Santos

2009 Half Year Results

20 August 2009

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Results Highlights & Strategy

David Knox

CEO & Managing Director

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Profits impacted by lower oil prices

2009 Half Year Result

		Change on 2008
Oil Price	A$73.28 per bbl	(39)%
Production	26.6 mmboe	(4)%
Sales Revenue	$1,024 million	(26)%
EBITDAX	$647 million	(37)%
Net Profit After Tax	$102 million	(66)%
Operating Cash Flow	$499 million	(20)%
Interim Dividend	22 cents per share	unchanged

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The Santos Strategy

Using quality assets, Santos will safely deliver:

Base business
- **Eastern Australia:** Margin growth and resource conversion
- **Indonesia:** Steady business with incremental growth
- **WA & NT:** Exploit asset position

LNG growth
- **GLNG:** The leading CSG to LNG project
- **PNG LNG:** On track for 2009 FID
- **Darwin LNG:** Mature brownfield LNG growth

Focused growth in Asia
- **India/Bangladesh:** Bay of Bengal exploration-led growth
- **Vietnam:** Develop Chim Sao and exploration-led growth

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Strategy delivery in 2009

	Target		Delivery
Base Business	2009 production 53 – 56 mmboe	✓	26.6 mmboe in first half, on track for full year guidance
	Next phase of projects on schedule	✓ ✓ ✓ ✓	Oyong Phase 2 (Indonesia) – first gas 3Q09 Henry (Vic) – first gas 1H10 Kipper (Vic) – first gas 1H11 Reindeer (WA) – first gas 2H11
	Portfolio management	✓ ✓	Acquisition of additional acreage and investment in ESG $300 million in asset sales executed including Petrel/Tern/Frigate
LNG Growth	GLNG	✓ ✓ ✓ ✓	Binding HoA with PETRONAS for 2mtpa with 1mtpa option underpins first LNG train EIS lodged, public consultation period ended 17 August FEED studies commenced Fairview produced water approval
	PNG LNG	✓ ✓	Marketing key terms agreed for 6.3mtpa LNG Approval for early works
	Funding for growth	✓	Successful $3 billion equity raising
Asia	India / Bangladesh	✓	Bay of Bengal 3D seismic survey completed
	Vietnam	●	Chim Sao reservoir and facilities studies complete, assessing options for FPSO, target first oil in 2011

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2009 Half Year Results

Peter Wasow

Executive Vice President & CFO

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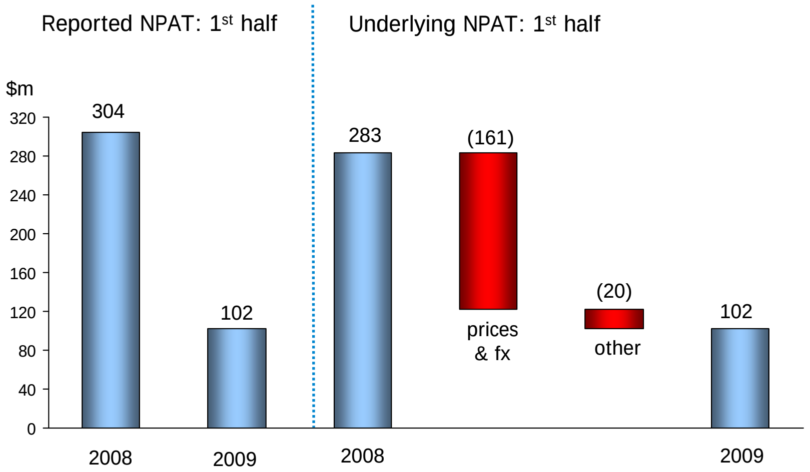
Reported & underlying profits



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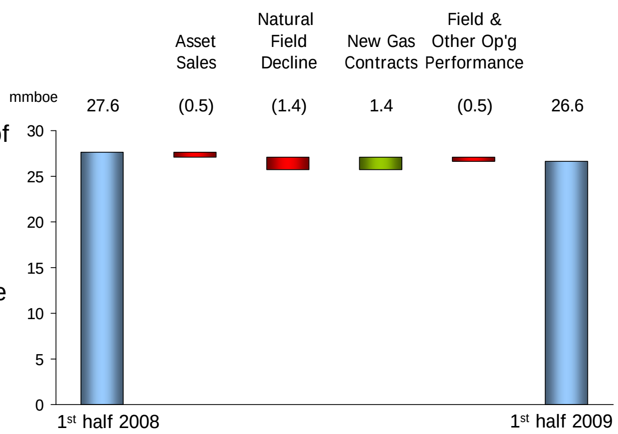
Production

- On track to meet 2009 production guidance
- Asset sales (40% of GLNG and Kakap)
- New gas contracts (Maleo, John Brookes) offset natural field decline
- Positive offshore field performance offset by onshore downtime



Outlook for 2009: 53 to 56 mmboe unchanged

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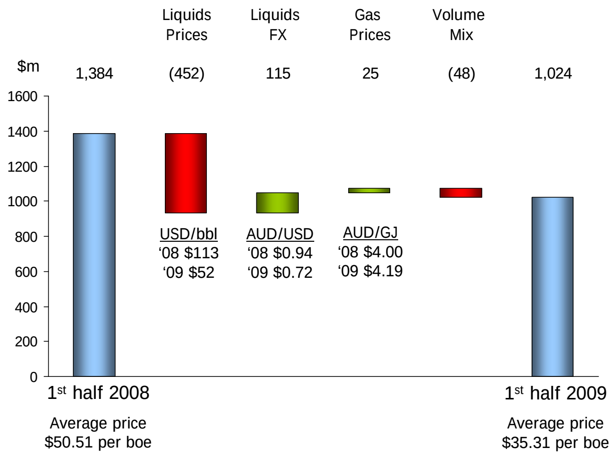
Sales revenue

- Liquids prices bottomed early in 1st half with significant recovery in later months
- Offset by weaker exchange rate which strengthened through the half
- Gas volumes up however higher-value liquids were lower reducing average selling price



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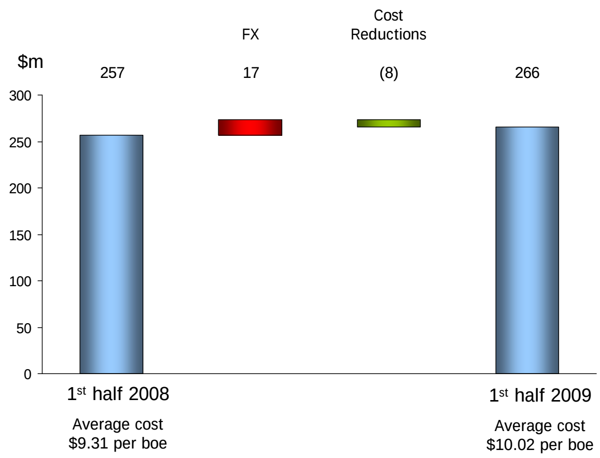
Production costs

- A lower AUD impacted USD costs unfavourably
- Lower work-over expense and crude trucking offset by volume related production costs at Maleo and John Brookes
- Early gains from rigorous focus on cost control



Outlook for 2009: $550-570 million unchanged

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Operating and capital costs a focus

Levers	Actions
Materials and Services	▪ Renegotiating supplier contracts; half of key contracts completed, reductions range up to 30% ▪ Renegotiating development contracts eg Reindeer, Chim Sao ▪ Reduced discretionary costs
People	▪ Reduction in service providers and contractors ~290 ▪ Employee numbers reduced ~ 50 redundancies, 320 positions eliminated ▪ Salary freeze
Capital Programmes	▪ Scaled back Cooper Oil program, no wells in Q2/Q309 ▪ Reduced base business capital programme by ~$350m

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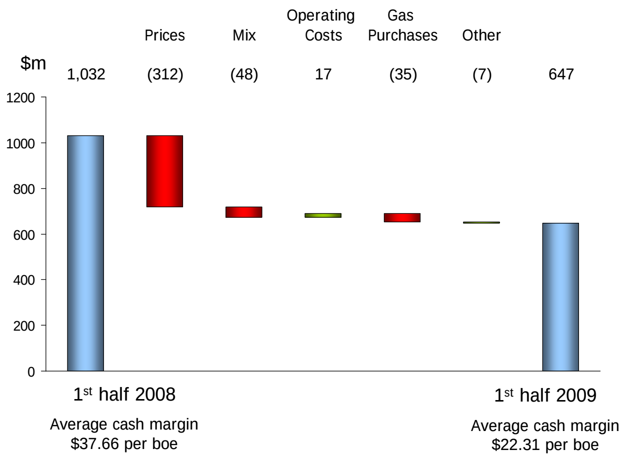
EBITDAX

- Lower prices and lower value product mix reduced price by $15 per boe
- Operating costs lower due to royalties which are linked to prices
- Higher gas purchases due to PETRONAS equity gas in GLNG
- Total cash operating costs increased by $0.40 per boe
- Cash margin deterioration limited to fall in selling prices



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Segment EBITDAX Summary

Segment $m	**Half Year 2009**	Half Year 2008	Change %
Eastern Australia	318	451	(29)
WA&NT	285	474	(40)
GLNG	8	38	(79)
Asia Pacific	64	102	(37)
Corporate and unallocated items	(28)	(33)	15
TOTAL EBITDAX	647	1,032	(37)

Eastern Australia	Lower liquids prices and production volumes
WA&NT	Higher gas volumes but lower liquids prices and production
GLNG	Expanding field operations increasing production costs
Asia Pacific	Higher gas production, lower liquids prices and volume

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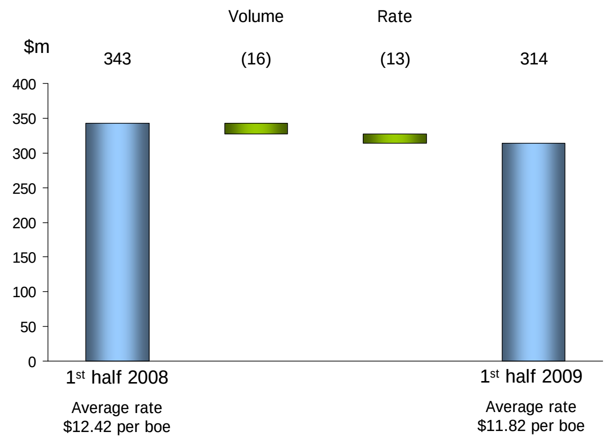
Depreciation, depletion & amortisation

- Lower production volumes reduced DD&A by $16 million
- DD&A rate also fell due review of asset lives and future development costs
- 2009 guidance revised to $12.20 per boe from $12.80 per boe



Outlook for 2009: $12.20 per boe

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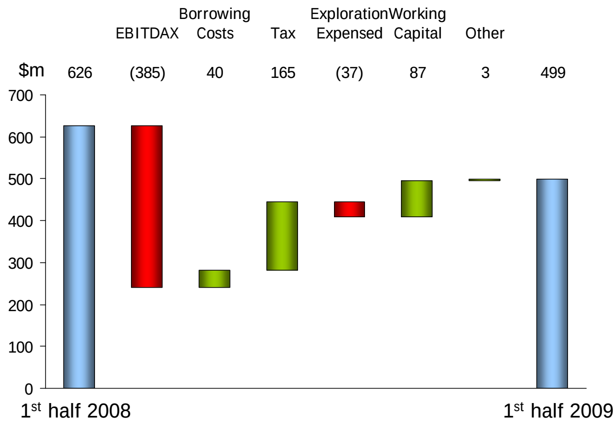
Operating cash flow

- Lower prices flow through into lower operating cash flow
- Lower working capital requirement and tax payments also result from price environment



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A Strong Balance Sheet Position

$m	30 June 2009
Cash & term deposits	3,592
Gross debt (after swaps)	(1,840)
Net "in funds" position	1,752
Undrawn facilities	700
Debt maturities (09 – 11)	<15% of total
FUELS Redemption, Sep'09	600

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Looking Forward

David Knox

CEO & Managing Director

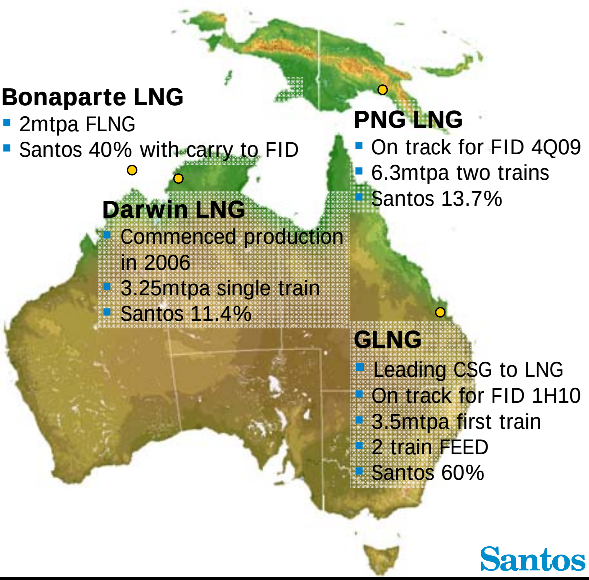
LNG is a key component of Santos' Growth Strategy

Strategy Components

Deliver the Base Business

LNG Growth

Focused growth in Asia



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GLNG: The Leading CSG to LNG Project

Momentum building towards FID in first half of 2010

- Freehold land for liquefaction plant ✓
- Pre FEED work completed ✓
- PETRONAS selected as partner ✓
- LNG marketing well underway ✓
- Reserves build on track ✓

1H 2009

- Downstream FEED entry ✓
- EIS lodged, public comment period ended 17 August ✓
- Fairview produced water approval ✓
- Pipeline FEED entry ✓
- Binding offtake agreement with PETRONAS for 2mtpa plus 1mtpa ✓

- Upstream FEED entry **3Q 09**
- Final Investment Decision (FID) **1H 10**
- First LNG **2014**

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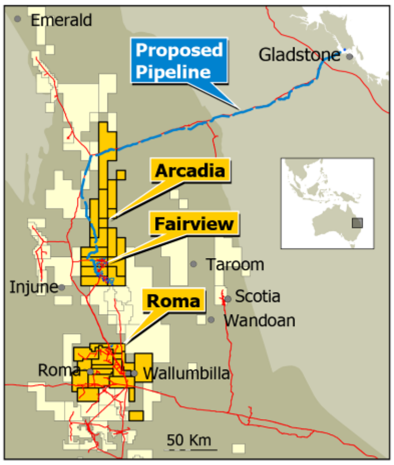
GLNG: Upstream update

- **Wells**
  - 90 CSG wells drilled so far this year
- **Production**
  - Phase 2 Fairview expansion commissioned
  - Fairview exceeded 100TJ/d for first time
- **Environment**
  - EIS lodged in March, public comment period ended 17 August
  - EPA approval for innovative Fairview irrigation project for forage cropping and hardwood plantation
- **Upstream FEED**
  - Dual FEED contractors appointed
  - FEED entry 3Q09
- **Reserves**
  - 3,246PJ 2P reserves as at 31 Dec 2008
  - 2009 reserves build on track
  - Next reserves report early 2010



GLNG JV acreage
Other Santos acreage

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GLNG: Downstream update

- **Curtis Island site**
  - EIS application for 10mtpa capacity (3 trains)
- **Downstream FEED**
  - Bechtel appointed
  - 2-train FEED 40% complete
  - Curtis Island geotechnical site survey work complete
- **Pipeline FEED**
  - GHD appointed
  - FEED 50% complete
- **Marketing**
  - Binding offtake agreement with PETRONAS for 2mtpa plus 1mtpa at GLNG sole option
  - Ongoing discussions with other Asian customers

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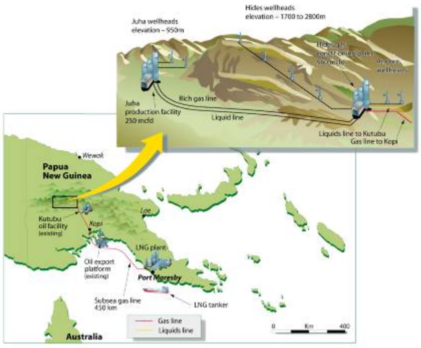
PNG LNG on Track for 4Q 2009 FID

	Pre FEED work on two train 6.3mtpa plant	✓
	Marketing Representative Agreement	✓
	Coordinated Development and Operating Agreement	✓
	Gas Agreement	✓
	Front End Engineering Design Entry Decision	✓
1H 2009	Project finance progressing well	✓
1H 2009	EIS submitted	✓
1H 2009	Marketing key terms agreed for 6.3mtpa	✓
1H 2009	Approval for early works	✓
	Landowner Agreements	3Q 09
	Final Investment Decision	4Q 09
	First LNG	2013/14



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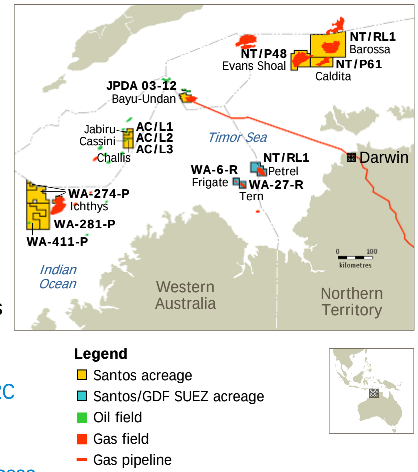
Strategic partnership with GDF SUEZ

Unlocks value in 2.1 tcf contingent gas resource

- Santos has sold 60% of Petrel/Tern/Frigate to GDF SUEZ for up to US$370 million and a full carry of Santos' share of costs to FID including 2 appraisal wells
- The fields have a gross contingent resource of 2.1tcf – ideal size for FLNG
- Consistent with Santos' corporate strategy:
  - Unlocks value in contingent resources
  - Partner with world class companies
  - Deepening our LNG growth options
- Santos retains a 40% interest in the Evans Shoal, Barossa and Caldita fields



Santos retains approximately 70% (500mmboe) of its total Bonaparte Basin 2C contingent resource

Continuing to progress options for commercialisation of the Evans Shoal, Barossa and Caldita fields.

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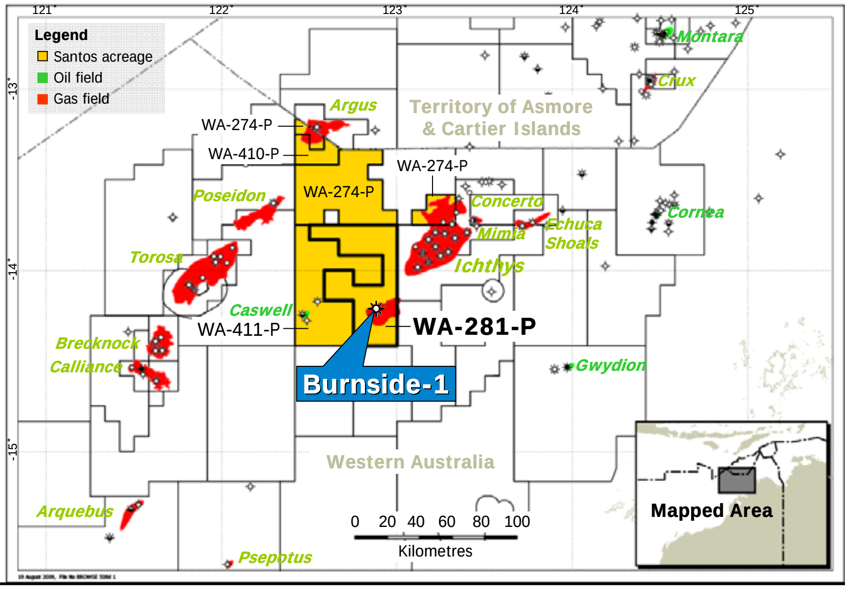
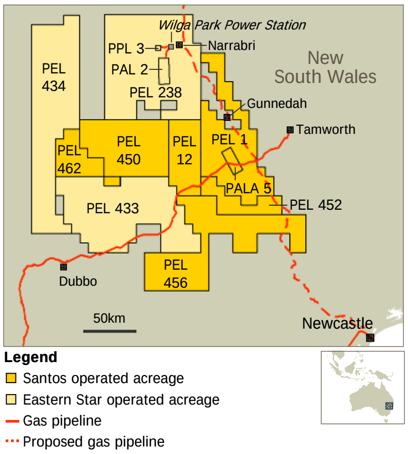
Burnside-1 – Great street address



Leading position in Gunnedah Basin

Basin master position in quality basin with >50 tcf prospective potential

- ESG operated areas (STO 48%)[1]
  - 9 coreholes drilled of 20 well programme
  - Stepping out exploration and appraisal in PEL 238
  - Successful trials of horizontal well technologies
  - 79% upgrade in 2P reserves to 602PJ and 51% upgrade in 3P reserves to 1,959PJ announced 19 August 2009
- STO operated areas (100% and earning up to 65%)
  - Initial exploration phase
  - 15 of 23 coreholes drilled
  - 3 drilling rigs operating
  - 525 km seismic acquired



[1] Santos 48% economic interest calculated as 35% direct interest plus 19.99% of ESG's 65% interest

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Summary

Continued delivery of Santos' growth strategy

- Significant progress on strategic milestones
- First half profits impacted by lower oil prices
- Strong balance sheet to fund growth
- Focus remains on delivery

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Reference slides

Significant items (after tax)

$m	**Half Year 2009**	Half Year 2008
Underlying profit	**102**	284
Significant items	**-**	20
Net profit after tax	**102**	304
Significant items included:		
Gain on sale of oil and gas assets/controlled entities	21	-
Impairment of Thevenard asset	(5)	-
Provision of contract losses: rigs and offices	(16)	-
Foreign currency losses/gains	(15)	5
Remediation and related costs of pipeline incidents	2	(16)
Change in fair value of embedded derivatives	3	3
Income tax	10	28
Total	-	20

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Net financing charges

	2009	2008	Change %
Interest expense	43	67	
Less borrowing costs capitalised	(14)	(3)	
	29	64	**55**
Unwind of the effect of discounting on provisions	17	16	
Other	–	–	
Financial expenses	46	80	**43**
Less interest income	(34)	(6)	
Net financing costs	**12**	**74**	**84**

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EBITDAX

$m	2009	2008
Profit before tax	197	506
Net financing costs	12	74
Impairment write-downs	8	–
Exploration expense	113	108
DD&A	317	344
EBITDAX	**647**	**1,032**

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2009 guidance

Item	Previous Guidance	Updated Guidance
Production	53 – 56 mmboe	No change
Production costs	$550 - $570 million	No change
Depreciation, Depletion & Amortisation (DD&A) expense	$12.80 per boe	$12.20 per boe
Royalty related taxation expense[1]	$80 to $100 million (after tax)	No change
Capital expenditure (including exploration & evaluation)[2]	$1,600 million	No change

1 Royalty related taxation expense guidance assumes an oil price of A$75 per barrel which is consistent with analyst consensus forecasts for 2009.

2 Capital expenditure guidance includes $180 million for exploration.

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Prices & exchange rates

	Half Year 2009	Half Year 2008	Change %
Realised Oil Prices (USD/bbl)	**52.45**	113.08	(54%)
AUD/USD Exchange Rate	**0.7158**	0.9383	24%
Realised Oil Price (AUD/bbl)	**73.28**	120.51	(39%)
Gas Prices (AUD/GJ)	**4.19**	4.00	5%

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2009 Capital expenditure outlook

(A$ million)	**2009**	2008
Capital expenditure	1,600	1,500
Acquisitions	476	5
Disposal proceeds[1]	(304)	(2,052)

[1] (pre tax, reported to date for 2009)

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2009 Second Half Sensitivities

Sensitivity	Change	NPAT Impact A$m
US dollar oil price	US$1/bbl	8
Gas price	10 cent/GJ	9
A$/US$ exchange rate	1 cent	5
Interest rates	1%	3

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Strategic partnership with GDF SUEZ

Amount	Santos has sold 60% of its Petrel, Tern and Frigate assets to GDF SUEZ for up to US$370 million consisting of: – Initial payment of US$200 million – Payment at FID of FLNG project of US$170 million GDF SUEZ will also fully carry Santos' share of pre-FEED and FEED costs including at least 2 appraisal wells
Project	GDF SUEZ to lead the development of a floating LNG project with a planned capacity of 2mtpa of LNG
Partner	GDF SUEZ – 2 floating LNG regassification terminals in development – Globally positioned throughout LNG value chain including top 3 LNG importer and Europe's largest LNG importer
Participation	60% GDF SUEZ/40% Santos interest in FLNG project
Alignment	Santos and GDF SUEZ aligned across the value chain: upstream resource, development, operation and LNG marketing
Completion	Expected to close by the end of 2009

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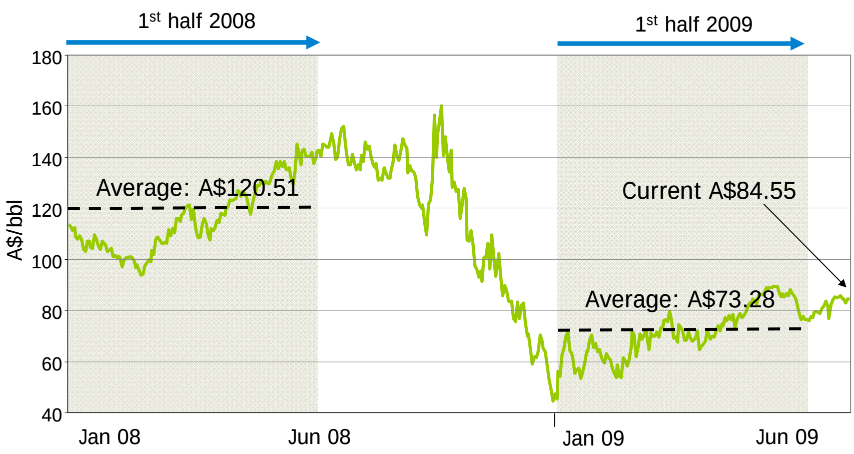
Oil Price A$/bbl



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2009 Forward Exploration Schedule

Well Name	Basin / Area	Target	Upside Resource Potential (mmboe)			Santos Interest	Timing	Comments
			0 – 50	50 - 100	100 - 500	%		
South East July 1	Gulf of Suez / Egypt	Oil			✓	40	Q1 09	P&A with full carry
Peluang 1	East Java / Indonesia	Gas	✓			67.5	Q1 09	Gas discovery
Ha Mai 1	Song Hong / Vietnam	Gas	✓			55	Q2 09	P&A with gas shows
North Ayzar 1	Fergana / Kyrgyzstan	Oil	✓			70	Q2 09	P&A
Huday Nazar 1	Fergana / Kyrgyzstan	Oil	✓			70	Q3 09	Drilling
Burnside 1	Browse / Australia	Gas			✓	47.8	Q3 09	P&A Gas discovery

The exploration portfolio is continuously being optimised therefore the above program may vary as a result of rig availability, drilling outcomes and maturation of new prospects

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Reporting Segments

Eastern Australia	WA & NT	GLNG	Asia Pacific
Production Cooper Basin Casino Minerva Patricia Baleen Moonie Qld conventional Scotia	**Production** John Brookes Bayu Undan/Darwin LNG Mereenie/Palm Valley Stag Mutineer Exeter Barrow Island Thevenard Legendre Jabiru/Challis	**Production** Fairview Roma	**Production** Maleo Oyong Sangu PNG
Development Kipper Henry Shaw River	**Development** Reindeer	**Development** GLNG	**Development** PNG LNG Oyong Phase 2 Chim Sao

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