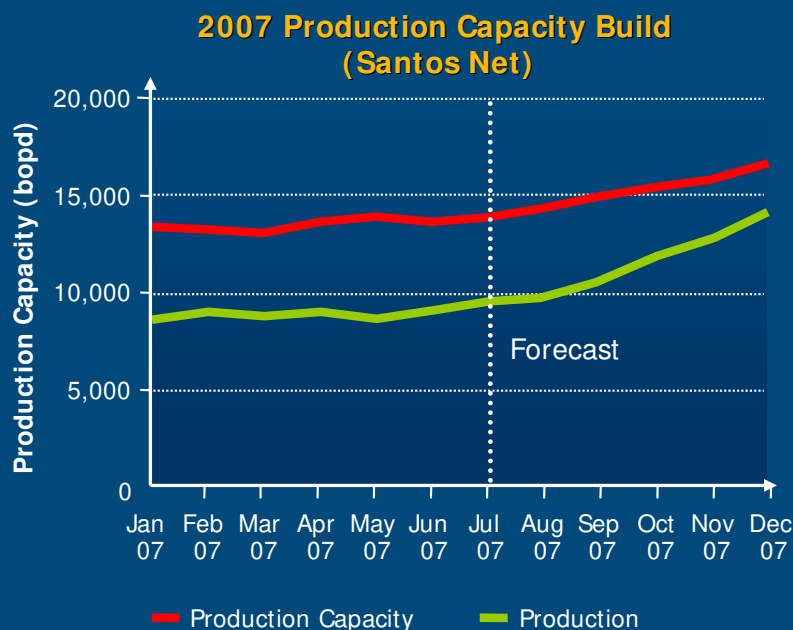
**Legend**

- 2005 Santos Permit Position
- Santos Permit Acquisition Post 2005

# Cooper Basin Oil – Production Outlook

## Some production deferred to 2008

- Production capacity increasing
- Production deferred
  - Rain, wax and pipeline issues
  - Current impact  
~ 3,600 bopd net
- ~ 14,000 bopd net to Santos by end 2007
- 150 wells to be drilled in 2007



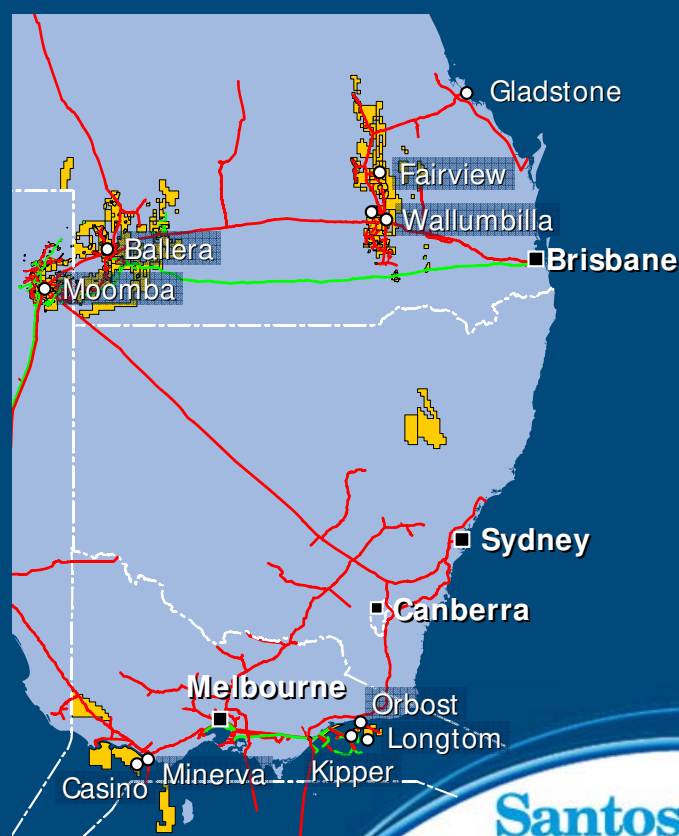
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# EA Gas – Strong positioning

## Santos is competitively positioned in a transforming market

- Increasing gas demand
  - 'Clean gas' as energy substitute
- Quality asset portfolio
  - Large resource base
  - Hub & spoke strategy
  - Low cost producer
- Leading CSG position
- Otway momentum growing
  - Henry, Kipper projects
  - Up to 5 exploration wells in 2008
- Gladstone LNG is an international market gateway

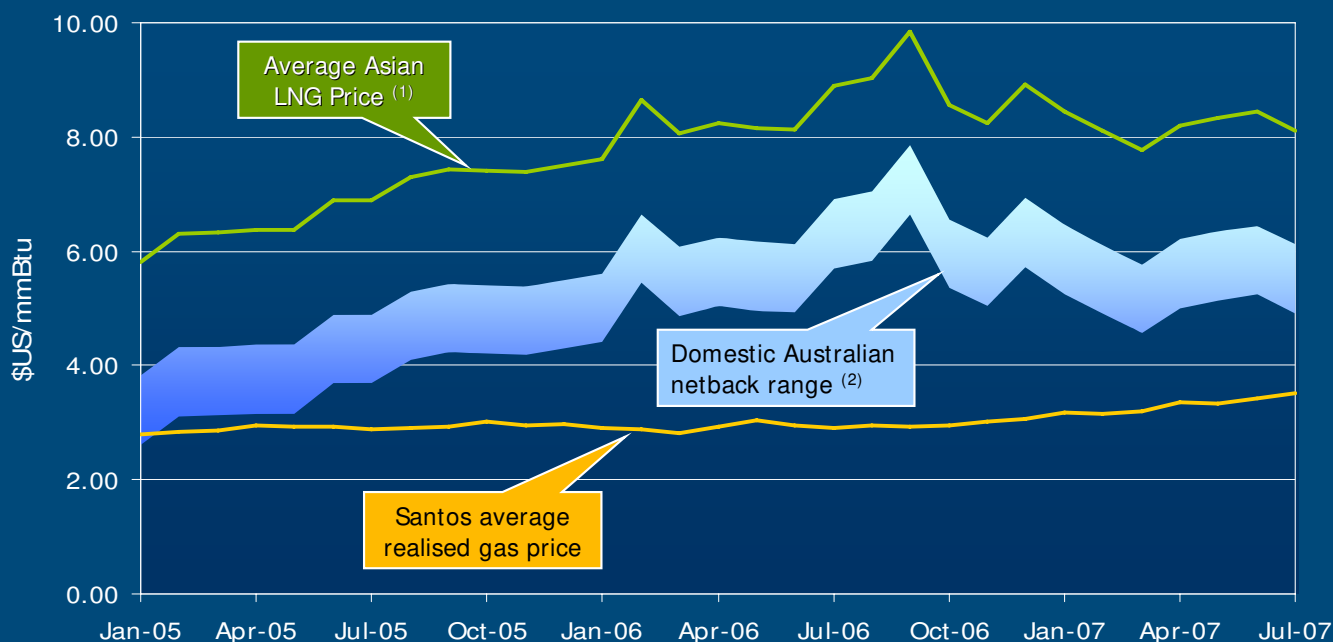


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# EA Gas - LNG Netback

## GLNG facilitates exposure to global LNG pricing



(1) Source: Argus Monthly LNG (average of Japan, Taiwan & South Korea ex-ship spot and contract prices)

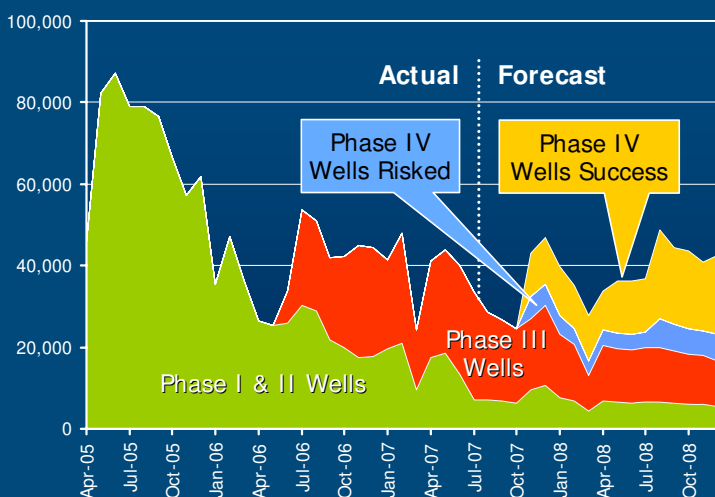
(2) Netback determination uses Santos assumed range of costs for shipping and liquefaction

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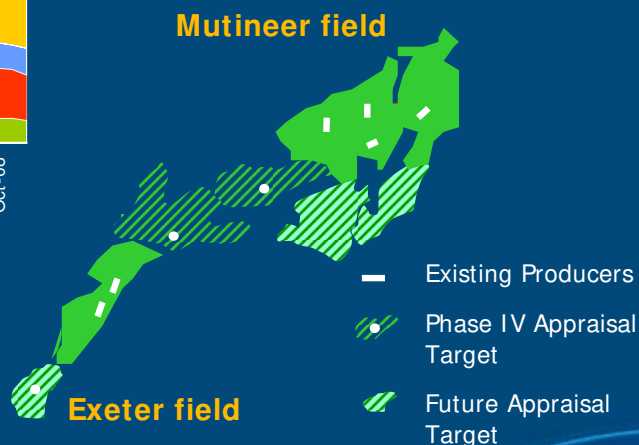
# WA Oil & Gas - Mutineer Exeter Outlook

## Excellent performance following successful 2006 drilling campaign



- Current production ~ 30,000 bopd
- Workovers to restore ~ 10,000 bopd

- High resolution 3D seismic acquired
  - Basis for 2007 (Phase IV) & 2008 drilling



- Existing Producers
- ▨ Phase IV Appraisal Target
- ▨ Future Appraisal Target

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# WA Oil & Gas – John Brookes & Reindeer

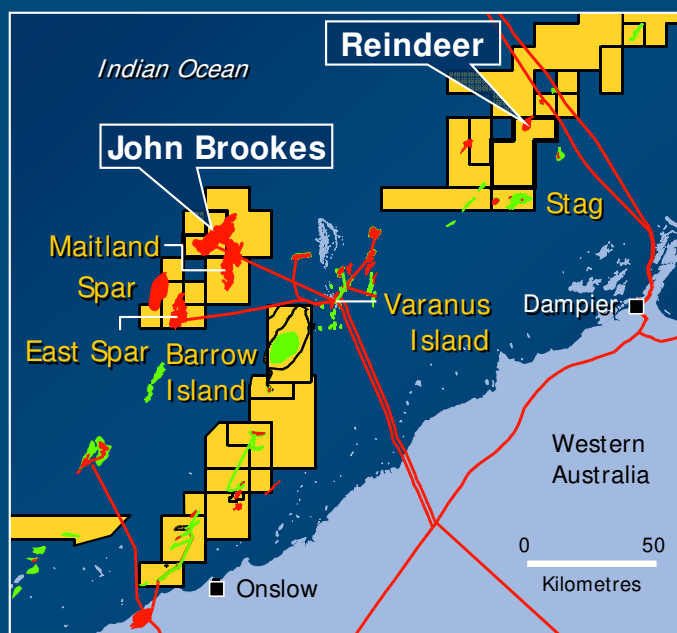
## Higher gas price facilitates new development project

### John Brookes (STO 45%)

- Proven, reliable supplier
- ~ 170PJ net uncontracted 2P reserve
- Several new contracts signed at higher gas prices

### Reindeer (STO 45%)

- 410 - 640 PJ gross resource
- Plateau rate ~ 110 mmscf/d
- Schedule
  - FEED commenced
  - Sanction end Q1 2008
  - First gas mid 2010



#### Legend

- Santos Acreage
- Gas Field
- Gas Pipeline
- Oil Field
- Oil Pipeline

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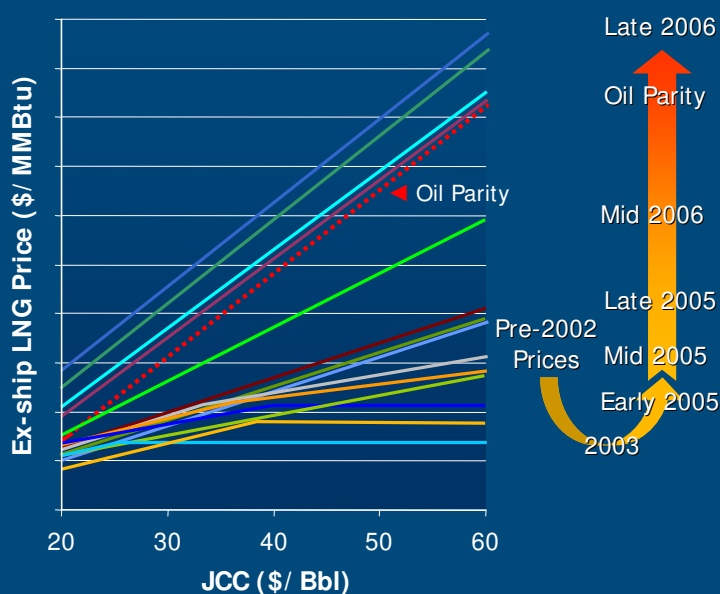
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# LNG Projects - Overview

## Well positioned with portfolio of 5 potential LNG opportunities

- Favourable industry dynamics
- LNG prices at parity with oil
- Focus on monetising contingent resources
  - Gladstone
  - PNG
  - Timor/ Bonaparte
  - Browse
  - Kutei

### Asian LNG Price Trends



Source: Poten & Partners

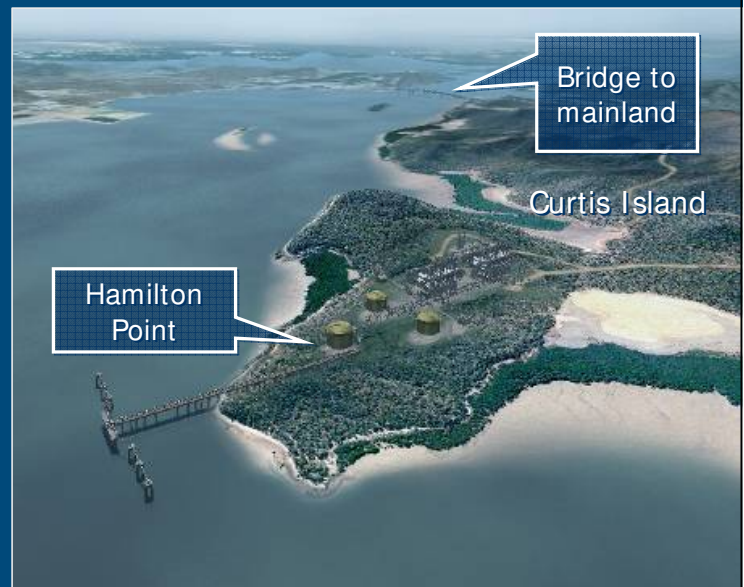
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# LNG Projects - Gladstone LNG

## A 'game changing' investment opportunity

- Access LNG pricing and volume growth for CSG resource
- Site secured
- Project "State Significance" status achieved
- A\$5 to A\$7bn investment
- First LNG target 2014
- Board approved expenditure of A\$300m in 2007/08
  - CSG reserves and production expansion



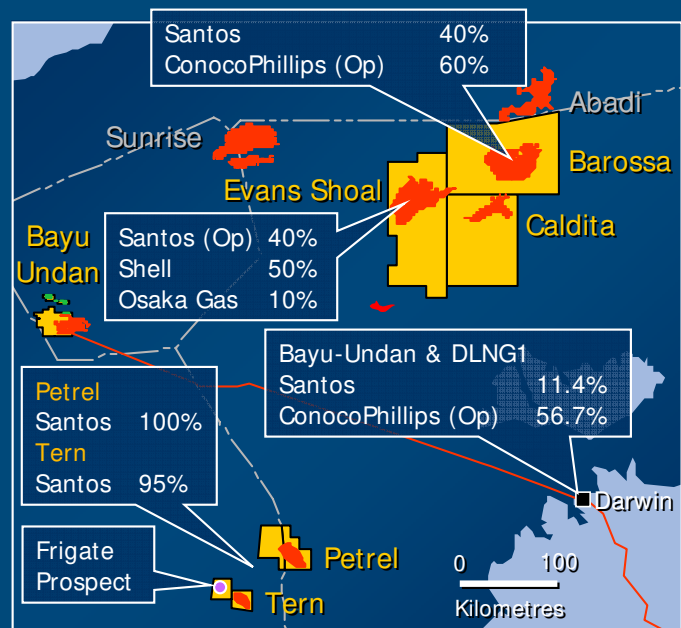
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# LNG Projects – Timor/Bonaparte

## Conoco concept studies for Caldita/Barossa encouraging

- Material acreage position
- Bayu-Undan interest increased to ~ 11.4%
- Appraisal ongoing
  - 6,000 km<sup>2</sup> 3D acquired
- Aligned with ConocoPhillips
- Petrel/Tern commercialisation opportunities
  - Petrel 3D seismic acquisition



### Legend

- Santos Acreage
- Gas Field
- Gas Pipeline
- Prospect

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# LNG Projects - PNG LNG

## Project building strong momentum

- Underpinned by Hides (STO 25%)
- Pre-FEED engineering contracts
  - Bechtel
  - KBR and JGC
- Preferred LNG sites identified
- PNG Gov negotiations underway
- JV weight now behind ExxonMobil
- Target FEED by end 2007
- Material for Santos
  - 230 mmboc of reserves
  - 8 mmboc annual production



### Legend

- Santos Acreage
- Oil Field
- Gas Field
- Oil Pipeline

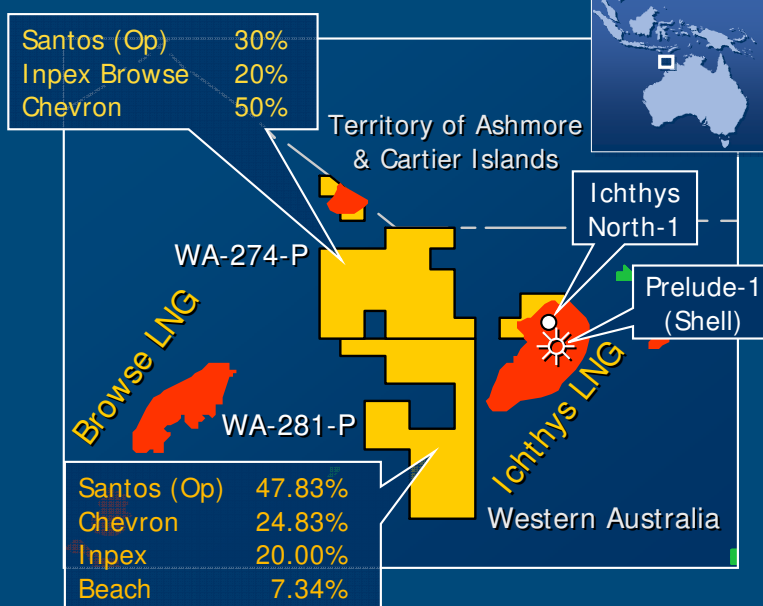


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# LNG Projects – Browse Basin

## Well positioned with material acreage position

- Proximal to future LNG projects
  - Inpex & Ichthys LNG
  - Woodside & Browse LNG
- Active exploration program
  - Ichthys North-1 drilling in Q4 2007/Q1 2008
  - High probability extension of Ichthys Field
  - 30% equity, with carry by farminee (Inpex)

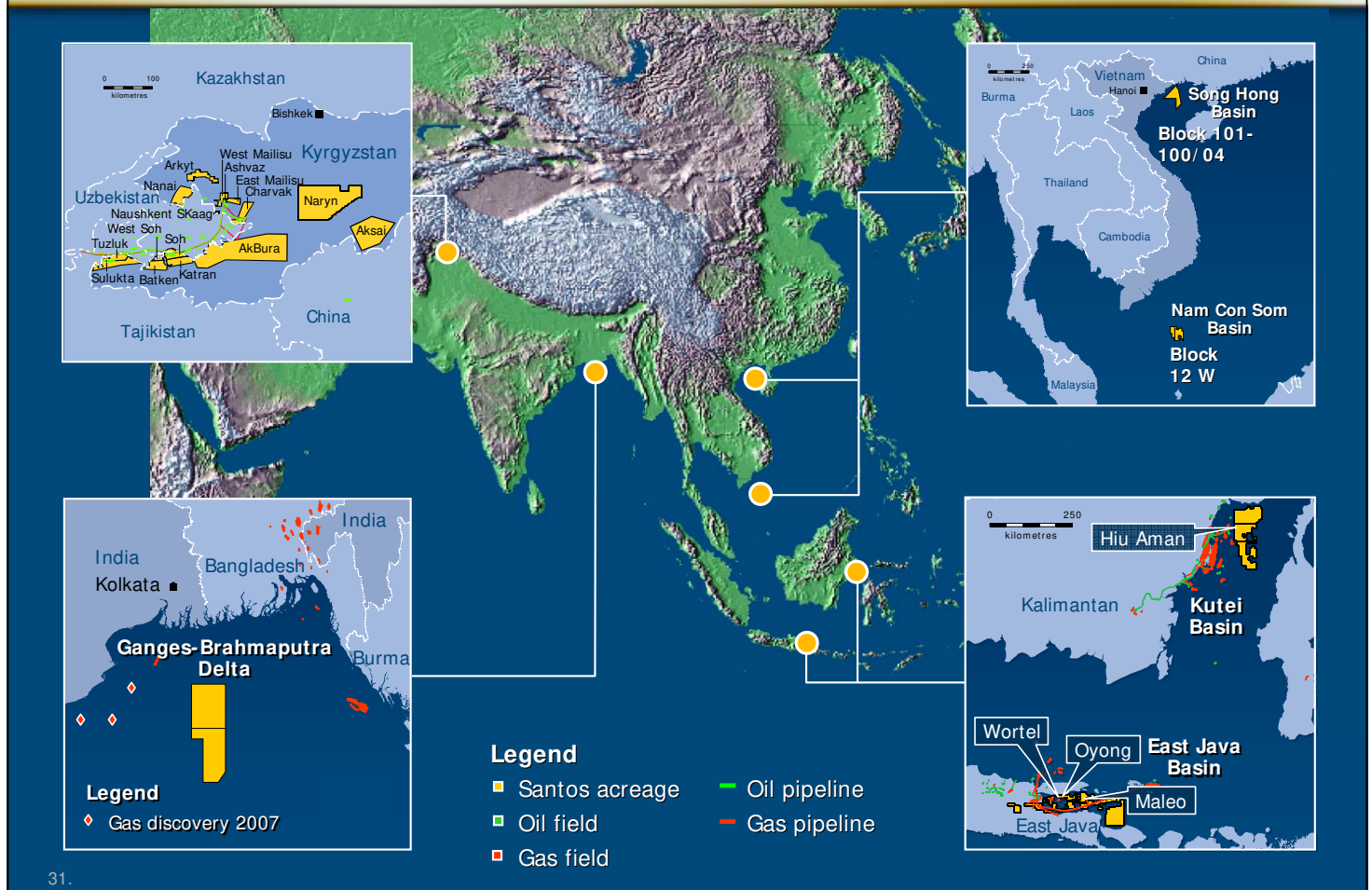


### Legend

- Santos Acreage
- Oil Field
- Gas Field
- ☀ Gas Discovery
- Exploration Well

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# Asian Growth – Acreage Expansion



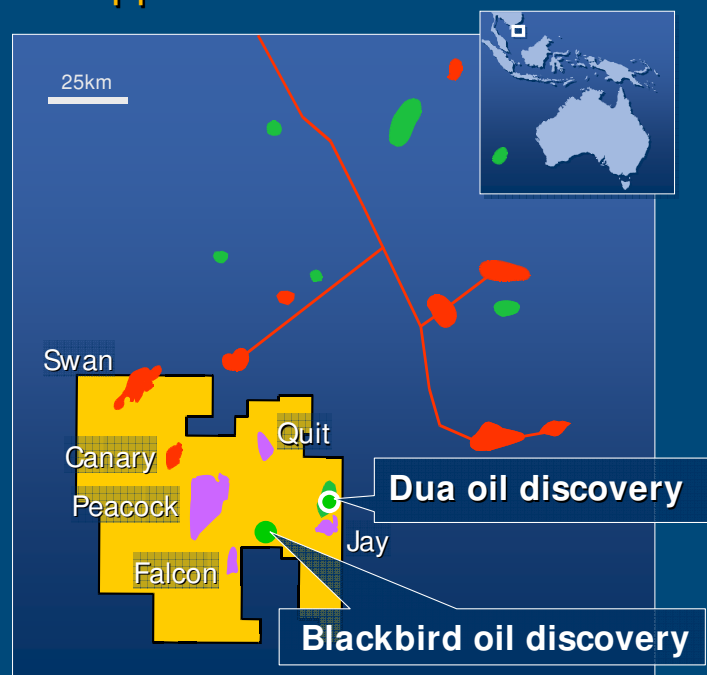
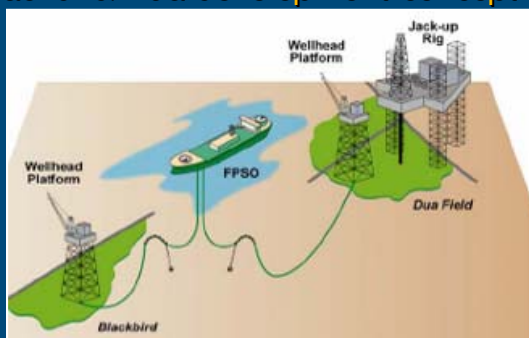
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# Asian Growth – Nam Con Som Basin

## Two oil discoveries, with follow-on opportunities

- Blackbird/Dua (STO 37.5%)
  - Reservoir and facilities studies underway
  - Project sanction in 1H 2008
  - Expression of interest prepared for FPSO supply
  - Target first oil in 2010
- Further exploration in 1H 2008

### Blackbird/Dua development concept



### Legend

- Santos acreage
- Oil Field
- Prospect
- Gas field
- Gas Pipeline

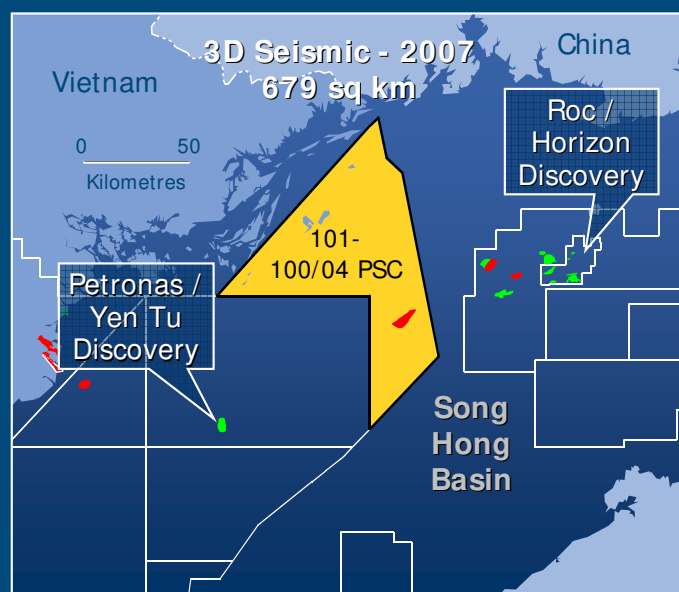
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# Asian Growth – Song Hong Basin

## Rapid progress in first year – exploration underway

- Prospective and lightly explored area
- Large number of fields discovered in area to northwest (China)
- First Santos operated project in Vietnam
- Seismic commitment accelerated 1 year and completed in August 2007
- Prospects being generated for drilling in 2008



### Legend

- Santos acreage
- Gas field
- Oil Field

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# Indonesia – Oyong and Wortel

## Oyong oil development to be online in September

- Oil phase
  - Barge sail-away mid August
  - First oil in September
- Gas phase
  - 60km pipeline to Grati
  - Gas sales to Indonesia Power
  - FEED complete, FID YE 2007
  - First gas YE 2008
- Potential Wortel synergies
  - Tie back to Oyong
  - Seismic & appraisal well in 2008
  - First gas 2010



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# Summary

## Leverage to strong energy environment

Track record  
of operational  
delivery



Transition toward  
higher margin  
businesses



Focus on  
monetising  
contingent  
resources



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## Disclaimer & Important Notice

This presentation contains forward looking statements that are subject to risk factors associated with the oil and gas industry. It is believed that the expectations reflected in these statements are reasonable, but they may be affected by a range of variables which could cause actual results or trends to differ materially, including but not limited to: price fluctuations, actual demand, currency fluctuations, geotechnical factors, drilling and production results, gas commercialisation, development progress, operating results, engineering estimates, reserve estimates, loss of market, industry competition, environmental risks, physical risks, legislative, fiscal and regulatory developments, economic and financial markets conditions in various countries, approvals and cost estimates.

All references to dollars, cents or \$ in this document are to Australian currency, unless otherwise stated.

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# Reference slides

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## Prices & Exchange Rates

	<b>1<sup>st</sup> Half 2007</b>	<b>1<sup>st</sup> Half 2006</b>	<b>Change %</b>
Realised Oil Prices (USD/bbl)	<b>68.19</b>	68.44	-0.4%
AUD/USD Exchange Rate (after hedging)	<b>0.8189</b>	0.7459	-9.8%
Realised Oil Price (AUD/bbl)	<b>83.27</b>	92.20	-9.7%
USA Gas Price (USD/mcf)	<b>7.30</b>	7.42	-1.6%
Australian Gas Prices (AUD/gj)	<b>3.59</b>	3.37	+ 6.5%

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# Significant Items (after tax)

\$m	1 <sup>st</sup> Half 2007	1 <sup>st</sup> Half 2006
Impairment write-down	(75)	(20)
Net gain on redetermination of unitised field	32	-
Incremental depletion and depreciation due to impairment reversal	-	2
Banjar Panji provision	-	(19)
	<b>(43)</b>	<b>(37)</b>

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# Underlying Profit – Operating Items

Variiances 1 <sup>st</sup> half 2007: 1 <sup>st</sup> half 2006 \$m	Pre-tax 2007	Post-Tax 2007
Sales	(98)	(78)
Production costs	(26)	(21)
Other operating costs	20	16
Gas purchases	35	25
DD & A	(40)	(33)
Selling, general and administrative	(22)	(17)
	<b>(131)</b>	<b>(108)</b>

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# Impairment Charge

## Impairment write-down

\$m	1 <sup>st</sup> Half 2007	1 <sup>st</sup> Half 2006
Before tax	(75)	(26)
After tax	(75)	(20)

- 2006 write-down related to Patricia Baleen and US assets
- 2007 write-down related to US assets

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# Exploration & Evaluation Expensed

\$m	1 <sup>st</sup> Half 2007		1 <sup>st</sup> Half 2006	
	Incurred	Expensed	Incurred	Expensed
Seismic, G&G, studies	74	74	45	45
Drilling	59	27	130	63
Sidoarjo Provision	-	-	24	24
<b>Total</b>	<b>133</b>	<b>101</b>	<b>199</b>	<b>132</b>
USA		-		(37)
<b>Continuing Operations</b>		<b>101</b>		<b>95</b>

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# Cost of Sales

	1 <sup>st</sup> Half 2007 \$m	1 <sup>st</sup> Half 2006 \$m	Change %
Production costs	211	185	14.0
Pipeline tariffs	27	24	12.5
Royalties	36	44	-18.2
PRRT & other similar taxes	10	26	-61.2
<b>Total Operating Costs</b>	<b>284</b>	<b>279</b>	<b>1.8</b>
Gas Purchases	6	41	
Inventory Movement	(19)	(21)	
D, D & A	313	271	15.5
<b>Cost of Sales</b>	<b>584</b>	<b>570</b>	<b>2.2</b>

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# Net Free Cash Flow

	1 <sup>st</sup> Half 2006 \$m	2 <sup>nd</sup> Half 2006 \$m	1 <sup>st</sup> Half 2007 \$m
Operating cash flow	643	907	538
Capital expenditure	(428)	(780)	(606)
<b>NET CASH FLOW</b>	<b>215</b>	<b>127</b>	<b>(68)</b>
Net acquisitions			
- asset	(70)	22	1
- corporate	-	(5)	(19)
<b>NET FREE CASH FLOW</b>	<b>145</b>	<b>144</b>	<b>(86)</b>
Gearing %	30.8	30.2	33.3

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# 2007 Capital Expenditure Outlook

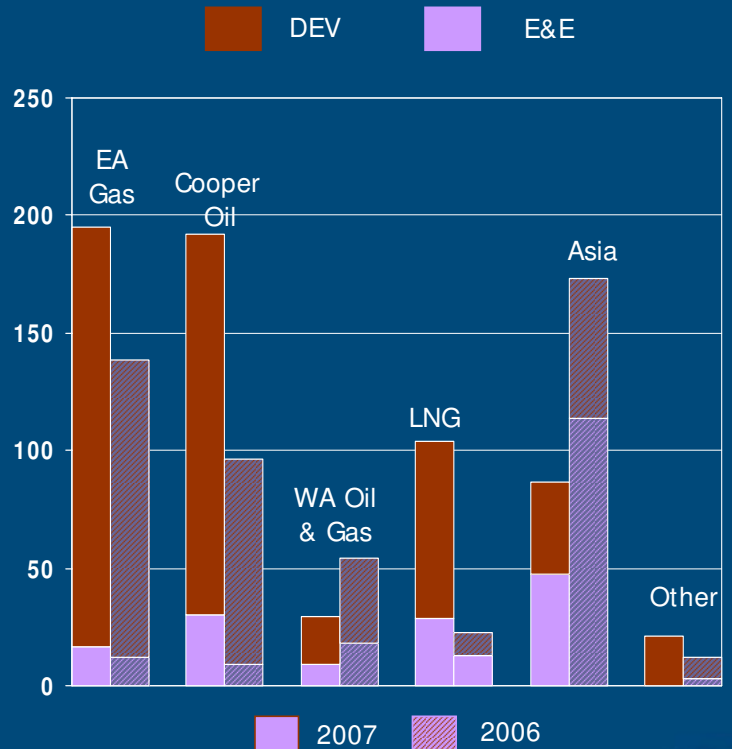
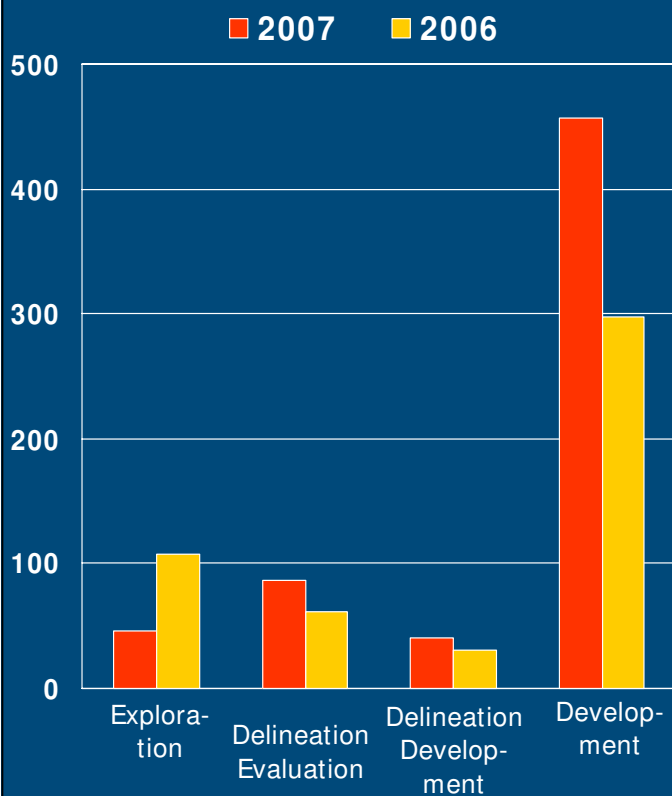
\$m	2007	2006
Exploration	174	258
Exploration Evaluation	141	171
Development Delineation	133	83
Development	890	794
<b>Total</b>	<b>1,338</b>	<b>1,306</b>

Acquisitions	-	11
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## Capital Expenditure



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# 2007 Second Half Sensitivities

- US\$1 change in the unhedged oil price per barrel leads to change of A\$9 million in profit after tax
- One cent movement in the exchange rate will cause a profit after tax movement of A\$4 million
- A 1% change in interest rates will cause a profit after tax movement of A\$5 million