Delivering Results
2006 Interim Results
Webcast
24 August 2006

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.
Webcast Agenda

- Operational and financial highlights
  - Financial performance
  - Outlook
    - Eastern Australian Gas
    - Cooper Oil Project
    - Managing Costs
    - Timor/Bonaparte
    - Indonesia
    - Identify New Areas

Record Financial Result

2006 Interim Result

<table>
<thead>
<tr>
<th>Metric</th>
<th>Value</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Production</td>
<td>28.7 mboe</td>
<td>up 9%</td>
</tr>
<tr>
<td>Sales Revenue</td>
<td>$1,313 million</td>
<td>up 29%</td>
</tr>
<tr>
<td>EBITDAX</td>
<td>$1,007 million</td>
<td>up 45%</td>
</tr>
<tr>
<td>NPAT</td>
<td>$370 million</td>
<td>up 28%</td>
</tr>
<tr>
<td>EPS</td>
<td>59.5 cents/ shr</td>
<td>up 27%</td>
</tr>
<tr>
<td>Operating Cash Flow</td>
<td>$643 million</td>
<td>up 14%</td>
</tr>
<tr>
<td>Dividend</td>
<td>20 cents/ shr</td>
<td>up 11%</td>
</tr>
<tr>
<td>Gearing</td>
<td>32%</td>
<td>improved 2%</td>
</tr>
</tbody>
</table>
**EHS Performance**

**Injury Frequency (12 month rolling average)**

- Full Year 2002
- Full Year 2003
- Full Year 2004
- Full Year 2005
- 2006 APPEA avg

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

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**2006 First Half Highlights**

**Development Projects**
- Bayu Undan LNG first shipments
- Casino first gas
- Maleo gas 2H 2006
- Oyong oil 1H 2007

**Exploration Discoveries**
- Dua-4X
- Evans Shoal South
- Amulet

**Value Drivers**

**Exploitation Success**
- Cooper oil project
- Mutineer 12 online
- Stag oil optimisation

**Acquisitions**
- Fairview integration
- Delhi offer
- Kipper
- Farm-ins
Delivering Results

Overview

- Financial performance

Outlook

- Eastern Australian Gas
- Cooper Oil Project
- Managing Costs
- Timor/ Bonaparte
- Indonesia
- Identify New Areas

Underlying Profit Up 68%...

...headline profit up 28%

$\text{m}$

- 1st Half 2005: 290 (48)
- Underlying 1st Half 2005: 242
- 2006 Profit Improvement: 196
- Exploration Expensed: (31)
- Underlying 1st Half 2006: 407 (37)
- Significant Items*: 370

* Significant items detailed in reference slides
Production Growth Continues

Sales Grow Faster
Production Costs Controlled

$\text{m}$

<table>
<thead>
<tr>
<th>Volumes</th>
<th>$6.28/\text{boe}$</th>
<th>1st Half 2005 Production Cost</th>
<th>1st Half 2006 Production Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Acquisitions</td>
<td>5</td>
<td>165</td>
<td>185</td>
</tr>
<tr>
<td>New Fields</td>
<td>12</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other cost increases</td>
<td>3</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Margins Higher

$/\text{boe netback}$

<table>
<thead>
<tr>
<th>1st Half 2005</th>
<th>1st Half 2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Production Mix</td>
<td>$25.07$</td>
</tr>
<tr>
<td>Gas Prices</td>
<td>$1.16$</td>
</tr>
<tr>
<td>Costs</td>
<td>$(0.10)$</td>
</tr>
<tr>
<td>Liquids Prices</td>
<td>$7.50$</td>
</tr>
</tbody>
</table>
EBITDAX for 1st Half Tops $1bn

$\text{m}$

1st Half 2005 | 695
Volumes

1st Half 2006 | 1,007
Prices

227
Other

23
Costs

Depreciation, Depletion & Amortisation

$\text{m}$

1st Half 2005 | $10.38/\text{boe}

1st Half 2006 | $9.44/\text{boe}

273
Increased Volumes

18
East Spar write-off

255
Acquisitions/Disposals

(5)
New Fields

(8)
Other

8
YE 05 Reserves & FDC's

(4)
Asset Additions

(7)
Rate Increase

271
## Exploration & Evaluation Expensed

<table>
<thead>
<tr>
<th></th>
<th>1st Half</th>
<th>1st Half</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2006</td>
<td>2005</td>
</tr>
<tr>
<td><strong>$m</strong></td>
<td>Incurred</td>
<td>Expensed</td>
</tr>
<tr>
<td>Seismic, G&amp;G, studies</td>
<td>45</td>
<td>45</td>
</tr>
<tr>
<td>Drilling</td>
<td>130</td>
<td>63</td>
</tr>
<tr>
<td>Banjar Panji incident provision</td>
<td>24</td>
<td>24</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>199</td>
<td>132</td>
</tr>
</tbody>
</table>

### Impairment charge

**Impairment (write down) / reversal ($m)**

<table>
<thead>
<tr>
<th></th>
<th>Half Year</th>
<th>Half Year</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2006</td>
<td>2005</td>
</tr>
<tr>
<td>Before tax</td>
<td>(26)</td>
<td>98</td>
</tr>
<tr>
<td>After tax</td>
<td>(20)</td>
<td>68</td>
</tr>
</tbody>
</table>

- 2005 reflects reversal of majority of AIFRS related impairment write downs, plus subsequent impairments
- 2006 write down related to Patricia Baleen and US assets
NPAT: Further Structural Improvement

2006 Profit Improvements

Volume related

- Higher Volumes: 290
- Higher Prices: 139
- Higher net costs: 52
- E&E: (20)
- Other: (32)
- Significant Items: 27

NPAT: Further Structural Improvement

Cash Flow Growth Remains Strong

First half operating cash flow ($ million)

- Tax change
- Moomba incident

Cash Flow Growth Remains Strong
### Record Development Continues

#### 1st Half 2006 - $497m

<table>
<thead>
<tr>
<th>Category</th>
<th>2006</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exploration</td>
<td>107</td>
<td>79</td>
</tr>
<tr>
<td>Bayu-Undan Liquids</td>
<td>11</td>
<td>23</td>
</tr>
<tr>
<td>Bayu-Undan LNG</td>
<td>7</td>
<td>20</td>
</tr>
<tr>
<td>Mulineer-Exeter</td>
<td>25</td>
<td>22</td>
</tr>
<tr>
<td>John Brookes</td>
<td>0</td>
<td>79</td>
</tr>
<tr>
<td>Cooper Gas</td>
<td>90</td>
<td>97</td>
</tr>
<tr>
<td>Cooper Oil D&amp;D</td>
<td>91</td>
<td></td>
</tr>
<tr>
<td>EQ/NT</td>
<td></td>
<td></td>
</tr>
<tr>
<td>USA</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Indonesia</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Southern Aust</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Corporate &amp; Other</td>
<td>26</td>
<td>17</td>
</tr>
</tbody>
</table>

#### 1st Half 2005 - $463m

<table>
<thead>
<tr>
<th>Category</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exploration</td>
<td>79</td>
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<tr>
<td>Bayu-Undan Liquids</td>
<td>23</td>
</tr>
<tr>
<td>Bayu-Undan LNG</td>
<td>20</td>
</tr>
<tr>
<td>Mulineer-Exeter</td>
<td>22</td>
</tr>
<tr>
<td>John Brookes</td>
<td>79</td>
</tr>
<tr>
<td>Cooper Gas</td>
<td>97</td>
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<tr>
<td>Cooper Oil D&amp;D</td>
<td>32</td>
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<tr>
<td>EQ/NT</td>
<td>12</td>
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<tr>
<td>USA</td>
<td>23</td>
</tr>
<tr>
<td>Indonesia</td>
<td>21</td>
</tr>
<tr>
<td>Southern Aust</td>
<td>38</td>
</tr>
<tr>
<td>Corporate &amp; Other</td>
<td>17</td>
</tr>
</tbody>
</table>

### Delivering Results

**Overview**

**Financial performance**

**Outlook**

- Eastern Australian Gas
- Cooper Oil Project
- Managing Costs
- Timor/ Bonaparte
- Indonesia
- Identify New Areas

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**John Ellice-Flint**
CEO & Managing Director
Consistent Growth Strategy

Strong cashflow underpins active exploration program

- **Identify New Core Areas**
  - Asia, Middle East, USA

- **Mature and Emerging Core Areas**
  - Indonesia, Timor/Bonaparte, PNG

- **Enhance Existing Core Areas**
  - Eastern and Western Australia

2001  2003  2005  2007  2009  2011  2013

Strong Competitive Position

Leading player in Australian oil and gas production

- Largest producer of domestic gas and ethane
- Top 3 producer of crude oil and LPG

Source: EnergyQuest EnergyQuarterly Report August 2006

• Largest producer of domestic gas and ethane
• Top 3 producer of crude oil and LPG
EA Gas Reserves & Resources

Uncontracted 2P reserves and large contingent resource...

- Acquisitions driven by strategic considerations
- Uncontracted gas across both conventional and CSG assets

Eastern Australian Gas Prices

Australian domestic gas prices remain low

- This pricing differential is unsustainable
- Rapid escalation in capital costs impacting projects

Source: Bloomberg, Poten & Partners, Inc
**Cooper Oil Project**

**Project is off to an encouraging start...**

- Exploration, exploitation and Enhanced Oil Recovery
- 700+ mmbbl oil in place
- Four rigs operational
- Program to date
  - 42 wells drilled
  - 37 successful (88%)
  - 14 wells on-line

... risk addressed by outcome based funding

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**Managing Costs**

**An integrated approach to cost management...**

**Keeping costs down**

- Long term alliance contracts
- Cycle time reduction
- Scaleable investment options
- Continuous improvement

**Keeping costs out**

- New technologies
- Resource/ reserve conversion
- Stress testing investment decisions

... delivering long term value enhancements
First Bayu-Undan LNG a significant milestone

- Strategy to prove up gas resource for LNG expansion
- Evans Shoal South discovery
- Barossa 1 drilling
- Caldita 2 to follow
- 3D seismic acquisition

Maleo
- On schedule for start-up 2H 2006
- In-line with project sanction budget

Oyong
- Delayed due to contracting issues
- Start-up now 1H 2007

Jeruk
- Jeruk-3 tested oil, but reduced oil column height
- Integrating data to determine forward plan
Identify New Core Areas

Investing in longer term growth options...

- **Kyrgyzstan**
  - 2006 regional studies and seismic acquisition

- **USA**
  - 1 well in 2H 2006

- **Vietnam**
  - Dua-4X discovery, 1 well in 2H 2006

- **Egypt**
  - 1 well in 2H 2006

... new country entry in Vietnam

Summary

Santos continues to deliver on commitments...

- Record profits
- Leading Australian oil and gas producer
  - Number one in domestic gas
  - Well positioned for increasing prices
  - Encouraging early results from Cooper Oil
- First LNG export a turning point
  - Maturing Timor/ Bonaparte LNG growth options
- Re-affirm guidance:
  - 60-61 mmboe in 2006; and
  - 62-63 mmboe in 2007
Reference slides

Prices & Exchange Rates

<table>
<thead>
<tr>
<th></th>
<th>Half Year 2006</th>
<th>Half Year 2005</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Realised Oil Prices (USD/bbl)</td>
<td>68.44</td>
<td>49.67</td>
<td>+37.8</td>
</tr>
<tr>
<td>AUD/USD Exchange Rate (after hedging)</td>
<td>0.7459</td>
<td>0.7401</td>
<td>-0.8</td>
</tr>
<tr>
<td>Realised Oil Price (AUD/bbl)</td>
<td>92.20</td>
<td>65.94</td>
<td>+39.8</td>
</tr>
<tr>
<td>USA Gas Price (USD/mcf)</td>
<td>7.42</td>
<td>6.47</td>
<td>+14.7</td>
</tr>
<tr>
<td>Australian Gas Prices (AUD/gj)</td>
<td>3.37</td>
<td>3.26</td>
<td>+3.4</td>
</tr>
</tbody>
</table>
Cost of Sales

<table>
<thead>
<tr>
<th></th>
<th>Half Year 2006</th>
<th>Half Year 2005</th>
<th>Change %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Production Costs</td>
<td>185</td>
<td>165</td>
<td>12.1</td>
</tr>
<tr>
<td>Pipeline Tariffs</td>
<td>22</td>
<td>17</td>
<td>29.4</td>
</tr>
<tr>
<td>Royalties</td>
<td>44</td>
<td>54</td>
<td>-18.5</td>
</tr>
<tr>
<td>PRRT</td>
<td>26</td>
<td>22</td>
<td>18.2</td>
</tr>
<tr>
<td>Total Operating Costs</td>
<td>277</td>
<td>258</td>
<td>7.4</td>
</tr>
<tr>
<td>Gas Purchases</td>
<td>42</td>
<td>59</td>
<td></td>
</tr>
<tr>
<td>Inventory Movement</td>
<td>(21)</td>
<td>(17)</td>
<td></td>
</tr>
<tr>
<td>D,D&amp;A</td>
<td>271</td>
<td>273</td>
<td>-0.8</td>
</tr>
<tr>
<td>Cost of Sales</td>
<td>569</td>
<td>573</td>
<td>-0.7</td>
</tr>
</tbody>
</table>

2006 First Half Results

<table>
<thead>
<tr>
<th></th>
<th>Half Year 2006</th>
<th>Half Year 2005</th>
<th>Change %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross Profit</td>
<td>744</td>
<td>446</td>
<td></td>
</tr>
<tr>
<td>Other Revenue</td>
<td>16</td>
<td>12</td>
<td></td>
</tr>
<tr>
<td>Exploration &amp; Evaluation Expense</td>
<td>(132)</td>
<td>(71)</td>
<td></td>
</tr>
<tr>
<td>Impairment</td>
<td>(26)</td>
<td>98</td>
<td></td>
</tr>
<tr>
<td>SG&amp;A Expenses</td>
<td>(26)</td>
<td>(27)</td>
<td></td>
</tr>
<tr>
<td>Borrowing Costs</td>
<td>(56)</td>
<td>(24)</td>
<td></td>
</tr>
<tr>
<td>Foreign Currency Gains / (Losses)</td>
<td>(1)</td>
<td>(12)</td>
<td></td>
</tr>
<tr>
<td>Income Tax</td>
<td>(151)</td>
<td>(132)</td>
<td></td>
</tr>
<tr>
<td><strong>Net Profit after Tax</strong></td>
<td><strong>370</strong></td>
<td><strong>290</strong></td>
<td><strong>+27.6</strong></td>
</tr>
</tbody>
</table>
**Significant Items (after tax)**

<table>
<thead>
<tr>
<th></th>
<th>Half Year 2006</th>
<th>Half Year 2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Impairment (write down) / reversal</td>
<td>(20)</td>
<td>68</td>
</tr>
<tr>
<td>Incremental depletion and depreciation due to impairment reversal</td>
<td>2</td>
<td>(8)</td>
</tr>
<tr>
<td>Banjar Panji provision</td>
<td>(19)</td>
<td>-</td>
</tr>
<tr>
<td>Accelerated depreciation due to East Spar Shut-in</td>
<td>-</td>
<td>(12)</td>
</tr>
<tr>
<td></td>
<td>(37)</td>
<td>48</td>
</tr>
</tbody>
</table>

**2006 Second Half Sensitivities**

- US$1 change in the unhedged oil price per barrel leads to change of A$8 million in profit after tax
- One cent movement in the exchange rate will cause a profit after tax movement of A$5 million
- A 1% change in interest rates will cause a profit after tax movement of A$5 million
Cash Flow Growth Strong

Half yearly operating cash flow ($ million)

13% CAGR

Tax change
Moomba incident