2000

annual report

Santos

CONTENTS

Cover

The year 2000 was an outstanding one for Santos. One of the many achievments was that the Company delivered record gas from south-west Queensland.

Santos' people are the drivers of technological innovation in developing the Company's resources. Through the efforts of Rod McArdle and his team in Queensland, coal bed methane in the Scotia field is now being developed to supply up to 120 PJ of gas to CS Energy's new gas fired power station at Swanbank, west of Brisbane.

John Ellice-Flint
Managing Director

Pictured on the cover are Ray Johnson, Team Leader Petroleum Engineering, Brett Doherty, Area Superintendent Eastern Queensland and Pipelines, Bonnie Lowe-Young, Exploration Supervisor, Queensland and Northern Territory Business Unit and the Ballera Gas Plant in south-west Queensland.

Port Bonython Liquids Processing Plant

Stag Production Facility

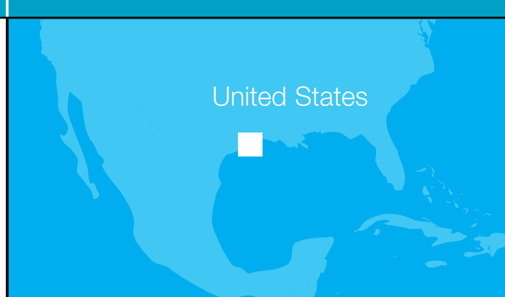
United States

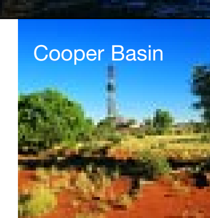
Exploration Acreage

> Offshore – Gulf of Mexico
> Onshore – Texas and Louisiana Gulf Coast and Arkoma Basin in Oklahoma

Production

> Texas Gulf Coast
> Gulf of Mexico





Cooper Basin

Heytesbury Gas Plant

Visit the Santos website
www.santos.com.au

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Papua New Guinea

Exploration Acreage
> SE Gobe field

Production
> SE Gobe field

Indonesia

Exploration Acreage
> Warim
> Bentu
> Korinci-Baru
> Sampang


Moomba Plant


East Spar

Offshore Australia

Exploration Acreage
> Carnarvon Basin
> Browse Basin
> Timor Sea

Production
> Carnarvon Basin – Oil (Stag, Chervil, and Barrow and Thevenard Islands' fields) and sales gas and condensate (East Spar field)
> Timor Sea – Oil (Elang/Kakatua/Kakatua North fields (Timor Gap); Jabiru and Challis (Timor Sea)

Queensland and Northern Territory

Exploration Acreage
> Cooper/Eromanga Basins (south-west Queensland)
> Surat/Bowen Basins
> Amadeus Basin

Production
> Ballera Gas Processing
> Jackson Oil Processing
> Amadeus Oil & Gas Processing
> Surat/Bowen Oil & Gas Processing

South Australia

Exploration Acreage
> Cooper/Eromanga Basins (South Australia)

Production
> Moomba Gas, Oil and Liquids Processing
> Port Bonython Oil and Liquids Processing

Victoria

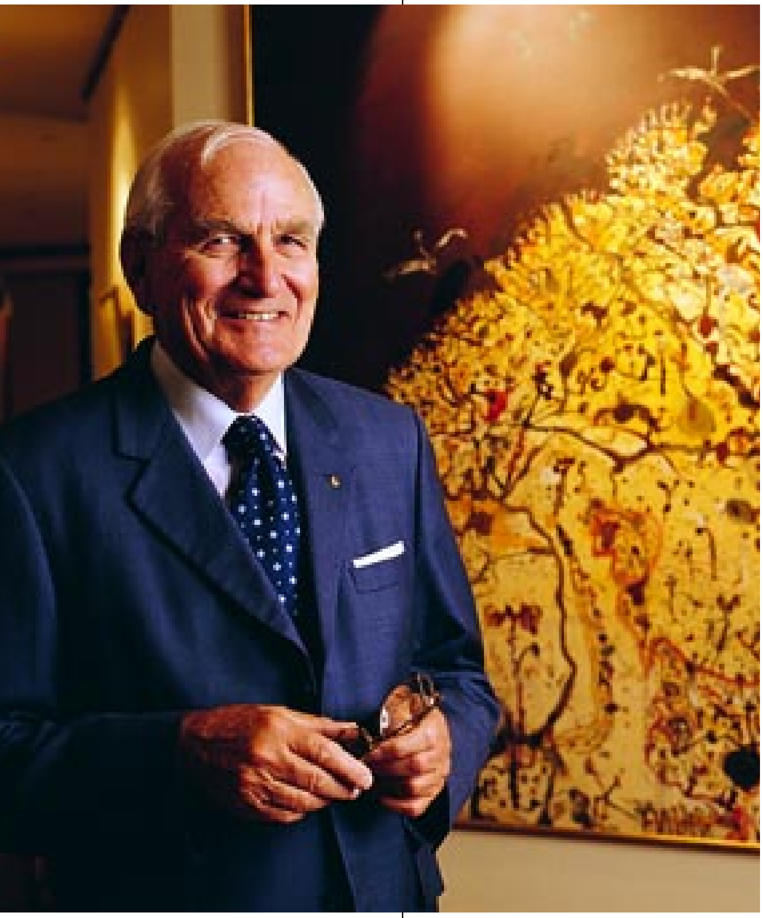
Exploration Acreage
> Onshore and Offshore Otway Basins
> Offshore Bass Basin
> Offshore Gippsland Basin

Production
> Heytesbury Gas Processing


Barrow Island


SE Gobe Production Facility

CHAIRMAN'S REVIEW



A New Era Begins for Santos

Chairman John Uhrig reports to shareholders

Dear Shareholder,

There have been many important developments at Santos over the past year.

Santos delivered higher levels of production and earnings than at any time in its history.

Gearing fell to its lowest level in 20 years.

Santos' share price increased by 45%.

The Company's long-standing investment in coal was sold.

The South Australian Government commenced a review of the Company's shareholding restriction.

A new Managing Director, Mr John Ellice-Flint, was appointed.

This marks the start of a new era for the Company.

Santos was not unusual among oil and gas companies in achieving record earnings in 2000. However, with record production of oil and liquids, the Company was well positioned to benefit from high oil prices. Gas production also continued to grow by a further 6.4%. Altogether, 30% of the increase in revenue came from higher production.

With significantly increased production, Santos should be able to achieve higher earnings than it has in the past, even if oil prices return to more normal levels.

Workplace safety and good environmental management are priorities for the Board. I am pleased to report that, in the context of increased production, the Company achieved a 20% improvement in its safety performance during 2000. Furthermore, there were no significant environmental incidents.

During the year, the Board formed the view that the Company's investment in QCT Resources Limited was no longer a core interest. This holding was subsequently sold in October, realising a small profit. This investment had been held for over a decade and its disposal marks a major change.

In another development, the South Australian Government announced that it was reviewing the legislation restricting shareholdings in Santos to a maximum of 15%. At the Annual General Meeting in May 2000, the Board stated its view that this restriction is not in the long-term interest of Santos shareholders. While the Government's review will inevitably involve broader considerations than those relevant to Santos shareholders, the Board and Company are planning on the assumption that, sooner or later, the restriction will be removed. As at the time of writing, the Government had not yet announced the outcome of the review.

The appointment of Mr John Ellice-Flint to succeed the previous Managing Director, Mr Ross Adler, ensures that Santos continues to have strong management and leadership going forward.

Mr Ellice-Flint joined Santos in December, bringing impressive international credentials in the oil and gas industry, plus other qualities that the Board rates highly. Among them are his leadership capacity, ability to motivate people, a strong focus on performance, and a commitment to building shareholder value.

He returns to Australia after a successful career around the world with the American oil company, Unocal, where he was Senior Vice President Global Exploration and Technology. His mandate at Santos is for growth in shareholder returns.

A strategic review of Santos' activities is underway, the main purpose of which is to put in place a plan for further growth under the new Managing Director.

The review includes an assessment of the Company's ongoing capital management, taking into account funding requirements for the growth program, changes to taxation law affecting shareholders and the Company's current surplus of franking credits.

Directors have declared a final dividend of 15 cents per share, increasing the total ordinary dividend to 30 cents for the year. This is a three-cent increase over the total 1999 dividend payment. The dividend continues to be fully franked.

In view of the record profit result Directors have also decided to pay a fully franked special dividend of 10 cents per share.

Historically Santos has been relatively late to report its results and to make its dividend payments. From the 2001 Interim Result, Santos intends to both report its results and pay its dividends earlier than in the past.

The Company expects to announce its 2001 Interim Result on 22 August 2001 (previously 5 September in 2000) and to pay its interim dividend on 28 September 2001 (previously 17 November in 2000).

I will be retiring at the conclusion of the forthcoming Annual General Meeting. The present Deputy Chairman, Mr Stephen Gerlach, who has served on the Santos Board for over 11 years, will succeed me. Santos is well positioned to continue growing. It has good acreage, a strong balance sheet and a dynamic new Managing Director.

As you can see as you read through this report, Santos' employees made a great contribution during the year and, on behalf of the Board, I wish to record our appreciation to all employees for their efforts. In particular I would like to record our appreciation of the contribution made over many years by Mr John McArdle, Executive General Manager Commercial, who acted as Managing Director prior to John Ellice-Flint's appointment and who has announced his intention to retire in mid-2001.

I would also like to pay tribute to the former Managing Director, Mr Ross Adler, who, over 16 years, built Santos up to become the major Company it is today.

The Board has great confidence in the future of the Company under the leadership of Mr Ellice-Flint and I thank shareholders for your support over my period as Chairman.

J A Uhrig, Chairman

9 March 2001

MANAGING DIRECTOR'S REVIEW 2000

John Ellice-Flint sums up 2000 and talks about his first impressions of Santos

A Great Result

Among oil and gas companies the year 2000 will be remembered as the year of record high oil prices.

With growing oil production, Santos was in the right place at the right time to benefit from this favourable environment.

However, this was not just a matter of luck. Santos has been actively increasing its oil production in recent years and four developments in particular made it possible to substantially increase oil production in 2000:

> Successful development work on the Stag oil field;

> Acquisition of interests in the Barrow and Thevenard Islands oil fields;

> Successful development work on the Elang oil fields; and

> Onshore oil exploration success.

These developments increased the Company's production of oil and liquids from 14.5 million barrels of oil equivalent (boe) in 1999 to 19 million boe in 2000.

Gas production also grew, from 202 petajoules (PJ) in 1999 to 215 PJ in 2000. Santos continues to produce more domestic gas than any other company in Australia.

Growing production and high oil prices came together to produce record earnings of $487 million or 80 cents per share. This is a great result.

Return on Average Capital Employed was 16.7%, well above the Weighted Average Cost of Capital.

Importantly too, increased cash flow and the disposal of the Company's interest in QCT Resources Limited reduced gearing (net debt to equity) to 38% by the year's end.

Santos' earnings outlook is currently better than at any time in the recent past.

While the result in any one year is sensitive to oil prices, an average oil price of around A$45 per barrel in 2001 would enable Santos to achieve 2001 earnings similar with those in 2000.

Looking further forward, baseline production at around current levels would deliver earnings substantially higher than those prior to 2000, even if oil prices fall to around the long-term average level.

As a new Managing Director, one can't have a much better start than this and I would like to acknowledge my predecessor, Mr Ross Adler, and his contribution to building this strong platform.

My brief from the Board is to drive the Company forward in seeking further growth and I am very excited about this.

In this overview I would like to share my first impressions of Santos.

Since I was appointed at the end of 2000 I have met and spoken to hundreds of people across the Company, as well as externally, getting their views on Santos' growth potential.

I have been impressed by the energy and enthusiasm of the people in the Company and by their technical knowledge.

Optionality

I have also been impressed by the optionality available to the Company. By optionality I mean having many options available to choose from.

> Santos has a good acreage position.

> It has further potential in the Cooper Basin.

> It has one of the best gas marketing footprints in Australia.

> It has a strong balance sheet.

The Three Buckets

Although people can over-complicate the oil and gas business, successful exploration and production companies essentially add value in three ways, through:

> Exploration;

> Acquisitions; and

> Reservoir Management.

In any good exploration and production (E&P) company, all three buckets, as I call them, need to contribute to a growing reserves, production, and earnings profile, which should in turn translate into higher shareholder value.

In addition, there are other ways of adding value that exist in all companies, such as capital management.

Exploration

A successful exploration program is a key part of the value equation.

While Santos has been successful onshore in Australia, the Cooper Basin is unlikely to yield future 100 million barrel discoveries.

This is reflected in the Company's 2000 exploration and appraisal results, which had a good success rate at 52%, but which only yielded 24 million boe of new reserves.

At the same time Santos has substantial acreage, particularly in the Carnarvon Basin, which has potential for larger discoveries but where I believe drilling has probably been under-funded.

Outside Australia, there were some interesting results in 2000. Runnells-3 discovered a new play type in the onshore Texas Gulf coast and Anggur-1 discovered shallow gas offshore Java. Both of these discoveries have created options for growth.

I believe that Santos should be able to get better returns from its exploration investment. In particular I believe in having a sustained exploration program in each of the Company's main areas of interest. This makes it possible to accumulate and apply the lessons learned from past drilling to reduce drilling costs and therefore get more drilling done with more well completions from the money spent.

Acquisitions

Good E&P companies balance reserve additions through exploration with growth from acquisitions, the second value bucket. These can, if properly done at the right prices, create additional option platforms for value capture.

In my view, Santos is one of the E&P companies that does acquisitions reasonably well. The Company's major transaction in 2000 was buying Shell's interests in Barrow and Thevenard Islands in the Carnarvon Basin.

As a result of the high oil prices during the year, this acquisition has performed substantially better than originally expected.

Acquisitions will continue to be an ongoing part of Santos' strategy.

Reservoir Management

The third value bucket is reservoir management. When I use this term I mean it in its broadest sense, covering all activities associated with maximising the value of an asset through its production life.

Reservoir management initiatives tend to be low risk/low return but they do not require much capital and can also have a quick impact on the bottom line.

I believe that Santos has substantial potential to improve day-to-day production efficiency, particularly through use of current technology. For example, in the Cooper Basin there is potential from optimisation of completions, remote telemetry, more seismic and more production logging over time to understand how our wells are behaving and why.

Increases in recovery factors could also have substantial potential, not only to lower cost, but also to improve the reserve position.

Costs

Cost control is also an important aspect of reservoir management for a low-margin producer such as Santos. My attitude to costs is that there is always scope to do better and there should be no sacred cows. In the oil and gas industry, I believe there is unnecessary emphasis on custom designing and building and not enough on standardisation, which has the potential for significant cost reduction.

For Santos, there is scope to reduce cost through standardisation, greater collaboration with suppliers, and more efficient procurement, increased use of remote monitoring, and better measurement systems. I also intend to focus effort on more timely well completions over the next year, along with all of our reservoir management processes and practices including reserves estimation.

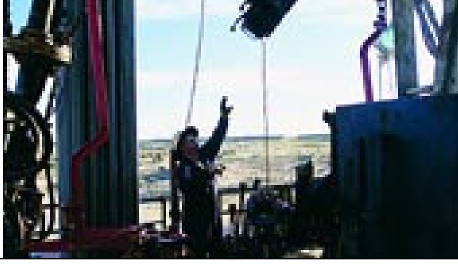
Priorities

I have three immediate priorities:

> To review Santos' strategy, based on inputs from across the Company;

> Cultural change and performance improvement; and

> To create more win-win external relationships.



Strategy

It is important to have a clearly articulated strategy that everyone in the Company can identify with and that investors can understand.

Santos' strategy is currently under review, with the aim of making appropriate statements to shareholders about our direction in the second quarter of 2001.

Cultural Change and Performance Improvement

The value of any oil and gas company is far more than the value of its acreage. I believe that Santos has scope to gain more from the knowledge and creativity of its employees. Oil and gas is an ideas business and that makes it a people business. Getting the best from your people is critical. We will win or lose based on the calibre of our people. Information sharing, teamwork and constructive debate are important too.

My second immediate priority is to start creating a more productive internal culture, leading to performance improvement.

I believe in performance-based management. This means being able to benchmark the Company as a whole against its peers, as well as being able to benchmark specific operations against world's best practice. This will require development of the Company's information management systems and performance measurement processes to improve value focus throughout the organisation.

I also believe in performance-based remuneration. However, the right business processes need to be in place before that is introduced.

Speed of decision-making is also important, provided that it is fact-based. The aim is not only to make the right decisions but to make them quickly. Santos has the assets of a major company; it needs to have the nimbleness of a small operator.

I have been impressed by the energy and enthusiasm of the people I have met across the Company and their desire to see change.

External Relationships

My third priority is to build our relationships with other industry players, our customers, suppliers and investors.

These relationships need to be as productive as possible.

We also need to build stronger relationships with our customers and suppliers, and work with them to add value to all our collective organisations. This may require greater sophistication in our commercial arrangements and changes in practices to foster cooperation and enable Santos to be solution providers and not just bulk sellers of products.

Lastly, investors ultimately determine the fate of any company, whether they are large institutions or small shareholders. Thus, good relationships with providers of our capital are also important.

Conclusion

I have been with Santos for less than three months and the achievements made during 2000 reflect the work of everyone across the Company.

I would like to thank all employees for providing such a solid base from which to start. My vision for Santos is that it becomes the most admired E&P company, with the best people and best performance in an environment that is challenging for all.

I look forward to reporting back regularly on how we are going.

J C Ellice-Flint, Managing Director

9 March 2001

AN OUTSTANDING YEAR

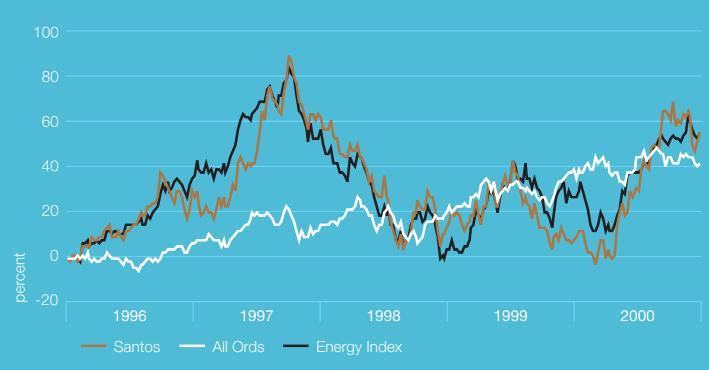
2000 FINANCIAL HIGHLIGHTS & OVERVIEW

2000 – OUR OBJECTIVES	2000 – WHAT WE ACHIEVED
Total production to exceed 51 million boe before acquisitions.	In 2000 total production was 53 million boe or 4% above the 2000 target after excluding the acquisition of Barrow and Thevenard Islands.
Grow Australian gas sales through finding additional gas reserves and securing new and extending existing contracts.	Santos was able to grow total domestic gas sales by 8% to 210 PJ. Santos signed a gas contract with CS Energy to supply 120 petajoules over 10 to 15 years.
Increase exploration effort and review and upgrade the exploration portfolio.	Offshore Australia Business Unit developed an inventory of 20 prospects and leads for drilling in 2001 and 2002.
Add further value to the business through acquisitions.	Santos acquired Shell Australia's Barrow and Thevenard Islands interests adding 3 million boe to annual production and 43 million boe to reserves.
Profit to exceed $300 million.	Santos achieved a record $487 million profit.

- > Record sales of $1,497 million, up 59%
- > Net profit of $487 million, up 122%
- > Total dividend of 40 cents
- > 30 cent ordinary dividend, fully franked
- > 10 cent special dividend, fully franked
- > 22% return on equity
- > Record production of 56 million barrels of oil equivalent
- > Gearing fell to 38%
- > QCT Resources Limited investment sold in October 2000
- > Acquisition of a number of Carnarvon Basin oil and gas assets from Shell Australia
- > Successful private placement of US$290 million of notes to US institutions

KEY FINANCIAL RESULTS	2000	1999
Sales *$ millions*	1,497	945
Operating Profit before Income Tax *$ millions*	726	340
Net Profit after Tax *before abnormals*	487	219
Cashflow from Operations *$ millions*	1,023	530
Earnings per Share	80 cents	36 cents
Dividends per Share	40 cents	27 cents
Cash Flow per Share	$1.68	$0.87
Total Shareholders' Funds *$ millions*	2,311	2,057
Return on Average Equity	22%	11%
Gearing *net debt/equity*	38%	63%
Net Interest Cover	9.1 times	5.2 times

Santos' Five Year Share Price Performance



2000 FINANCIAL HIGHLIGHTS & OVERVIEW

Sales Revenue a Santos Record

- Sales revenues increased to $1,497 million, up 59%.
- 30% of the increase in sales revenue came from an increase in sales volumes and 70% from an increase in average realised prices.
- The average realised crude oil price was up 69% to A$46.54 in 2000.
- Sales volumes increased by 15% to 55.7 million barrels of oil equivalent.

Santos Delivers Profit Growth

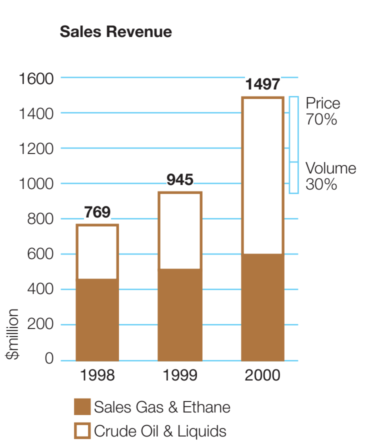
- Santos reported a 122% rise in profitability to $487 million.
- Higher sales volumes and higher realised prices drove the profit increase in 2000.
- With an A$45 per barrel average oil price, Santos would expect to be able to equal the 2000 result in 2001.

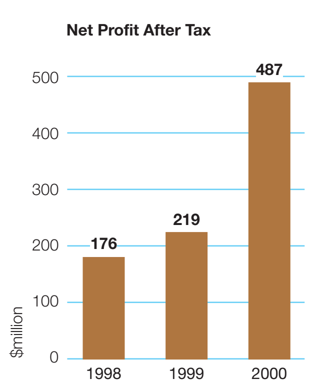
Higher Production Delivered in 2000

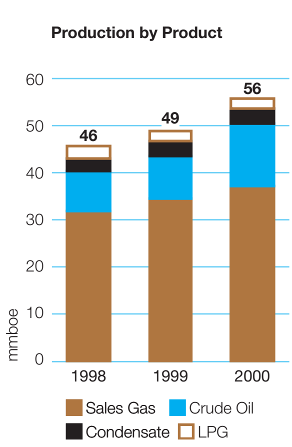
- Production grew by 14% to 56 million barrels of oil equivalent.
- 2000 is the fifth successive year Santos has increased production.
- Crude oil production grew by 48% driven by the Barrow and Thevenard Islands acquisitions and increased Stag production.
- Gas production increased by 6% to 215 PJ as a result of increased production in Queensland, Western Australia and Victoria.

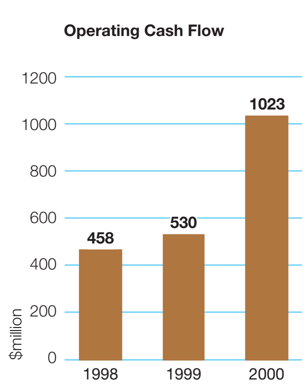
Operating Cashflow a Record

- Operating cashflow of $1,023 million is a Santos record.
- Surplus cash flow was used to reduce debt.
- Proceeds from the sale of the QCT Resources Limited stake ($326 million) contributed to debt reduction.









2000 FINANCIAL HIGHLIGHTS & OVERVIEW

Strong Shareholder Returns

- Santos shareholders benefited from a 45% increase in the share price during 2000.
- Earnings per share increased by 121%.
- Total ordinary dividend of 30 cents was declared in 2000, fully franked.
- A 10 cents special dividend was also declared, fully franked.

Return on Equity Above 20%

- Return on average equity increased to 22% from 11%.
- Higher return on equity reflects higher attributable profits in 2000.
- Shareholders' equity increased to $2,311 million from $2,057 million.
- Return on average capital employed was 16.7%

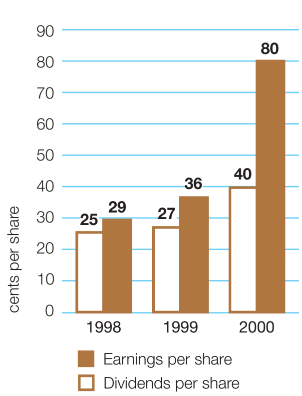
Strong Balance Sheet

- Gearing (net debt to equity) fell to 38%.
- Higher cash flow and the proceeds from the sale of the QCT Resources Limited shares were used to reduce net debt to $867 million.
- Low gearing provides Santos with the flexibility to grow.
- Successful private placement of a US$290 million bond to US institutions. Bond issue oversubscribed by US$90 million.
- Average debt maturity 5.0 years.

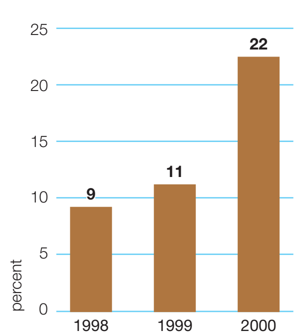
Exploration and Development Expenditure

- Total exploration and development expenditure was $441 million, up 48%.
- Exploration expenditure increased by 28% to $100 million.
- Higher exploration expenditure reflects a focus on increased drilling program in both onshore and offshore Australia.
- Development expenditure increased by 55% to $341 million.
- Increased development activity in the Cooper Basin and offshore Australia drove the higher spending.
- Santos expects to increase development expenditure in 2001 to meet the needs of significant development projects (Bayu/Undan, Legendre, Barrow and Thevenard Islands).

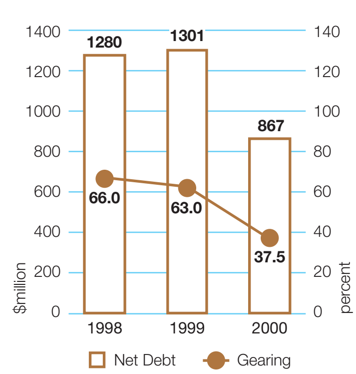
Returns



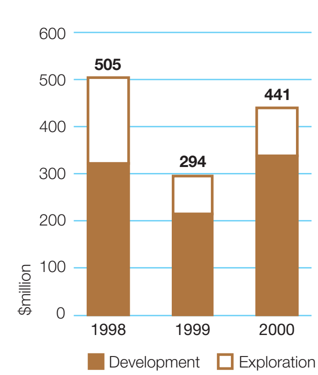
Return on Average Equity



Net Debt and Gearing



Exploration and Development



"Securing this facility was a significant and fulfilling challenge for my team."

Dean Bowman

Group Treasurer

Dean Bowman, Group Treasurer, pictured here with Bronte Hollow, Treasury Administrator

DELIVERING
FINANCE FLEXIBILITY

Graeme Bethune

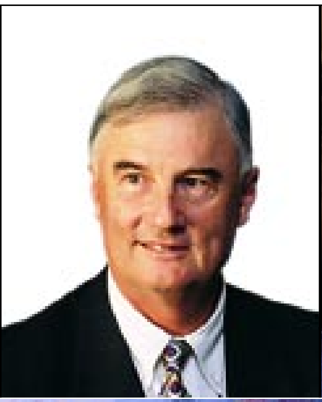
General Manager, Finance & Investor Relations

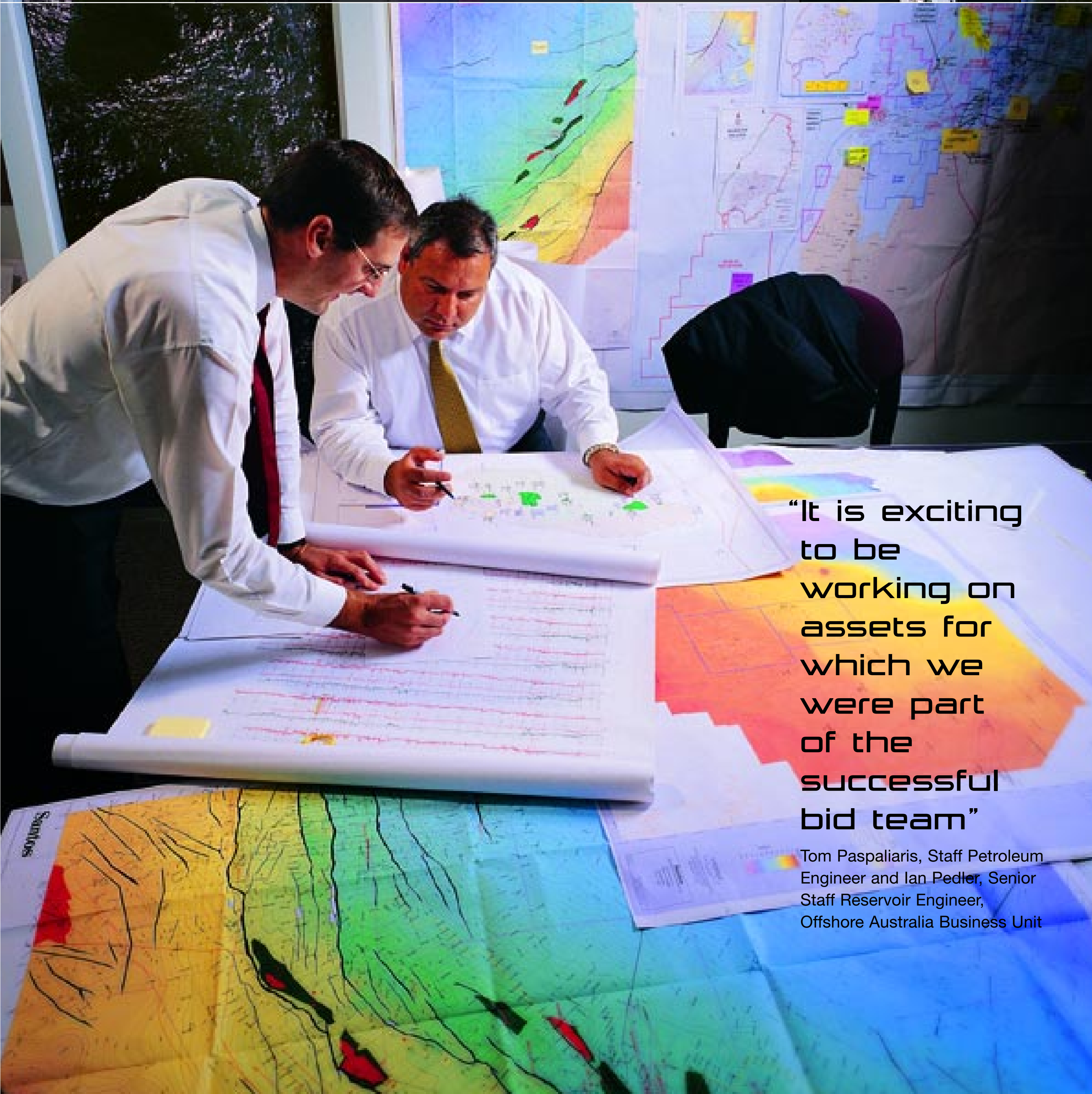
The securing of the US$290 million note facility gives Santos greater flexibility in financing going forward.

DELIVERING

HIGHER PRODUCTION

John Armstrong *General Manager, Offshore Australia Business Unit*
The Barrow Island assets have added significant oil reserves and production at a time of high oil prices. They bring long-term stable production with upside through enhanced oil recovery projects and in unproduced oil zones and undeveloped oil and gas discoveries.We are also pleased with the Thevenard Island fields and are investigating opportunities to improve their performance.





"It is exciting to be working on assets for which we were part of the successful bid team"

Tom Paspaliaris, Staff Petroleum Engineer and Ian Pedler, Senior Staff Reservoir Engineer, Offshore Australia Business Unit

BUSINESS UNIT OPERATIONS

BUSINESS UNIT | **GENERAL MANAGER** | **OPERATIONAL PROFILE**

South Australia

Jon Young

Cooper/Eromanga Basins (South Australia)
- Exploration acreage
- Production of sales gas and ethane, oil, condensates and LPG

Port Bonython Liquids Processing Plant
- LPG extraction and liquids processing

Onshore and Offshore Otway Basins
- Exploration acreage
- Production of sales gas and condensates

Offshore Bass Basin
- Exploration acreage

Offshore Gippsland Basin
- Exploration acreage

Queensland and Northern Territory

Rod McArdle

Cooper/Eromanga Basins (South-West Queensland)
- Exploration acreage
- Production of sales gas, oil and condensates

Surat/Bowen Basins
- Exploration acreage
- Production of sales gas, oil and condensates

Amadeus Basin
- Exploration acreage
- Production of sales gas and oil

Offshore Australia

John Armstrong

Exploration acreage
- Timor Sea
- Carnarvon Basin
- Browse Basin

Production
- Oil (Stag, Chervil, and Barrow and Thevenard Islands fields) and sales gas and condensate (East Spar field)
- Oil – Elang/Kakatua/Kakatua North fields (Timor Gap); Jabiru and Challis (Timor Sea)

South East Asia

Bob Hall

Exploration acreage

Indonesia
- Warim
- Bentu
- Korinci-Baru
- Sampang

Papua New Guinea
- SE Gobe field

Production
- SE Gobe field (oil)

United States

President
To be appointed

Exploration acreage

Offshore
- Gulf of Mexico

Onshore
- Texas and Louisiana Gulf Coast; and Arkoma Basin in Oklahoma

Production
- Texas Gulf Coast (gas – Runnells–3 and Mew–1)
- Gulf of Mexico (gas and oil)

GEOGRAPHIC SALES — KEY BUSINESS UNIT INFORMATION[A]

Sales gas and ethane
- South Australia, New South Wales, ACT, and Victoria

Oil and condensate
- Domestic and international

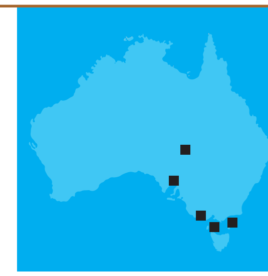
LPG
- International

Reserves
- Gas – 1575 PJ
- Oil – 16 (mmbbl)
- Condensate – 20.8 (mmbbl)
- LPG – 2637 ('000 tonnes)

Production
- Gas – 105 PJ
- Oil – 1.8 (mmbbl)
- Condensate – 1.5 (mmbbl)
- LPG – 178 ('000 tonnes)

Sales revenue – $511 million

Net assets – $918 million



Sales gas and ethane
- South Australia, Northern Territory and Queensland

Oil and condensate
- Domestic and international

Reserves
- Gas – 1585 PJ
- Oil – 14.6 (mmbbl)
- Condensate – 19.8 (mmbbl)
- LPG – 1357 ('000 tonnes)

Production
- Gas – 87.5 PJ
- Oil – 1.9 (mmbbl)
- Condensate – 1.0 (mmbbl)
- LPG – 85.7 ('000 tonnes)

Sales revenue – $430 million

Net assets – $363 million

Sales gas and ethane
- Western Australia

Oil and condensate
- Domestic and international

Reserves
- Gas – 745 PJ
- Oil – 61.4 (mmbbl)
- Condensate – 40.7 (mmbbl)
- LPG – 1510 ('000 tonnes)

Production
- Gas – 19 PJ
- Oil – 9.3 (mmbbl)
- Condensate – 1.1 (mmbbl)

Sales revenue – $359 million

Net assets – $359 million

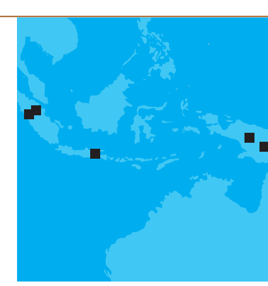
Oil
- International

Reserves
- Gas – 146 PJ
- Oil – 3.1 (mmbbl)

Production
- Gas – no production in 2000
- Oil – 0.4 (mmbbl)

Sales revenue – $21 million

Net assets – $8 million



Sales gas and ethane
- United States

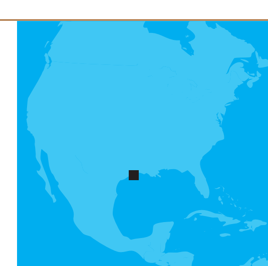
Oil and condensate
- United States

Reserves
- Gas – 34 PJ
- Oil – 1.5 (mmbbl)

Production
- Gas – 3.7 PJ
- Oil & condensate – 0.1 (mmbbl)

Sales revenue – $26 million

Net assets – $130 million



[A] Excludes group net assets of $533 million.

EXPLORATION

KEY FACTS

> Successful appraisal of the Scotia Field in the Bowen Basin (eastern Queensland) resulting in a decision to commercialise the field.

> Two significant new field discoveries in onshore US.

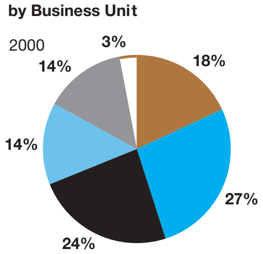
> Encouraging results in South Australia from Moomba oil exploration.

> A new gas discovery in the onshore Otway Basin with promising indications from 3D seismic.

> 3-year rolling average exploration finding cost of $4.11

> 52% exploration success rate.

Exploration Allocation by Business Unit



Santos' Exploration Strategy

> Build upon accumulated knowledge and experience in the Cooper/Eromanga Basins to add value via the discovery of additional reserves.

> Pursue diversification of the business outside the Cooper/Eromanga Basins via participation in offshore Australia and focussed exploration opportunities in Papua New Guinea, Indonesia and the USA.

> Actively manage the risk profile of exploration expenditure.

> Actively and rigorously manage the exploration acreage portfolio through farm-outs, farm-ins and relinquishment to optimise the expenditure and exposure of the exploration program.

> Cost effectively apply modern technologies using skilled people.

Exploration 2000

The year 2000 was a year of consolidation for Santos exploration, with a focus on seismic acquisition and interpretation, and reviewing the exploration target portfolio, especially in offshore Australia. During 2000 Santos drilled 42 wells. Santos' exploration program targeted lower risk prospects reflected by the fact that exploration was primarily focussed on the gas program, representing 74% of total expenditure. The oil program was centred on offshore Australia and consisted of 11 wells in an effort to define fairways and ultimate prospectivity, plus substantial investment in 2D and 3D seismic.

The Company booked 24 million boe of oil and gas reserves at the end of the year:

> The South Australia Business Unit drilled ten wells achieving a 90% success rate and discovered 11.3 million boe. This included the Moomba 104 and 119 oil discoveries.

> The Queensland and Northern Territory Business Unit participated in nineteen wells, achieved a 53% success rate and discovered 9.2 million boe.

> The Offshore Australia Business Unit drilled five wells, all targeting oil, but without success.

> The South East Asia Business Unit drilled one well, Anggur-1, in Indonesia. This well encountered gas at a shallow depth and will be followed up in 2001.

> Seven wells were drilled in the USA with a 43% success rate. Total discoveries amounted to 3.4 million boe.

Two of the exploration highlights of the year were the Moomba 104 oil discovery in the South Australian Cooper Basin and Runnells–3 gas and liquids discovery in the United States.

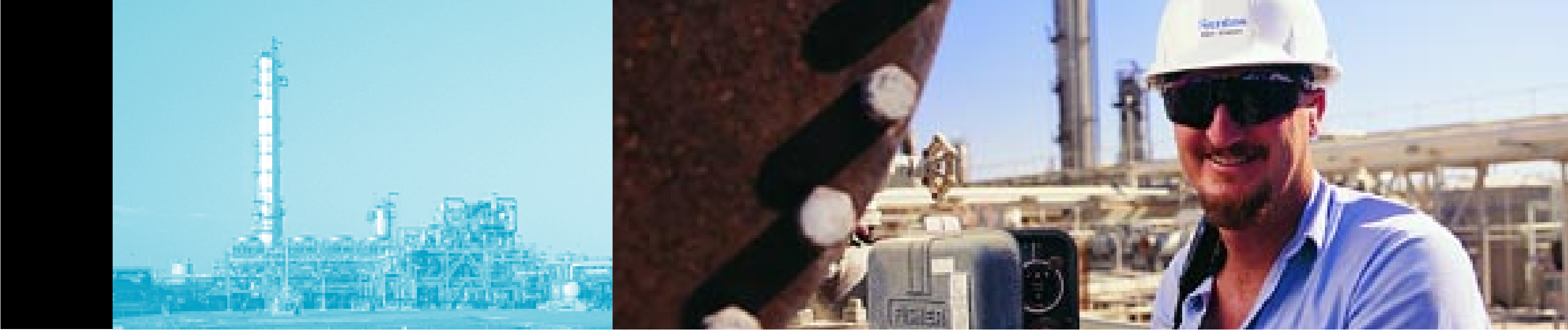
Moomba 104, which was drilled in February 2000, penetrated a nine metre oil column in the Jurassic Hutton Sandstone and was cased and suspended as an oil producer. The well was brought into production in March 2000.

Runnells–3 was a wildcat onshore discovery. The well was drilled to test deep, geopressured Frio Sands. The well did not reach target depth but a total of 168 feet of net pay was logged in four Frio pay intervals. The well was pressure tested at an unstimulated daily flow rate of 22 million cubic feet of natural gas and 494 barrels of condensate. Further follow-up drilling will occur in 2001.

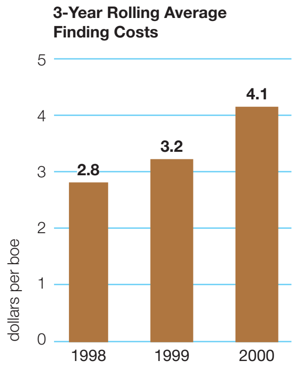
2000 EXPLORATION RESULTS

	Wells Drilled		Successful Wells		Success
	Gas	Oil	Gas	Oil	Rate %
South Australia	8	2	7	2	90
Queensland	15	4	9	1	53
Offshore Australia	0	5	0	0	(A)
South East Asia	1	0	0	0	0
US	7	0	3	0	43
Total	31	11	19	3	52

(A) encountered gas, to be appraised



Exploration success is closely related to an organisation's depth of knowledge of the areas being worked. Success is achieved by maintaining a focus on key geographical areas. Santos is primarily focussed on opportunities in Australia (Cooper Basin, Surat/Denison Trough and North West Shelf); South East Asia (Indonesia and Papua New Guinea foldbelt); and North America (onshore and offshore Gulf Coast).



2000 SEISMIC PROGRAM

	SABU	QNTBU	OABU	SEABU	SUSAC
2 Dimensional (km)	238	1120	4215	54	47
3 Dimensional (km^2)	296	193	928	0	631

2000 Seismic Program

5,674 kilometres of 2D and 2,048 kilometres of 3D seismic were acquired in 2000 in onshore and offshore Australia enhancing Santos' ability to assess future exploration prospects.

Future Exploration Program

Oil and gas companies aim to more than replace production each year through exploration. Santos has not achieved this in recent years, resulting in a fall in reserves. Part of this outcome is the result of the increased levels of gas production the Company has achieved. However, rectifying this situation is a priority. Top performing companies typically have a production replacement ratio of 150%. Some of the steps Santos plans to take are:

> High grading acreage through regional studies;

> Reducing drilling costs to increase the number of wells drilled for a given budget;

> Improving risk management; and

> Taking a more programmed approach to exploration.

REVIEW OF PERFORMANCE
DEVELOPMENT

2000 DEVELOPMENT EXPENDITURE ($million)

	1999	2000
South Australia	85	135
Queensland	84	109
Offshore Australia	33	72
South East Asia	2	9
US	3	5
Other	12	11
Total	219	341

2000 Development Program

Santos spent $341 million on development in 2000, with significant spending increases in the Cooper Basin and on major Offshore Australia projects.

In South Australia 49 development wells were drilled (13 in 1999), five compression facilities were installed and 55 fracture stimulations were executed (20 in 1999). A large part of the 2000 South Australian program focussed on gas development to meet continuing strong gas demand.

In 2000 Santos conducted several studies and field trials aimed at commercialisation of low deliverability gas reservoirs in the Nappamerri Trough. Progress was made on fracture placement and effectiveness through the Kirby-2 and Wantana-1 fracture stimulation projects. Studies also focussed on developing techniques to locate and exploit areas of enhanced reservoir quality, or sweet spots, within tight gas regions.

During the year the Moomba 104 oil pool was also developed.

In Queensland 20 development wells were drilled (10 in 1999), five compression facilities installed and 22 gas well projects executed (6 in 1999). As in South Australia, most of the Queensland program was focussed on gas. Total gas deliverability by the Business Unit exceeded 500 TJ per day in winter 2000.

The south-west Queensland gas drilling program had good results. One of the highlights was a three-well program of multilateral high-angle wells in the Challum field. Initial production from one of these wells was the highest ever recorded from a Queensland well (36 TJ per day).

The Barrolka appraisal drilling program recommenced in 2000 with a three-well underbalanced drilling program. Barrolka 4 provided useful reservoir information and allowed testing of the underbalanced drilling system and procedures. Barrolka 5DW was cased and completed as a gas producer.

A total of $72 million was spent on development in Offshore Australia during the year. This included:

> Additional drilling activity at Stag (which lifted production to a peak of over 30,000 barrels of oil per day).

> Drilling of five development wells at Barrow and Thevenard Islands.

> Development of the Bayu-Undan Project (liquids phase) on which Santos spent $29 million during 2000. The Company's share of remaining expenditure from 2001 to first production is around $290 million. This field is scheduled to commence production in early 2004.

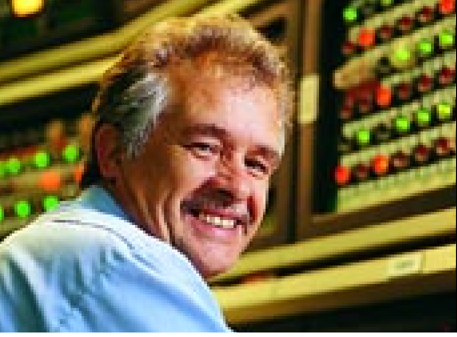
> Development of the Legendre oil field, on which Santos spent $12 million in 2000. Expenditure on Legendre in 2001 is expected to be $13 million, scheduled to come onstream mid-2001.

2001 Development Program

The 2001 development budget is $500 million, up 47% on 2000.

Spending on onshore Australia is expected to remain at high levels. Gas expenditure in South Australia and south-west Queensland is expected to continue at current levels reflecting the high level of production. The Queensland development program also reflects the cost of developing the Scotia field in the Denison Trough at a total cost to Santos of $15 million.

The Offshore Australia Business Unit development program will focus on oil development activities and will involve the drilling of four Legendre development wells together with one reinjection well; two, possibly three wells at Stag and three Thevenard and 12 Barrow infill wells. Thevenard oil development includes $17 million for the replacement and repair of the Roller pipeline. Legendre expenditure is forecast to incur $13 million in addition to the $12 million spent in 2000 and production is expected to commence mid-2001. The Bayu-Undan gas liquids scheme is forecast to incur $88 million in 2001. The project will develop 33 mmboe of reserves and will add 3.4 mmboe to Santos' production in the first 12 months of production, beginning in 2004.




Opening New Frontiers and extracting Hidden Value through Innovative Technology

Santos has focussed on continued application of technology to extract maximum benefits for the company through:

Resource Commercialisation → coal-bed methane from Scotia Field

The major development work program to bring gas on line from the Scotia Field by January 2002 will commence in 2001.

Deliverability → Challum Field high angle multilateral drilling program

Three high-angle multilateral wells were drilled in the Challum Field. This is the first time this type of well has been drilled in onshore Australia, with the implementation of this technology reducing unit development costs and providing more gas deliverability than conventional vertical fracture stimulated wells. The implementation of high-angle and dual-stacked lateral well technology to the Challum Field has improved the Field's profitability by reducing both the cost of development and the cost of deliverability.

Cost Savings → Moomba North Field development program

A major development program was undertaken in the Moomba North Field. The development activities included a 17-well drilling program that delivered an incremental 49 MMscf/d gas, developed reserves of 68 PJ (13.7 mmboe) and realised over 25% in cost savings compared with previous best practice. This successful campaign gas development sets new benchmarks for onshore field development.

Profitability → Optimal exploitation of Moomba thin oil reservoirs

Santos has demonstrated with Moomba 102DW that high-angle wells are the optimum method for developing single well oil pools with thin oil columns of less than 15 feet. The high-angle section is able to maximise oil rate and increase recovery sweep efficiency, increasing project profitability. Previous uneconomic oil pools are being re-assessed in 2001 using this technology.

Improving Existing Technology → Fracture Stimulation

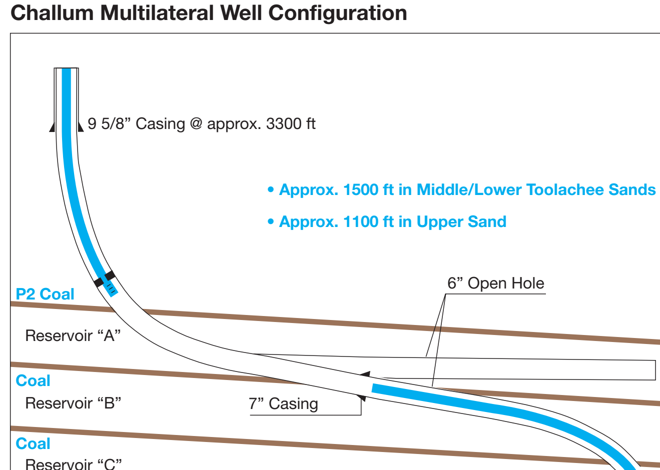
Fracture stimulation is a core business in the Cooper Basin, with a record 55 fracture stimulation projects to increase deliverability executed in 2000. Santos has made significant advances in its fracture stimulation practices, cost reduction initiatives and technologies.

This is crucial to developing the gas resource in the Nappamerri Trough and other regions of the Cooper Basin, as well as optimising the exploitation of significantly depleted reservoirs previously considered too difficult to fracture stimulate. The success of this technology has considerable scope to improve the performance of other low pressure, currently producing, wells.

Extracting maximum value from existing tools → Seismic multi-attribute analysis

Seismic multi-attribute analysis is a new statistical procedure that attempts to predict geological properties away from well control by combining the seismic response with known well data. Geological properties derived from this technique have been used by geologists in developing depositional models and as a tool in refining drilling locations to maximise reservoir intersection. This methodology has been further advanced in 2000 in combination with recent well results, and is now gaining recognition as an important tool in extracting the maximum reservoir information from seismic response.

Challum Multilateral Well Configuration



REVIEW OF PERFORMANCE
RESERVES

KEY FACTS

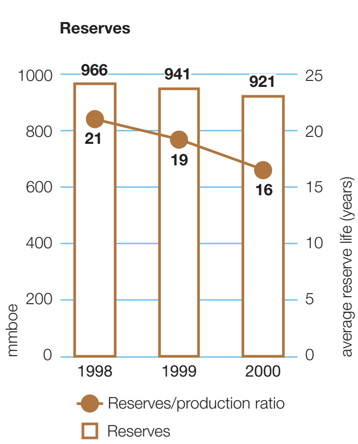
> Total proved and probable reserves of 921 million boe.

> Average reserve life of 16.5 years.

> 49 million boe added through acquisitions.

> 24 million boe added through exploration and appraisals.

> Revisions reduced reserves by 37 million boe.



Santos has proved and probable reserves of 921 million boe. Gas reserves are equivalent to an average of 19 years of 2000 production and oil and liquids reserves are equivalent to 11.5 years.

Wildcat exploration additions comprised 14.4 million boe from 2000 activity. The South Australia Business Unit contributed 5.4 million boe, Queensland and Northern Territory 5.6 million boe, and Santos USA 3.4 million boe. Appraisal activity on existing fields added 9.9 million boe comprising 5.8 million boe in the South Australia Business Unit and 4.1 million boe in the Queensland and Northern Territory Business Unit. The 49 million boe added from acquisitions reflects the acquisition of Shell's assets in Barrow and Thevenard Islands (43 million boe) and an extra 7% share in the Kipper Field offshore in east Gippsland. The positive results of a redetermination of reserves in SE Gobe (PNG) are also included, offsetting small divestments in the United States.

Reserves in existing fields were revised downwards by 37.2 million boe primarily in the Cooper Basin and Northern Territory.

Resources potential

Resources potential excluded from the year end reserves figures is discovered oil and gas accumulations which currently fall outside the definition of proved and probable reserves. This resource is known to exist and will become reserves if technical, infrastructure and market issues are resolved. The Company's most significant resources in its portfolio include the Hides and Petrel/Tern gas fields, oil and gas at Barrow Island, other gas in the Carnarvon Basin and low deliverability gas in the Cooper Basin.

PROVED & PROBABLE HYDROCARBON RESERVES

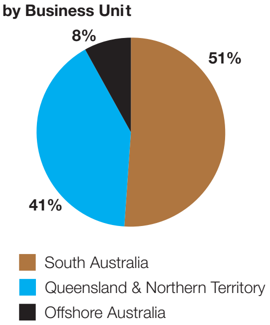
	Sales Gas (incl Ethane) (PJ)	Crude Oil Million barrels	Condensate Million barrels	LPG ('000 tonnes)	Total (mmboe)
Estimated reserves at 31/12/99	4338	70	86	5326	941
2000 Production	(215)	(13)	(4)	(263)	(56)
Additions from 2000 Exploration	62	2	1	71	14
Appraisal existing fields	51	–	1	63	10
Revisions existing fields	(202)	(2)	(3)	256	(37)
Acquisitions/Divestment	50	40	0	52	49
Estimated reserves at 31/12/00	4084	97	81	5505	921

REVIEW OF PERFORMANCE
AUSTRALIAN GAS

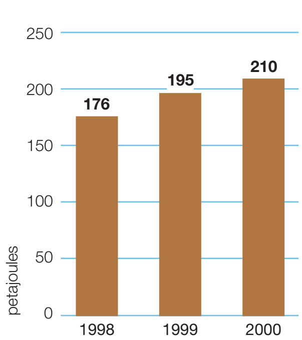
KEY FACTS

- Santos sold a record 210 PJ of sales gas and ethane to Australian customers.
- Santos signed a contract with CS Energy for 120 PJ of gas over a 10 to 15 year period.
- East Spar sales increased by 68% to 17 PJ.
- Victorian Otway Basin delivered five PJ of gas in its first full-year of production.

Australian Gas & Ethane Sales by Business Unit



Australian Gas Sales



Santos' ability to compete in Eastern Australian gas was highlighted during 2000 by the new contract with CS Energy in Queensland.

In 2000 Santos delivered a record 210 PJ of gas to the Australian market. All business units increased gas sales reflecting growing demand for domestic gas during 2000. Offshore Australia gas sales grew to 17 PJ. Steadily growing demand for Cooper Basin gas resulted in eastern Australia gas sales growing to 193 PJ. 2000 was the first full year of delivery of gas to WMC Fertilisers. Santos announced an agreement to supply up to 120 PJ of gas from the Scotia Field over 10 to 15 years to CS Energy Ltd, a Queensland Government-owned electricity generator. Santos also commenced supply under an additional East Spar gas contract to the South West Cogeneration Project.

Santos Gas Operations

Onshore Australia gas operations account for 89% of gas sales. The core operations are located in the South Australian Cooper Basin and south-west Queensland. Gas from the Cooper Basin is distributed to customers in South Australia, the Australian Capital Territory, Victoria and New South Wales via the Moomba facility and in Queensland via the Ballera facility. Ethane is also sold to Qenos Ltd in New South Wales. Santos has other gas producing areas located in the Northern Territory, Western Australia and Victoria.

Deregulation in the Australian Gas Market

Creating new opportunities for gas deliveries

During the year approximately 8 PJ of Cooper Basin gas was sold into Victoria. The Eastern Gas Pipeline (EGP) from Longford in Victoria to Sydney in New South Wales was completed in September 2000. The impact of commencement of supply by the EGP on Santos' gas sales in NSW was as expected.

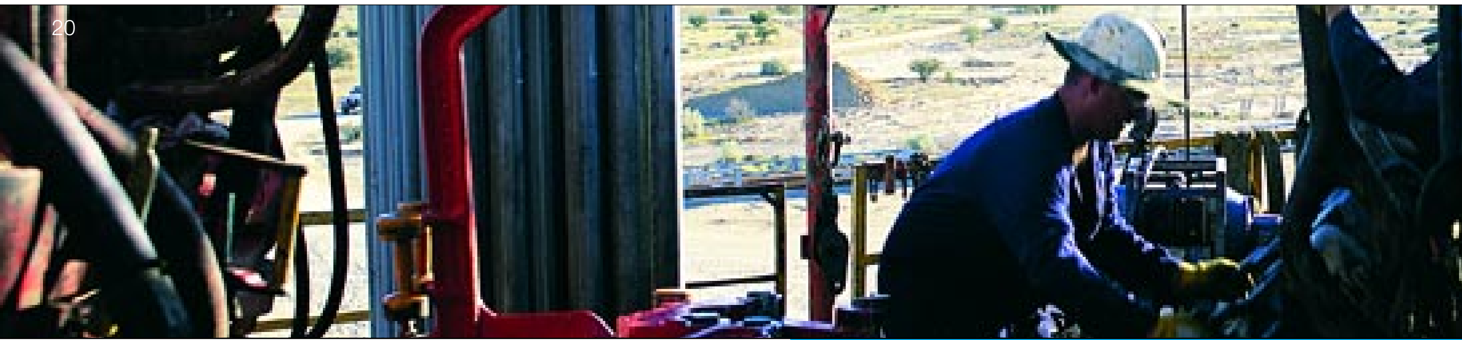
Competition in the Australian gas market is expected to rise over the coming years. Santos expects that the Cooper Basin will remain a competitive and strong supplier of gas to south-eastern Australia.

SANTOS INTEREST IN UNCONTRACTED GAS RESERVES[A] PJ AS AT DEC 2000

	Total Gas Reserves in Santos Acreage	Santos Share of Gas Reserves	Uncontracted Gas in Santos Acreage	Santos Share of Uncontracted Gas
South Australia	2466	1469	1238	730
Minerva	309	31	309	31
Kipper	371	74	371	74
SW Queensland	1894	1125	1133	668
Surat/Bowen	256	160	147	83
Amadeus	496	300	354	215
East Spar	430	193	119	53
Reindeer	256	92	256	92
Bayu/Undan	3609	427	3609	427
Barrow Island/Thevenard Island	110	33	110	33
Sub-total Australian areas	10197	3904	7646	2406
Other areas	272	180	238	146
Total	10469	4084	7884	2552

[A] Includes ethane

REVIEW OF PERFORMANCE
PRODUCTION



Production benefits from the Development Program

> The Elang/Kakatua oil field reached a milestone 20 million barrels of cumulative production during 2001.

> The Stag oil field reached a milestone 18 million barrels of cumulative production during 2000 benefiting from the development program.

KEY FACTS

> Production reached a record 56 million boe.

> Stag oil production averaged 23,000 bopd for the year.

> Elang/Kakatua production averaged 18,000 bopd for the year.

> East Spar gas production rose to 19 PJ for the year.

> Carnarvon Basin acquisition boosted 2000 oil production by 3 million boe.

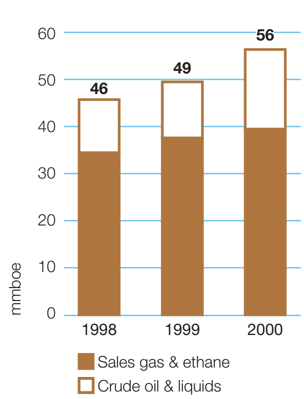
> Santos produced a record 215 PJ of gas and ethane.

In 2000 Santos produced a record 56 million boe, up 14%. The increase in production is attributable to the benefits of the ongoing exploration and development program and Santos' corporate development activities. Total production from the Offshore Australia Business Unit doubled to 14 million boe (7 million boe in 1999) while production from the Queensland/ Northern Territory Business Unit increased 6% to 19 million boe.

A highlight for the year was oil and liquids production reaching a record 19 million boe, boosted by higher oil production from the Stag and Elang/Kakatua oil fields and the Barrow and Thevenard Islands acquisition. Other highlights were the significant contribution from the Stag oil field where oil production averaged over 23,000 bopd and peaked over 30,000 during 2000. The improved performance and extension of well life of the Stag Field can be directly attributed to the development program that involved successful water injection in 1999 and additional remedial drilling during 2000. A further example of success through development is the Elang/Kakatua Field where remedial development work that involved the drilling of a sidetrack hole, workover and use of 3D seismic led to improved production. Elang/Kakatua performance improved significantly and averaged 18,000 bopd during 2000. The Elang/Kakatua Field reached a significant milestone during January 2001 when cumulative production exceeded 20 million boe.

Santos expects 2001 production to be 2% to 3% above the record level achieved in 2000. Offshore Australia is expected to continue to contribute to Santos' production profile in a significant way with new projects such as the Legendre oil field. Significant investment in development during 2000 will help Santos grow its production profile.

Production



PRODUCTION
STATISTICS

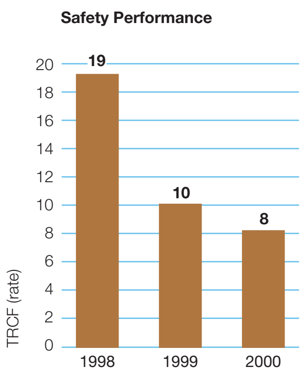
Field Units

	Sales Gas & Ethane PJ		Crude Oil '000 bbls		Condensate '000 bbls		LPG '000 tonnes	
	2000	1999	2000	1999	2000	1999	2000	1999
South Australia								
Cooper/Eromanga	100.0	105.7	1800.4	1860.4	1440.1	1573.9	177.5	198.9
Otway	4.8	1.6	–	–	53.2	19.0	–	–
Total	104.8	107.3	1800.4	1860.4	1493.3	1592.9	177.5	198.9
Queensland & Northern Territory								
SW Queensland	65.7	56.3	1442.4	1705.6	947.8	941.3	85.6	79.5
Surat/Denison	11.2	11.9	107.9	133.8	21.8	35.4	0.1	1.8
Amadeus	10.6	11.3	343.1	399.2	–	–	–	–
Total	87.5	79.5	1893.4	2238.6	969.6	976.7	85.7	81.3
Offshore Australia								
Timor Sea	–	–	333.2	403.6	–	–	–	–
Timor Gap	–	–	1397.7	1701.5	–	–	–	–
Carnarvon	18.9	10.3	4648.3	2378.7	1079.9	609.3	–	–
Thevenard/Barrow	0.1	–	2898.4	–	–	–	–	–
Total	19.0	10.3	9277.6	4483.8	1079.9	609.3	–	–
South East Asia								
Seram	–	–	–	–	–	–	–	–
PNG	–	–	425.2	448.5	–	–	–	–
Total	–	–	425.2	448.5	–	–	–	–
US	3.7	4.9	75.2	92.8	19.3	37.6	–	–
Total	215.0	202.0	13471.8	9124.1	3562.1	3216.5	263.2	280.2

Million Barrels of Oil Equivalent

	Sales Gas & Ethane		Crude Oil		Condensate		LPG		Total	
	2000	1999	2000	1999	2000	1999	2000	1999	2000	1999
South Australia										
Cooper/Eromanga	17.20	18.17	1.80	1.86	1.35	1.47	1.50	1.68	21.85	23.18
Otway	0.83	0.28	–	–	0.05	0.02	–	–	0.88	0.30
Total	18.03	18.45	1.80	1.86	1.40	1.49	1.50	1.68	22.73	23.48
Queensland & Northern Territory										
SW Queensland	11.30	9.68	1.44	1.71	0.89	0.88	0.72	0.67	14.35	12.94
Surat/Denison	1.93	2.05	0.11	0.13	0.02	0.03	–	0.02	2.06	2.23
Amadeus	1.82	1.94	0.34	0.40	–	–	–	–	2.16	2.34
Total	15.05	13.67	1.89	2.24	0.91	0.91	0.72	0.69	18.57	17.51
Offshore Australia										
Timor Sea	–	–	0.33	0.40	–	–	–	–	0.33	0.40
Timor Gap	–	–	1.40	1.70	–	–	–	–	1.40	1.70
Carnarvon	3.25	1.77	4.65	2.38	1.01	0.57	–	–	8.90	4.72
Thevenard/Barrow	0.02	–	2.90	–	–	–	–	–	2.90	–
Total	3.27	1.77	9.28	4.48	1.01	0.57	–	–	13.53	6.82
South East Asia										
PNG	–	–	0.43	0.45	–	–	–	–	0.43	0.45
Total	–	–	0.43	0.45	–	–	–	–	0.43	0.45
US	0.64	0.84	0.08	0.09	0.02	0.04	–	–	0.74	0.97
Total	36.99	34.73	13.48	9.12	3.34	3.01	2.22	2.37	56.00	49.23

ENVIRONMENT & SAFETY



Environment

Santos operates in many varied environmental settings throughout Australia. The Company has a long history of conducting its activities in a way that avoids and minimises potential impacts on the environment.

Santos' first environmental professional was employed in 1980. Since that time, the Company has established a core team of dedicated environmental advisors as well as incorporating environment into the line management function. As with safety, the environment is everyone's responsibility – be they employee or contractor, operator or manager.

The Company's environmental policy was updated in 1997 and it is used as the basis of a comprehensive environmental management system tailor-made for Santos. The Corporate component of the Santos Australian Environmental Management System incorporates corporate requirements which are reflected in the more detailed Business Unit sub-systems. This ensures that the differing, specific regulatory requirements of the various States within which Santos operates can be reflected in sufficient detail to enable easy comprehension and compliance with State and Territory requirements.

Santos has achieved high standards of environmental performance – illustrated by the many awards it has received. Relationships with regulatory bodies are robust and positive and focussed on an evolving process of co-regulation.

Emergency contingency plans have been established for all key operating areas. These are tested and updated on a regular basis. All environmental incidents are reported and rectified. Issues identified as causal factors are incorporated into ongoing risk management and modified procedures aimed at preventing reoccurrence in all similar circumstances. During 2000 Santos was not fined or prosecuted, nor did it receive any notices of non-compliance.

This process of continual improvement underlies the Santos Environmental Management System, which in itself is subject to constant evolution, amendment and change – reflecting both external and in-company changes over time. The ultimate aim is to achieve a level of excellence by constantly bridging the gap between admirable rhetoric and the realities of the harsh, remote natural environmental in which the majority of Santos' operations are located.

Safety

Santos investigates and reports all accidents, near misses and hazards. The measure of safety performance used is the Total Recordable Case Frequency rate (TRCF) which is defined as the number of Recordable Cases (Medical Treatment and Lost Time Injuries) per million hours worked by Santos employees and contractors.

In 2000, Santos recorded a continued improvement in its safety performance achieving a further reduction of 20%, following an almost 50% reduction in 1999, in its TRCF rate.

The Company strives for the highest standard of occupational health and safety (OH&S) and is fully committed to a work environment free of injuries. While this has not yet been achieved, the progress for the past two years indicates continual improvement and progress toward this.

Under Santos' OH&S policy, all employees and contractors have specific responsibilities for observing and maintaining a safe working environment. Of particular emphasis for safety programs has been the intent that contractor safety performance should match that of Santos' employees. Many contractors now achieve safety performance matching that of Santos employees.

REVIEW OF PERFORMANCE
COMMUNITY

In 2000 Santos continued its program of providing support to cultural, educational and not-for-profit organisations within the communities in which the Company operates.

The Art Gallery of South Australia, the Queensland Art Gallery, the Adelaide, Brisbane, and Darwin Festivals, the Santos School of Petroleum Engineering and Management, and the Anti-Cancer Foundation, are among the many institutions and events that benefit from this program.

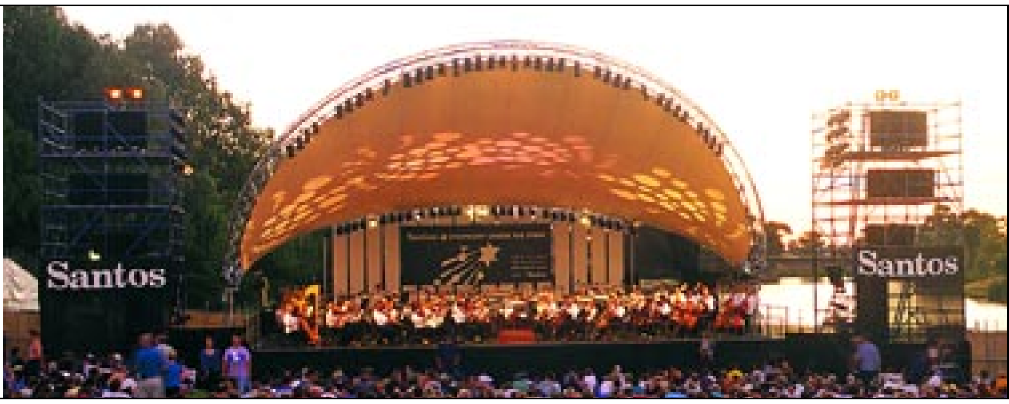
For the past two years Santos has been the Principal Sponsor of the Adelaide Symphony Orchestra and continues this in 2001. The orchestra plays a vital role in the cultural life of South Australia, performing an extensive concert program as well as supporting the performances of the State Opera of South Australia and the Australian Ballet.

One of the highlights of the orchestra's season is the annual Santos Symphony under the Stars, a free public concert held in Elder Park. This is a summertime institution in Adelaide and is attended by more than 30,000 people.

In 2000 Santos supported the Save the Bilby organisation by donating a 4WD vehicle to be used in a feral animal eradication program. This program will secure a habitat for the Greater Bilby in the Currawinya National Park in south-west Queensland, ensuring the survival of this almost extinct Australian icon for future generations to see and enjoy.

For many years, Santos has contributed to a number of events and organisations in the Whyalla region of South Australia. This year the Company will assist the establishment of new premises for the Air Sea Rescue Squadron.

Santos has commenced a program of community support in the Western District of Victoria including support to the Timboon and District Healthcare Service for the purchase of an essential piece of equipment and to the Port Campbell Surf Life Saving Club's building appeal.

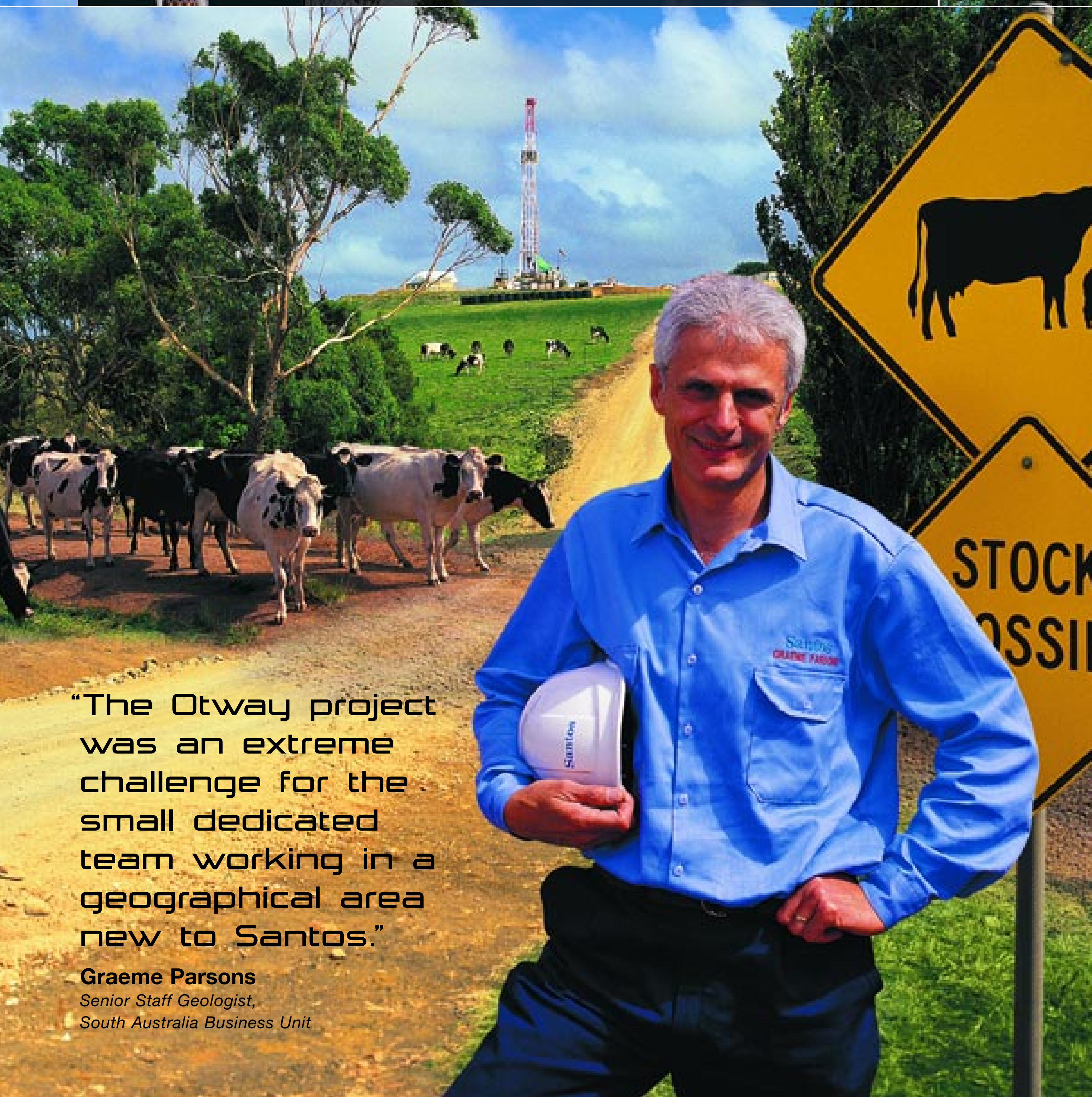


DELIVERING

NEW OPPORTUNITIES

Jon Young *General Manager, South Australia Business Unit*

The Otway project team proved that there are economic prospects in Victoria which can be readily developed and marketed in Eastern Australia's largest market place.



"The Otway project was an extreme challenge for the small dedicated team working in a geographical area new to Santos."

Graeme Parsons
Senior Staff Geologist,
South Australia Business Unit

"Frontier exploration in PNG offers satisfying challenges both technically and on the ground"

Jan Hulse

Senior Geologist, South East Asia Business Unit

DELIVERING

FUTURE GROWTH

Bob Hall *General Manager, South East Asia Business Unit*

Papua New Guinea is a challenging area with great potential that can deliver significant value to Santos.

John Allan Uhrig
AC, BSc, DUniv, Hon. DEcon, FAIM

Age 72. Director since 3 December 1991 and Chairman since 15 February 1994. Former Chairman of Westpac Banking Corporation, of Rio Tinto Ltd and former Deputy Chairman of Rio Tinto plc. Until 1985 was Managing Director of Simpson Holdings Ltd.

John Charles Ellice-Flint
BSc (Hons)

Age 50. Managing Director since 19 December 2000, member of the Environmental Committee of the Board and also Chairman of other Santos Ltd subsidiary companies. Twenty-six years experience in the international oil and gas industry with Unocal, including as Senior Vice President: Global Exploration and Technology and Vice President: Corporate Planning and Economics.

Stephen Gerlach
LLB

Age 55. Director since 5 September 1989 and Deputy Chairman since 20 June 2000. Chairman of the Environmental Committee of the Board and also Chairman of Santos Finance Ltd. Chairman of Amdel Ltd, Equatorial Mining Ltd, Elders Australia Ltd and Beston Pacific Vineyard Management Ltd. Director of Southcorp Holdings Ltd, Futuris Corporation Ltd, Challenger Beston Limited and Elders Rural Services Ltd. Former Managing Partner of the Adelaide legal firm, Finlaysons.

Peter Charles Barnett
FCPA

Age 60. Director since 31 October 1995 and member of the Environmental Committee of the Board. Director of Mayne Nickless Ltd and AMCIL Ltd. Former Managing Director and Chief Executive Officer of Pasminco Ltd and Chief Executive Officer of EZ Industries Ltd.

John Walter McArdle
FCPA

Age 54. Executive Director since 5 September 1995 and Executive General Manager - Commercial of Santos Ltd. Director of Santos Ltd subsidiary companies. Former Managing Director of Delhi Petroleum Pty Ltd and former Chairman of Australian National Railways Commission.

BOARD OF DIRECTORS

Ian Ernest Webber

AO, BE, ATS, FCIT, FAIM

Age 65. Director since 16 February 1993 and member of the Audit Committee of the Board. Director of Pacific Dunlop Ltd and WMC Ltd. Former Managing Director and Deputy Chairman of Chrysler Australia Ltd and Managing Director of Mitsubishi Motors Australia Ltd. Former Chairman of Mayne Nickless Ltd Group.

Michael Anthony O'Leary

DipMinE, BSc, FAusIMM, FAIM

Age 65. Director since 15 October 1996 and member of the Environmental Committee of the Board. Deputy Chairman of Bank of Western Australia Ltd. Former Chairman of Hamersley Iron, Argyle Diamonds, Dampier Salt and former Director of Rio Tinto Ltd and Rio Tinto plc.

Professor Judith Sloan

BA (Hons), MA, MSc

Age 46. Director since 5 September 1994 and member of the Audit Committee of the Board. Chairman of SGIC Holdings Ltd and Director of Mayne Nickless Ltd and a Board member of the Australian Broadcasting Corporation. Former Professor of Labour Studies at the Flinders University of South Australia and Director of the National Institute of Labour Studies.

Frank John Conroy

BCom, MBA, FAIM, FAICD, FAIBF

Age 58. Director since 19 October 1999 and director of Santos Finance Ltd. Chairman of Howard Smith Ltd, St George Bank Ltd and ORIX Australia Corporation Ltd. Director of Futuris Corporation Ltd and Australian Pharmaceutical Industries Limited. Former Managing Director of Westpac Banking Corporation.

Graeme William McGregor

AO, BEc, FCPA, FCA, FAIM, FAICD

Age 62. Director since 3 September 1999, Chairman of the Audit Committee of the Board and director of Santos Finance Ltd. Director of Foster's Brewing Group Ltd, Nufarm Ltd, Were Securities Ltd and Community Foundation Network Ltd. Member of the Financial Reporting Council. Former Executive Director Finance of The Broken Hill Proprietary Company Limited.

CORPORATE MANAGEMENT

Managing Director
John Ellice-Flint

Executive General Manager – Commercial
John McArdle

General Manager – Accounting
Don Priestley

General Manager – Engineering
Denis Dare

General Manager – Finance & Investor Relations
Graeme Bethune

Group General Counsel & Company Secretary
Michael Roberts

General Manager – Petroleum Development & Planning
Ashok Khurana

CORPORATE GOVERNANCE

Corporate Governance Statement

The purpose of this statement is to provide details of the main corporate governance practices the Company had in place during the past financial year.

The Board of Santos Limited is committed to good corporate governance and to this end has had in place, for a number of years, formal guidelines recording the Board's policy on: Board composition and appointment of chairman; Board membership and attendance; the appointment and retirement of Directors; independent professional advice; compensation arrangements; external auditors; risk management; and ethical standards. References in this statement to the "Board guidelines" are to the formal guidelines in force during the past financial year. The Board guidelines are reviewed by the Board on an annual basis and as required.

Board of Directors and its Committees

The Board is responsible for the overall corporate governance of the Company including its strategic direction and financial objectives, establishing goals for management and monitoring the attainment of these goals.

To assist in the effective execution of its responsibilities, the Board has established a number of Board Committees, including a Nomination and Remuneration Committee, an Audit Committee and an Environmental Committee. The Nomination and Remuneration Committee comprises all non-executive Directors and each of the Audit and Environmental Committees comprises a majority of non-executive Directors and is chaired by a non-executive Director. The Board guidelines prescribe that the Board is to meet at least 10 times a year.

All current non-executive Directors, including the Chairman, are considered to be 'independent' Directors, as defined in the 1999 guidelines of the Australian Investment and Financial Services Association.

Composition of the Board

The names and details of the experience, qualifications, age, special responsibilities and shareholdings of each Director of the Company are set out on pages 26, 27 and 38 of this Annual Report.

The composition of the Board is determined in accordance with the Company's Constitution and the Board guidelines including: the Board is to comprise a minimum of five and a maximum of ten Directors (exclusive of the Managing Director); the Board should comprise a substantial majority of non-executive Directors (currently the Board comprises eight non-executive and two executive Directors); there should be a separation of the roles of Chairman and Chief Executive Officer of the Company; and the Chairman of the Board should be a non-executive Director.

Under the Board guidelines, it is the responsibility of the Nomination and Remuneration Committee to devise the criteria for, and review membership of, and nominations to, the Board. The primary criteria adopted in selection of suitable Board candidates is their capacity to contribute to the ongoing development of the Company having regard to the location and nature of the Company's significant business interests and to the candidates' age and experience by reference to the age and diversity of experience of existing Board members.

When a Board vacancy exists or where it is considered that the Board would benefit from the services of a new Director with particular skills, the Nomination and Remuneration Committee has responsibility for proposing candidates for consideration by the Board and, where appropriate, engages the services of external consultants.

Prior to appointment, each Director is provided with a letter of appointment which, inter alia, encloses a copy of the Board guidelines. The expectations of the Board in respect to a proposed appointee to the Board and the workings of the Board and its committees are conveyed in interviews with the Chairman and access provided to appropriate executives in relation to details of the business of the Company.

Under the Company's Constitution approximately one-third of Directors retire by rotation each year and Directors appointed during the year are required to submit themselves for election by shareholders at the Company's next Annual General Meeting.

The Board guidelines prescribe that, under normal circumstances, Directors should retire at the first Annual General Meeting after reaching the age of 72 years and not seek re-appointment.

Independent Professional Advice

The Board guidelines set out the circumstances and procedures pursuant to which a Director, in furtherance of his or her duties, may seek independent professional advice at the Company's expense. Those procedures require prior consultation with, and approval by, the Chairman and assurances as to the qualifications and reasonableness of the fees of the relevant expert and, under normal circumstances, the provision of the expert's advice to the Board.

Remuneration

Under the Board guidelines, the Nomination and Remuneration Committee is responsible for reviewing the remuneration policies and practices of the Company including: the compensation arrangements for executive Directors and senior management; the Company's superannuation arrangements; employee share and option plans; and, within the aggregate amount approved by shareholders, the fees for non-executive members of the Board. Further information on these matters is included at pages 39 and 40 of this Annual Report and details of the Company's employee share and option plans are provided in Note 18 of the Financial Report. No non-executive Director may participate in any of the Company's share or option plans. Information in respect to indemnity and insurance arrangements for Directors and senior executives appears at page 41 of this Annual Report.

The current members of the Nomination and Remuneration Committee, all of whom are non-executive Directors, are:

Mr J A Uhrig (Chairman), Mr P C Barnett, Mr F J Conroy, Mr S Gerlach, Mr G W McGregor, Mr M A O'Leary, Professor J Sloan and Mr I E Webber.

Audit Committee

The Board guidelines require the Board to continue in existence an Audit Committee of the Board.

The role of the Audit Committee is documented in a Charter approved by the Board.

The Committee is required to meet at least three times per year and members may raise any matters considered desirable.

The role of the Audit Committee includes: examining the accounting policies of the Company to determine whether they are appropriate and in accordance with all applicable reporting requirements; ensuring that truth and fairness is reflected in the preparation and publication of the Company's financial reports; meeting regularly with the auditors to reinforce the independence of the auditors, to determine the appropriateness of internal and external audit procedures, to review the performance of the auditors and to provide the auditors with confidential access to the Board; and referring matters of concern to the Board, as appropriate, and considering risk management matters.

Minutes and recommendations of the Audit Committee are distributed at the next Board Meeting.

The current members of the Audit Committee are: Mr G W McGregor (Chairman), Professor J Sloan and Mr I E Webber.

Risk Management

The Board has in place a number of arrangements and internal controls intended to identify and manage areas of significant business risk. These include the maintenance of: Board Committees; detailed and regular budgetary, financial and management reporting; established organisational structures, procedures, manuals and policies; audits (including internal and external financial, environmental and safety audits); comprehensive insurance programmes; and the retention of specialised staff and external advisors.

- Management of environmental risk – environmental risk is managed through: comprehensive environmental management systems; environmental committees at Board and management levels; the retention of specialist environmental staff and advisers; regular internal and external environmental audits; and imposing environmental care as a line management responsibility. The current members of the Committee are: Mr S Gerlach (Chairman), Mr P C Barnett, Mr M A O'Leary and Mr J C Ellice-Flint.
- *Management of exploration risk* – exploration risk is managed through internal control systems which include: formalised risk assessment procedures at the Business Unit level; Corporate review in both prospect and hindsight; Board approval of exploration budgets; and regular reporting on progress to the Board. External reviews are also undertaken as necessary.
- *Investment appraisal* – the Company has clearly defined procedures for capital expenditure. These include: annual budgets; detailed appraisal and review procedures; levels of authority; and due diligence requirements where assets are being acquired.
- *Financial reporting* – a comprehensive budgeting system exists with a five year financial plan and an annual budget approved by the Board. Monthly actual results are reported against budget and, where applicable, revised forecasts for the year are prepared and reported to the Board. Speculative transactions are prohibited. Further details relating to financial instruments and commodity price risk management are included in Note 31 of the Financial Report.
- *Functional speciality and business unit reporting* – all significant areas of Company operations are subject to regular reporting to the Board. The Board receives regular reports on the performance of each business unit and on exploration, development, finance, liquids marketing, safety, government, investor relations and environmental matters.

Senior management attend Board and Committee meetings, at which they report to Directors within their respective areas of responsibility. This assists the Board in maintaining its understanding of the Company's business and assessing the senior management team. Where appropriate, advisers to the Company attend meetings of the Board and of its Committees.

Under the Company's Delegation of Authority, the Board is responsible, inter alia, for the approval of the annual corporate budget and for significant: acquisitions and disposals of assets; expenditure decisions outside of the corporate budget; hedging of product sales; sales contracts; and financing arrangements.

Ethical Standards

In pursuance of the promotion of high standards of corporate governance, the Board has, without adopting a formal code of ethics, established and maintained various internal standards which extend beyond requirements prescribed by law and include guidelines relating to the dealing in securities by Directors and managers.

SANTOS GROUP INTERESTS

AS AT 1 MARCH 2001

South Australia

Licence Area	% Interest
Cooper Basin (Fixed Factor Area) (PPLs 6-20, 22-25, 27-61, 63-75, 78-117, 119, 120, 124, 126-130, 132-140, 143-146, 148-151, 153-155, 157, 159-163 & 164-166)	59.8

Licence Area	% Interest
Patchawarra East Joint Operating Area (PPLs 26, 76, 77, 118, 121-123, 125, 131, 142, 147, 152, 156, 158 & 167)	69.4
SA Unit and Downstream	59.8

Queensland

South-West Queensland

Licence Area	% Interest
ATP 259P Naccowlah (PLs 23-26, 35, 36, 62, 76-79, 82, 87, 105, 107, 109, 133 & 149)	55.5
Total 66 (PLs 34, 37, 63, 68, 75, 84, 88, 110, 129, 130, 134, 140, 142-144 & 150)	70.0
Wareena (PLs 113, 114, 141, 145, 148,153, 157 & 158)	61.2
Innamincka (PLs 58, 80, 136, 137 & 159)	70.0
Alkina	72.0
Aquitaine A (PLs 86, 131 & 146)	52.5
Aquitaine B (PLs 59-61, 81, 83, 85, 97, 106, 108, 111, 112, 132, 135, 139 & 147)	55.0
Aquitaine C (PLs 138 & 154)	47.8
50/40/10 (PL 55)	60.0
SWQ Unit	60.1
ATP 267P (Nockatunga) (PLs 33, 50 & 51)	59.1
ATP 269P (Bodalla)	5.8
PLs 31, 32 and 47 (Bodalla)	5.3
ATP 299P (Tintaburra) (PLs 29, 38, 39, 52, 57, 95 & 170)	89.0

Licence Area	% Interest
ATP 552P	22.0
ATP 685P (Cockatoo Creek)	100.0
Boxleigh	100.0
PL 1 (Moonie)	100.0
PL 1 (2) (Cabawin)	100.0
PL 1 (2) (Cabawin Farm-out)	50.0
PL 2 (Kooroon)	52.5
PL 2C (Alton)	100.0
PL 2C (Alton Farm-out)	63.5
PL 5 (Barcoo)	85.0
PL 5 (Drillsearch)	21.3
PL 5 (Mascotte)	42.5
PL 11 (Snake Creek East)	25.0
PL 12 (Trinidad)	92.5
PL 17	70.0
PL 17 (Bennett Exclusion)	100.0
PL 17 (Leichardt Exclusion)	70.0
PLs 21, 22, 27 and 64 (Balonne)	12.5

Surat Basin

Licence Area	% Interest
ATP 212P (Major) (PLs 30, 56 & 74)	15.0
ATP 336P (Kalima)	85.0
ATP 336P (Roma) (PLs 3-13, 93 & PPL2)	85.0
ATP 336P (Waldegrave) (PLs 10-12, 28, 69 & 89)	46.3
ATP 378P (Burunga) (PL 176)	100.0
ATP 470P (Redcap) (PL 71)	10.0
ATP 471P (Bainbilla) (PL 119)	16.7
ATP 471P (Myall)	69.5
ATP 552P (Grail North)	35.5

Denison Trough

Licence Area	% Interest
ATP 337P (PLs 41-45, 54, 67 and 173)	50.0
ATP 553P	50.0

Facilities

Licence Area	% Interest
Wungoona Processing Facilities	50.0
Moonie to Brisbane Pipeline	100.0
Jackson Moonie Pipeline	82.8
Ballera to Mt Isa Pipeline	18.0

Victoria

Otway Basin

Licence Area	% Interest
PEP 153	100.0
PEP 154	90.0
PEP 160	60.0
VIC/RL7 (La Bella)	10.0
VIC/RL8 (Minerva)	10.0

Gippsland Basin

Licence Area	% Interest
VIC/RL1 (Golden Beach)	66.7
VIC/RL2 (Kipper)	20.0
VIC/RL3 (Sole)	25.0

Tasmania

Bass Basin

Licence Area	% Interest
T/RL1 (Yolla)	5.0

Northern Territory

Amadeus Basin

Licence Area	% Interest
OL 3 (Palm Valley)	48.0
OLs 4 and 5 (Mereenie)	65.0
RL2 (Dingo)	65.7
Mereenie-Brewer Estate Pipeline	65.0

Offshore Northern Australia

Carnarvon Basin

Licence Area	% Interest
EP 61	28.6
EP 62	28.6
EP 65	35.7
EP 66	35.7
EP 325	25.0
EP 357	35.7
L1H	28.6
L1O	28.6
TL/2	15.0
TL/3	28.6
T/L4	35.7
T/L7	35.7
TP/2	28.6
TP/3 (1 & 2)	35.7
TP/3 (3)	75.0
TP/7 (1-3)	43.7
TP/7 (4)	18.7
TP/13	33.3
TP/14	28.6
WA-1-P	22.6
WA-7-L	28.6
WA-8-L (Talisman)	27.4
WA-13-L (East Spar)	45.0
WA-15-L	54.2
WA-15-L (Lower Area)	36.0
WA-20-L (Legendre)	22.6
WA-24-P (1)	35.7
WA-24-P (2 & 3)	75.0
WA-149-P	18.7
WA-191-P	33.4
WA-208-P	20.0
WA-209-P	36.0
WA-214-P	20.0
WA-261-P	29.6
WA-264-P	66.7
WA-298-P	20.0

Browse Basin

Licence Area	% Interest
WA-206-P	100.0
WA-239-P	10.0
WA-242-P	33.3
WA-281-P	27.5
WA-282-P	42.5
WA-283-P	27.5

Bonaparte Basin

Licence Area	% Interest
NT/RL1 (Petrel)	95.0
WA-6-R (West Petrel)	95.0
WA-18-P (Tern)	100.0

Timor Sea

Licence Area	% Interest
AC/L1 (Jabiru)	10.3
AC/L2 (Challis)	10.3
AC/L3 (Cassini)	10.3
AC/L4 (Skua)	37.4
AC/P15	33.3

Timor Gap

Licence Area	% Interest
ZOCA 91-01	25.0
ZOCA 91-12	21.4
Bayu-Undan Gas Field	11.8

Papua New Guinea

Licence Area	% Interest
PDL 1	31.0
PDL 3	15.9
PL 3	3.6
PPL 157	35.3
PPL 189	42.6
PPL 190	31.3
PPL 191	71.8
PPL 202	45.0
PPL 206	48.0
PPL 213	35.0
PRL 4	35.3
PRL 5	35.3
SE Gobe Unit	9.4

Indonesia

Licence Area	% Interest
Bentu	61.1
Korinci-Baru	61.1
Sampang	45.0
Warim	20.0

United States of America

Gulf of Mexico

Licence Area	Average working interest
– EC 155	80.0
– EI 59	20.0
– EI 143	20.0
– EI 335	20.0
– VR 247	75.0
– WC 272	80.0
– WC 276	75.0
– WC 582	80.0
– WC 632	50.0

Licence Area	Average working interest
Arkoma Basin	32.0

South Texas

Licence Area	Average working interest
– Aransas Bay	25.0
– Ashland Deep (Runnells-3)	30.0
– Birdie Porter Green	50.0
– Fuhrken	25.0
– Queen City (Mew-1)	47.0
– Remmers	55.0
– Suemar	25.0
– Driscoll	25.0
– West Rosita	25.0

GLOSSARY

CRUDE OIL
1 barrel = 1 boe
SALES GAS
1 petajoule = 171.937 boe x 10^3
CONDENSATE/NAPHTHA
1 barrel = 0.935 boe
LPG
1 tonne = 8.458 boe

appraisal well
An exploration well drilled for the purpose of identifying extensions to known fields or discoveries.

barrel/bbl
The standard unit of measurement for all production and sales. One barrel equals 159 litres or 35 imperial gallons.

boe
Barrels of oil equivalent. The factors used by Santos to convert volumes of different hydrocarbon production to barrels of oil equivalent are printed above.

bopd
Barrels of oil per day.

the Company
Santos Ltd and its subsidiaries.

development well
A well drilled to enable production from a known oil or gas reservoir.

exploration well
A wildcat or appraisal well drilled to find new reserves of oil or gas.

fracture stimulation
A technique used to improve hydrocarbon recovery from reserves with poor permeability or porosity. Fracture stimulation involves the fracturing of the reservoir rock to encourage the flow of hydrocarbons.

hydrocarbons
Solid, liquid or gas compounds of the elements hydrogen and carbon.

LPG
Liquefied petroleum gas.

mbbls
Thousand barrels.

mmbbls
Million barrels.

mmboe
Million barrels of oil equivalent.

OABU
Offshore Australia Business Unit.

petroleum liquids
Crude oil, condensate, or its derivative naphtha, and the liquefied petroleum gases propane and butane.

PJ
Petajoules. Joules are the metric measurement unit for energy. A petajoule is equal to 1 kilojoule x 10^{12}. The equivalent imperial measure to joules is British Thermal Units (BTU). One kilojoule = .9478 BTU.

PSC
Production sharing contract.

QNTBU
Queensland and Northern Territory Business Unit.

reserves
Proved and probable reserves as defined by the Australian Stock Exchange Ltd (ASX). Proved reserves are those reserves that, to a high degree of certainty, are clearly recoverable, at commercial rates, under currently anticipated production methods, operating conditions, prices and costs. Probable reserves are those reserves that may be reasonably assumed to exist because of geophysical or geological indications and drilling done in regions which contain proved reserves. Reserves reported are based on, and accurately reflect, information compiled by full-time employees of the Company who have the requisite qualifications and experience prescribed by the ASX Listing Rules.

SABU
South Australia Business Unit.

Santos
Santos Ltd and its subsidiaries.

SEABU
South East Asia Business Unit.

seismic survey
A survey used to gain an understanding of rock formations beneath the earth's surface.

SUSAC
Santos USA Corp.

TJ
Terajoules. Joules are the metric measurement unit for energy. A terajoule is equal to 1 joule x 10^{12}.

TRCF
Total recordable case frequency rate.

wildcat well
An exploration well drilled to identify new accumulations of oil or gas.

DELIVERING

HIGHER EFFICIENCY

Jon Young *General Manager, South Australia Business Unit*

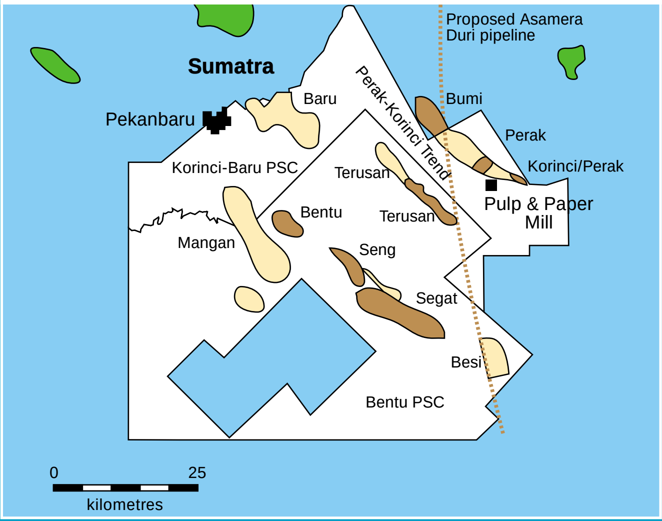
The 25% cost reduction achieved in the Moomba North Drilling Program ensures Cooper Basin gas is competitive and creates opportunities to develop additional gas reserves.

"The Moomba North Campaign has given us the opportunity to optimise our efforts both technically and operationally. The firm vision of the project has enabled the team, from office personnel to rig crews, to focus on building effective teamwork and achieving greater results"

Sylvie Tran Drilling Engineer, South Australia Business Unit

SANTOS' AREAS OF OPERATION

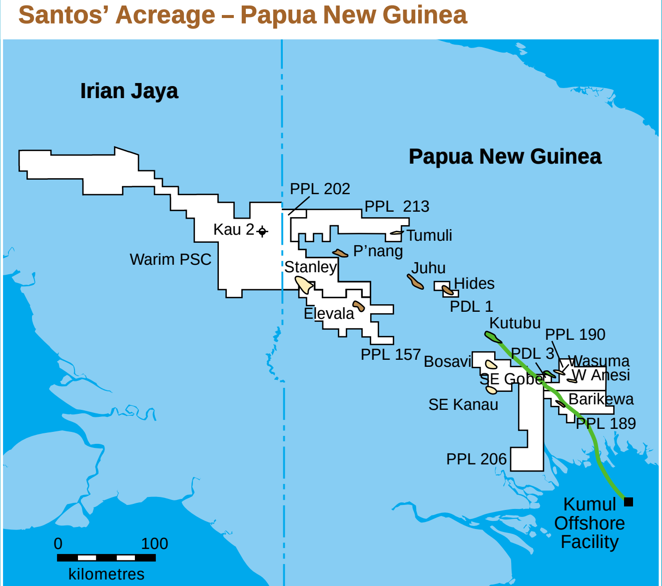
Santos' Acreage – Bentu/Korinci Baru (Sumatra)



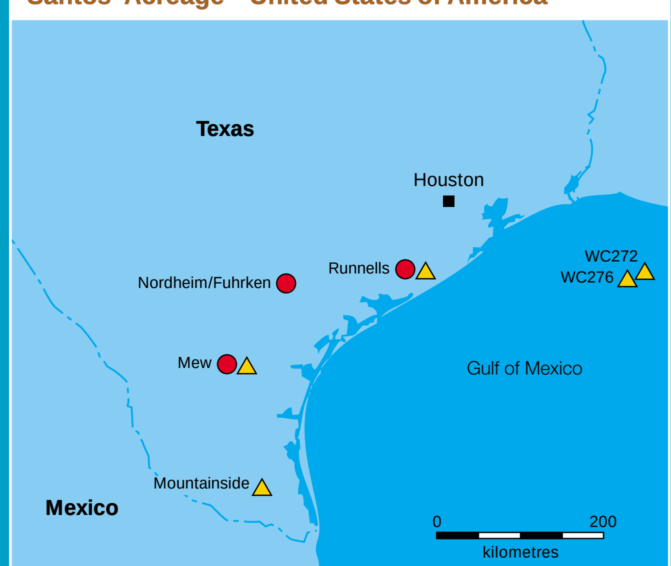
Santos' Acreage – Sampang PSC (Java)

Santos' Exploration and Production Interests – South East Asia

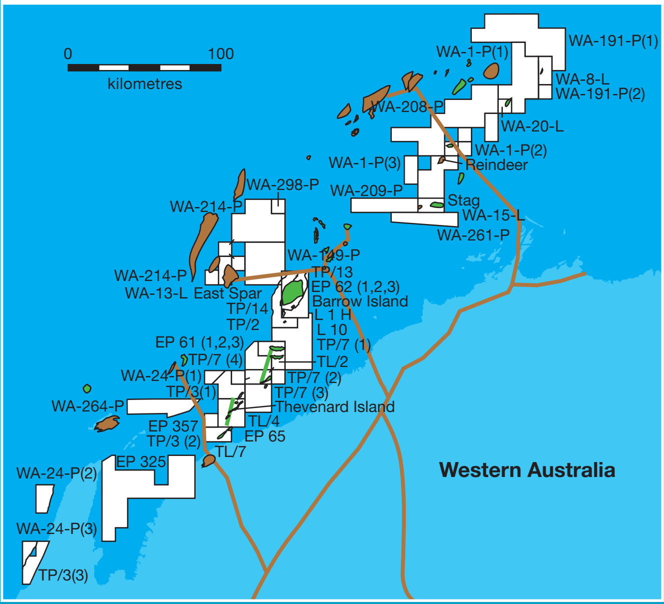
Santos' Acreage – Papua New Guinea



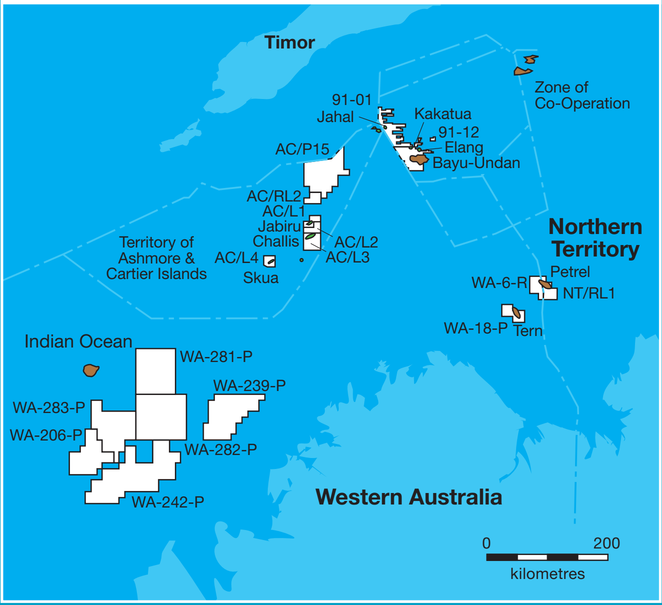
Santos' Acreage – United States of America

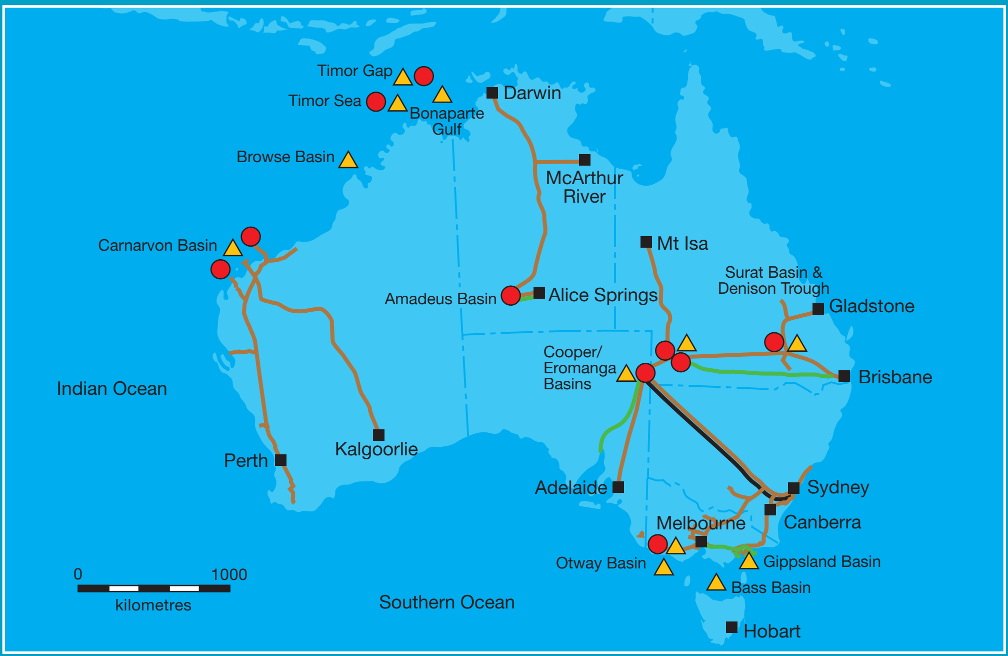


Santos' Acreage – Carnarvon Basin



Santos' Acreage – Bonaparte & Browse Basins

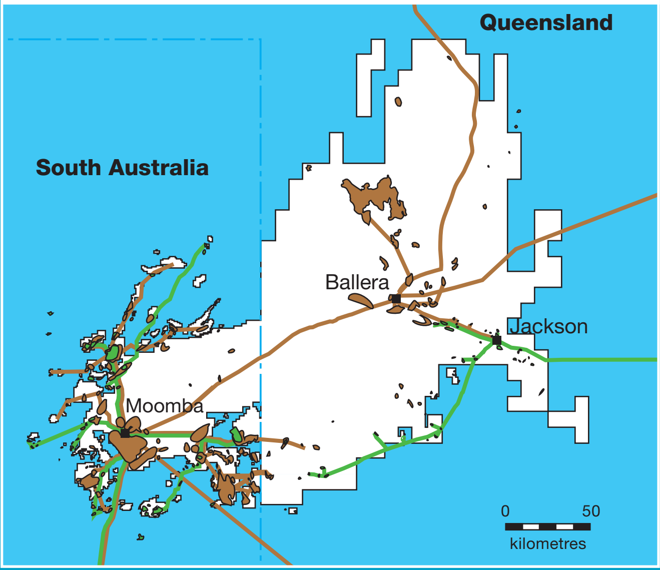




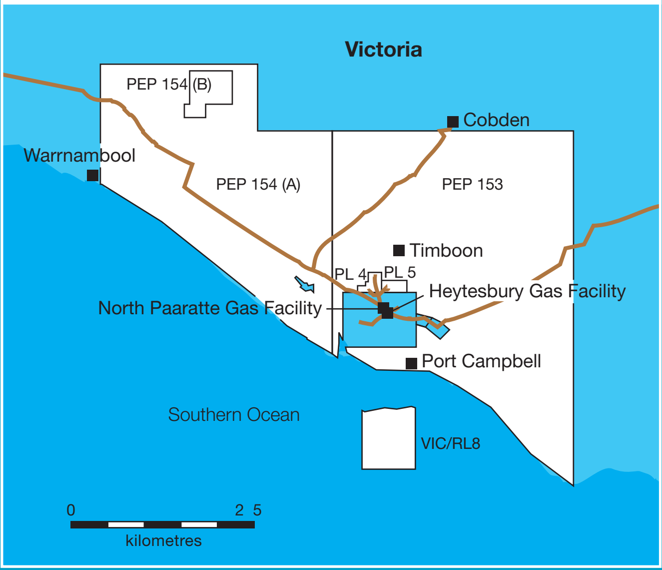
Legend

- Exploration
- Production
- Santos acreage
- Oil field
- Gas field
- Prospect
- Oil pipeline
- Gas pipeline
- Ethane pipeline

Santos' Acreage – Cooper Basin



Santos' Acreage – Otway Basin



10 YEAR SUMMARY 1991–2000

As at 31 December	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
Santos average realised oil price (A$/bbl)	28.00	28.65	27.64	23.64	24.96	27.43	27.42	20.95	27.57	46.54
Profit and Loss ($million)										
Sales revenue	655.9	689.8	680.2	640.0	671.6	729.2	778.5	769.4	944.5	1,497.1
Total operating revenue	702.0	741.5	931.6	716.6	740.1	804.0	859.5	1,000.8	995.6	1,555.2
Foreign currency gains/(losses)	(11.4)	(36.8)	(7.3)	66.3	(16.0)	25.0	3.6	2.0	0.3	2.7
Operating profit before abnormal items	223.5	245.1	289.2	295.9	241.0	331.9	322.3	267.3	339.6	725.9
Income tax on operating profit	106.8	104.9	104.8	116.2	101.1	136.0	116.1	91.0	120.4	239.1
Operating profit after tax before abnormal items	116.7	140.2	184.4	179.7	139.9	195.9	206.2	176.3	219.2	486.8
Abnormal items after tax	(224.9)	(27.5)	34.9	10.7	(29.3)	–	–	–	89.9	–
Operating profit/(loss) after tax and abnormal items	(108.2)	112.7	219.3	190.4	110.6	195.9	206.2	176.3	309.1	486.8
Outside equity interest in operating profit/(loss)	2.7	–	–	–	–	–	–	–	–	–
Profit/(loss) attributable to shareholders	(110.9)	112.7	219.3	190.4	110.6	195.9	206.2	176.3	309.1	486.8
Balance Sheet ($million)										
Total assets	2,797.6	2,821.8	2,831.2	2,897.2	2,915.5	3,443.4	4,036.2	4,236.1	4,338.7	4,659.8
Net debt	755.0	797.4	711.2	619.9	642.0	938.6	1,114.2	1,280.0	1,301.1	866.6
Total shareholders' equity	1,215.1	1,231.7	1,380.6	1,532.2	1,519.3	1,586.3	1,919.0	1,939.2	2,056.7	2,310.9
Exploration Expenditure										
Wells drilled (number)	80	41	66	63	66	91	112	81	34	42
Expenditure ($million)	79.8	76.7	79.6	91.9	87.9	121.1	190.1	180.7	78.1	100.1
Reserves (mmboe)	623	670	675	663	703	860	1,009	966	941	921
Production (mmboe)	34.2	34.6	36.3	37.2	36.8	39.2	41.1	45.6	49.2	56.0
Other Capital Expenditure ($million)										
Field developments	51.9	33.2	40.0	52.2	53.9	105.8	179.7	158.1	116.8	187.1
Buildings, plant and equipment	69.1	75.6	80.6	30.5	40.1	150.3	205.4	165.7	102.5	153.5
Share Information										
Share issues	Dividend Reinvestment Plan/ Executive Share Plan	Dividend Reinvestment Plan	Dividend Reinvestment Plan	Dividend Reinvestment Plan/ Executive Share Plan	–	–	1 for 8 rights issue/ Employee Share Plan	Employee Share Plan	Employee Share Plan/ Executive Share Plan	Employee Share Plan/ Executive Share Plan/ Restricted Shares/ Exercise of Options
Number of issued shares at year end (million)	473.0	498.6	517.9	539.6	539.6	539.6	607.3	607.8	608.2	610.4
Weighted average number of shares (million)	477.5	495.7	518.8	539.2	553.3	553.4	583.7	605.6	606.1	608.3
Dividends per share										
– ordinary (¢)	19.0	21.0	22.0	22.0	23.0	24.0	25.0	25.0	27.0	30.0
– special (¢)	–	–	5.0	–	–	–	–	–	–	10.0
Dividends										
– ordinary ($million)	88.5	102.7	112.3	117.2	123.6	129.0	151.3	151.4	163.7	182.7
– special ($million)	–	–	25.8	–	–	–	–	–	–	61.2
Ratios and Statistics										
Earnings per share										
– before abnormal items (¢)	23.9	28.3	35.5	33.3	25.3	35.4	35.3	29.1	36.2	80.0
– after abnormal items (¢)	(23.2)	22.7	42.3	35.3	20.0	35.4	35.3	29.1	51.0	80.0
Return on total operating revenue (%)	16.6	18.9	24.3	25.1	18.9	24.4	24.0	17.6	22.0	31.3
Return on average shareholders' equity (%)	9.2	11.7	14.1	12.3	9.2	12.6	11.8	9.1	11.0	22.3
Net debt/equity (%)	62.1	64.7	51.5	40.5	42.3	59.2	58.1	66.0	63.3	37.5
Net interest cover (times)	4.1	5.9	7.0	8.3	5.8	6.2	5.4	4.4	5.2	9.1
General										
Number of employees	1,570	1,468	1,526	1,492	1,471	1,461	1,615	1,650	1,645	1,631
Number of shareholders	29,706	35,492	42,068	50,595	55,684	55,482	65,459	81,286	81,416	76,457
Market capitalisation ($million)	1,399.2	1,288.5	1,988.1	1,868.2	2,111.2	2,741.1	3,826.1	2,653.9	2,516.1	3,669.8

Prior year amounts have, where applicable, been adjusted to place them on a comparable basis with current year amounts.

FINANCIAL
REPORT

CONTENTS

Directors' Statutory Report

The Directors present their report together with the financial report of Santos Ltd ("the Company") and the consolidated financial report of the consolidated entity, being the Company and its controlled entities, for the financial year ended 31 December 2000, and the auditors' report thereon. Information in this Annual Report referred to by page number in this report or contained in a Note to the financial statements referred to in this report is to be read as part of this report.

1. Directors, Directors' Shareholdings and Directors' Meetings

The names of Directors of the Company in office at the date of this report and details of the relevant interest of each of those Directors in shares in the Company at that date are as set out below:

Surname	**Other Names**	**Shareholdings in Santos Ltd** Beneficial Interest	Non-Beneficial Interest
Uhrig	John Allan (Chairman)	16,875	–
Barnett	Peter Charles	16,250	–
Conroy	Francis John	1,900	–
Ellice-Flint	John Charles (Managing Director)	1,000,000*	–
Gerlach	Stephen (Deputy Chairman)	17,305	–
McArdle	John Walter (Executive Director)	516,732**	37,913
McGregor	Graeme William	10,000	–
O'Leary	Michael Anthony	4,725	–
Sloan	Judith	2,500	–
Webber	Ian Ernest	26,250	–

The above named Directors held office during and since the end of the financial year except for Mr J C Ellice-Flint, who was appointed a Director on 19 December 2000.

Except where otherwise indicated, all shareholdings are of fully paid ordinary shares.

* These shares are Restricted Shares issued on the terms described in Note 18 to the financial statements.

** Includes 160,000 partly paid Executive Share Plan shares.

No Director holds shares in any related body corporate, other than in trust for the Company.

At the date of this report, Mr J W McArdle holds 1,000,000 options issued pursuant to the Santos Executive Share Option Plan, approved by shareholders at the Annual General Meeting of the Company held on 15 May 1997. Mr J C Ellice-Flint holds 3,000,000 options under the Santos Executive Share Option Plan and subject to the further terms described in Note 18 to the financial statements.

Details of the qualifications, experience and special responsibilities of each Director are set out on pages 26 and 27 of this Annual Report.

Directors' Meetings

The number of Directors' Meetings and meetings of committees of Directors held during the financial year and the number of meetings attended by each Director are as follows:

Surname	**Other Names**	**Directors' Meetings**		**Audit Committee**		**Environmental Committee**		**Nomination and Remuneration Committee**	
		Number of Meetings Held*	Number of Meetings Attended	Number of Meetings Held*	Number of Meetings Attended	Number of Meetings Held*	Number of Meetings Attended	Number of Meetings Held*	Number of Meetings Attended
Uhrig [1]	John Allan	11	11			2	2	7	7
Adler [2]	Norman Ross	8	8	3	3	2	2		
Barnett	Peter Charles	11	10			3	2	7	7
Conroy	Francis John	11	11					7	7
Ellice-Flint [3]	John Charles	1	1			–	–		
Gerlach [4]	Stephen	11	11	3	3	3	3	7	7
McArdle	John Walter	11	10			1	1		
McGregor	Graeme William	11	11	3	3			7	7
O'Leary	Michael Anthony	11	11			3	3	7	7
Sloan	Judith	11	11	3	3			7	7
Webber	Ian Ernest	11	10	3	3			7	6

* Reflects the number of meetings held during the time the Director held office, or was a member of the Committee, during the year.

1 Retired as member of Environmental Committee on 5 September 2000.

2 Retired as a Director of the Company on 30 September 2000.

3 Appointed as a Director of the Company on 19 December 2000.

4 Retired as a member of Audit Committee on 5 September 2000.

As at the date of this report, the Company had an audit committee of the Board of Directors.

Particulars of the Company's corporate governance practices appear on pages 28 and 29 of this Annual Report.

2. Principal Activities

The principal activities of the consolidated entity during the financial year were: petroleum exploration; the production, treatment and marketing of natural gas, crude oil, condensate, naphtha and liquid petroleum gas; and the transportation by pipeline of crude oil. No significant change in the nature of these activities has occurred during the year.

3. Review and Results of Operations

A review of the operations and of the results of those operations of the consolidated entity during the financial year are contained in pages 2 to 9 and 12 to 21 of this Annual Report.

4. Dividends

In respect of the financial year:

(a) the Directors on 9 March, 2001 declared a fully franked final dividend of 15 cents per fully paid share be paid on 27 April, 2001 to members registered in the books of the Company as at close of business on 3 April, 2001 and declared that such dividend be a Class C franked dividend to the extent of 100%. This final dividend amounts to approximately $91.7 million;

(b) the Directors on 9 March, 2001 declared a fully franked special dividend of 10 cents per fully paid share be paid on 27 April, 2001 to members registered in the books of the Company as at close of business on 3 April, 2001 and declared that such dividend be a Class C franked dividend to the extent of 100%. This special dividend amounts to approximately $61.2 million; and

(c) a fully franked interim dividend of $91 million (15 cents per share) was paid to members in November 2000.

A fully franked final dividend of $91 million on the 1999 results (15 cents per share) was paid in April 2000. Indication of this dividend payment was disclosed in the 1999 Annual Report.

5. State of Affairs

In the opinion of the Directors, there were no significant changes in the state of affairs of the consolidated entity that occurred during the financial year other than those referred to on pages 7 to 9 of this Annual Report.

6. Environmental Regulation

The consolidated entity's Australian operations are subject to various environmental regulations under Commonwealth, State and Territory legislation, including under applicable petroleum legislation and in respect to: its South Australian operations, some 34 State and Commonwealth Acts and licences (nos. EPA 2569, 1259, 888 and 2164) issued under the Environmental Protection Act, 1993; its Queensland operations, some 27 State and Commonwealth Acts and licence no. 150029 issued under the Environmental Protection Act, 1994; its Northern Territory operations, some 15 Territory and Commonwealth Acts; its offshore operations, some 29 State, Territory and Commonwealth Acts; and its Victorian operations, some 22 State and Commonwealth Acts. Applicable legislation and requisite environmental licences are specified in the entity's relevant Environmental Compliance Manuals, which Manuals form part of the consolidated entity's overall Environmental Management System. Compliance performance is monitored on a regular basis and in various forms, including environmental audits conducted by regulatory authorities and by the Company, either through internal or external resources. During the financial year: no fines were imposed; no prosecutions were instituted; and no notice of non-compliance with the above referenced regulations was received from a regulatory body.

7. Events Subsequent to Balance Date

In the opinion of the Directors there has not arisen in the interval between the end of the financial year and the date of this report any matter or circumstance that has significantly affected or may significantly affect the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

8. Likely Developments

Certain likely developments in the operations of the consolidated entity and the expected results of those operations in future financial years are referred to at pages 2 to 9 and 12 to 20 of this Annual Report. Further information about likely developments in the operations of the consolidated entity and the expected results of those operations in future financial years has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the consolidated entity.

9. Directors' and Senior Executives' Emoluments

The Board's Nomination and Remuneration Committee is responsible for reviewing the remuneration policies and practices of the Company, including the compensation arrangements for executive Directors and senior management, the Company's superannuation arrangements and, within the aggregate amount approved by shareholders, the fees for non-executive members of the Board. This role also includes responsibility for the Company's employee share and option plans. Executive and senior management performance review and succession planning are matters referred to and considered by the Committee.

The Nomination and Remuneration Committee has access to independent advice and comparative studies on the appropriateness of remuneration arrangements.

Non-executive Directors – As indicated above, within the aggregate amount approved by shareholders, the fees of the Chairman and non-executive Directors are set at levels which represent the responsibilities of and the time commitments provided by those Directors in discharging their duties. Regard is also had to the level of fees payable to non-executive Directors of comparable companies.

Non-executive Directors are also entitled to receive a retirement payment upon ceasing to hold office as a Director. The retirement payment (inclusive of superannuation guarantee charge entitlements) is made pursuant to an agreement entered into with each Director in terms approved by shareholders at the 1989 Annual General Meeting.

Senior Executives – Remuneration levels are competitively set to attract, retain and motivate appropriately qualified and experienced senior executives capable of discharging their respective responsibilities.

Remuneration packages of senior executives include performance based components in the form of equity participation through the Santos Executive Share Option Plan. Options issued under the Plan are linked to the longer term performance of the Company and are only exercisable following the satisfaction of performance hurdles that are designed to maximise shareholder wealth.

Details of the nature and amount of each element of the emoluments for the financial year of each Director and each of the five officers of the Company and the consolidated entity receiving the highest emoluments are:

Non-Executive Directors	Directors' Fees $	Committee Fees $	Superannuation Contributions (1) $	Non-Cash Benefits $	Total $
Uhrig, John Allan (Chairman)	180,000	5,446	–	74,688	260,134
Gerlach, Stephen (Deputy Chairman)	75,904	10,058	6,447	–	92,409
Barnett, Peter Charles	60,000	5,500	4,913	–	70,413
Conroy, Francis John	60,000	–	4,500	–	64,500
McGregor, Graeme William	60,000	6,314	4,974	–	71,288
O'Leary, Michael Anthony	60,000	5,500	4,913	–	70,413
Sloan, Judith	60,000	5,500	4,913	–	70,413
Webber, Ian Ernest	60,000	7,213	5,041	–	72,254

Executive Directors	Position	Base Remuneration (2) $	Bonuses $	Other Benefits (3) $	Retirement Payments (4) $	Total $	Options (7)
Ellice-Flint, John Charles (5)	CEO & Managing Director	52,055	78,082	201,837 (6)	–	331,974	3,000,000
McArdle, John Walter	Director & Executive General Manager – Commercial	686,926	–	231,695	–	918,621	–
Adler, Norman Ross	Former Managing Director	829,800	200,000	395,508	3,570,252	4,995,560	–
Executive Officers							
Armstrong, John Dennis	General Manager – Offshore Australia Business Unit	481,448	–	165,766	–	647,214	–
McArdle, Rodney Eric	General Manager – Queensland and NT Business Unit	350,000	–	146,184	–	496,184	–
Lawrance, Brian Jeremy	Former General Manager – Liquids Marketing	170,377	–	54,488	446,490	671,355	–
Baugh, Michael Arle	Former President – Santos USA Corp	589,615	–	49,545	–	639,160	–
Frost, Michael Francis	Former General Manager – Exploration Review	160,683	–	26,266	298,769	485,718	–

(1) Contributions made in accordance with the Company's Superannuation Guarantee Charge obligations.

(2) Base Remuneration includes base salary, packaged benefits and FBT (where applicable).

(3) Other Benefits are non base remuneration benefits including Company contributions to superannuation and the cost to the Company of cars (including applicable FBT).

(4) Includes contractual and statutory payments made upon retirement.

(5) 1,000,000 Restricted Shares were issued on 13 December 2000 to a trustee in respect of Mr J C Ellice-Flint. The terms of issue of the Restricted Shares are set out in Note 18 to the financial statements. The Restricted Shares were valued by independent valuers as having a fair value of $5.60 per share. This value has not been included in the emoluments disclosed above as it is only a notional value and ultimately no benefit may accrue to Mr Ellice-Flint.

(6) This amount includes a sign-on incentive payment.

(7) Number of shares over which options were granted by the Company during the year. Options were granted pursuant to the Santos Executive Share Option Plan, details of which are described in Note 18 to the financial statements. The Options were valued by independent valuers using the Binomial option pricing model as follows:

Grant Date	Exercise Price	Expiry Date	Valuation
26 August 2000	$5.83	25 August 2010	1,000,000 options first exercisable on 26 August 2003: $0.77 per option 1,000,000 options first exercisable on 26 August 2004: $0.76 per option 1,000,000 options first exercisable on 26 August 2005: $0.75 per option

These values have not been included in the emoluments disclosed above as they are only notional values and ultimately no benefit may accrue.

Note: The five officers (including former officers) disclosed above were those executive officers within the consolidated entity responsible for the strategic direction and operational management of major business units receiving the highest emoluments.

No options have been granted since the end of the financial year. Information in relation to shares issued as a result of the exercise of options over unissued shares is contained in Note 18 to the financial statements.

10. Indemnification

Article 177 of the Company's Articles of Association provides that the Company indemnifies each person who is or who has been an "officer" (as defined in the Corporations Law) of the Company against any liability to another person (other than the Company or a related body corporate) arising from their position as such officer, unless the liability arises out of conduct involving a lack of good faith. The Company has insured against amounts which it is liable to pay pursuant to Article 177 or which it otherwise agrees to pay by way of indemnity. Article 177 also provides for an indemnity in favour of an officer or auditor (KPMG) in relation to costs incurred in defending proceedings in which judgement is given in their favour or in which they are acquitted or the Court grants relief.

In conformity with Article 177, the Company is party to Deeds of Indemnity in favour of each of the Directors referred to in this report, who held office during the year and certain General Managers of the consolidated entity, being indemnities to the full extent permitted by law. There is no monetary limit to the extent of the indemnity under those Deeds and no liability has arisen thereunder during or since the financial year other than in respect of the legal costs referred to below. During the financial year, the Company and Mr J C Ellice-Flint, the Chief Executive Officer and Managing Director, entered into a Deed of Access, Indemnity and Insurance. Pursuant to the Deed, the Company agreed to: indemnify Mr Ellice-Flint as an officer to the extent permitted by law; obtain D & O insurance for Mr Ellice-Flint during the time he holds office and for 7 years after he ceases to hold office; and allow Mr Ellice-Flint access to documents in accordance with the Corporations Law.

During the financial year, Mr N R Adler, former Managing Director, and Mr J W McArdle, an executive Director, were provided with a tax indemnity by the Company in relation to any liability to tax that may arise in respect of payments, the benefit of which have been passed on to the Company, made upon their retirement as the Company's representatives on the Board of QCT Resources Limited. No liability has arisen under the indemnities during or since the end of the financial year.

During and since the financial year up to the date of this report, legal costs of $232,153 have been paid by the Company in defending certain proceedings in relation to termination of employment brought by a former employee against: the Company; the former Managing Director, Mr N R Adler; another employee of the consolidated entity, Dr J D Armstrong; and a former employee of the consolidated entity. These costs, which insofar as they relate to the three personal defendants have been paid pursuant to the terms of the above Deeds of Indemnity, have not been apportioned among the Company nor the three indemnified personal defendants and therefore it is not possible to determine the amount paid on behalf of each of them.

11. 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.

This report is made on 9 March, 2001 in accordance with a resolution of the Directors.

J A Uhrig
Director
9 March, 2001

J C Ellice-Flint
Director

Profit and Loss Statements

for the year ended 31 December 2000

		Consolidated		Santos Ltd	
		2000	1999	**2000**	1999
	note	**$million**	$million	**$million**	$million
Revenue from operating activities	(2)	**1,555.2**	995.6	**722.1**	576.2
Operating expenses		**(399.7)**	(305.6)	**(160.9)**	(129.3)
Depreciation, depletion and amortisation	(3)	**(354.9)**	(278.5)	**(116.4)**	(103.9)
Interest expense	(4)	**(85.8)**	(74.4)	**(79.8)**	(74.6)
Share of associated company's operating profit/(loss) after tax		**(18.7)**	2.5	**–**	–
Proceeds from sale of associated company	(2)	**325.5**	–	**325.5**	–
Book value of associated company sold	(5)	**(295.7)**	–	**(351.7)**	–
Operating profit before income tax	(5)	**725.9**	339.6	**338.8**	268.4
Income tax attributable to operating profit	(6)	**(239.1)**	(120.4)	**(72.1)**	(54.3)
Abnormal income tax item	(6)	**–**	89.9	**–**	48.3
Operating profit after income tax attributable to the shareholders of Santos Ltd		**486.8**	309.1	**266.7**	262.4
Retained profits at the beginning of the year		**495.2**	378.3	**522.3**	423.6
Adjustment to retained profits at the beginning of the year on initial adoption of revised AASB 1016 "Accounting for Investments in Associates"		**–**	(28.5)	**–**	–
Total available for appropriation		**982.0**	658.9	**789.0**	686.0
Dividends provided for or paid	(7)	**(243.9)**	(163.7)	**(243.9)**	(163.7)
Retained profits at the end of the year		**738.1**	495.2	**545.1**	522.3

The profit and loss statements are to be read in conjunction with the notes to the financial statements.

Balance Sheets

at 31 December 2000

	note	Consolidated 2000 $million	Consolidated 1999 $million	Santos Ltd 2000 $million	Santos Ltd 1999 $million
Current assets					
Cash		**182.5**	97.9	**12.7**	2.8
Receivables	(8)	**234.7**	153.7	**1,176.5**	1,267.8
Inventories	(9)	**98.8**	90.1	**45.1**	46.0
Other	(10)	**20.8**	–	**–**	–
Total current assets		**536.8**	341.7	**1,234.3**	1,316.6
Non-current assets					
Investments	(11)	**33.8**	349.3	**1,838.9**	1,931.9
Exploration and development expenditure	(12)	**2,623.7**	2,358.0	**841.5**	802.8
Land and buildings, plant and equipment	(13)	**1,344.0**	1,185.9	**570.6**	548.9
Intangibles	(14)	**35.6**	44.6	**–**	–
Other	(10)	**85.9**	59.2	**5.3**	8.1
Total non-current assets		**4,123.0**	3,997.0	**3,256.3**	3,291.7
Total assets		**4,659.8**	4,338.7	**4,490.6**	4,608.3
Current liabilities					
Accounts payable	(15)	**285.9**	121.6	**1,845.0**	2,078.0
Borrowings	(16)	**61.5**	0.4	**–**	–
Provisions	(17)	**416.5**	183.7	**247.9**	168.8
Total current liabilities		**763.9**	305.7	**2,092.9**	2,246.8
Non-current liabilities					
Borrowings	(16)	**987.6**	1,398.6	**–**	–
Provisions	(17)	**597.4**	577.7	**280.0**	276.6
Total non-current liabilities		**1,585.0**	1,976.3	**280.0**	276.6
Total liabilities		**2,348.9**	2,282.0	**2,372.9**	2,523.4
Net assets		**2,310.9**	2,056.7	**2,117.7**	2,084.9
Shareholders' equity					
Share capital	(18)	**1,572.6**	1,562.6	**1,572.6**	1,562.6
Reserves	(19)	**0.2**	(1.1)	**–**	–
Retained profits		**738.1**	495.2	**545.1**	522.3
Total shareholders' equity		**2,310.9**	2,056.7	**2,117.7**	2,084.9

The balance sheets are to be read in conjunction with the notes to the financial statements.

Statements of Cash Flows

for the year ended 31 December 2000

		Consolidated		Santos Ltd	
		2000	1999	**2000**	1999
	note	**$million**	$million	**$million**	$million
Cash flows from operating activities					
Receipts from customers		**1,533.8**	912.7	**548.9**	389.1
Dividends received		**1.4**	12.0	**99.6**	93.2
Interest received		**9.0**	3.8	**24.0**	29.6
Overriding royalties received		**15.0**	12.2	**21.7**	17.2
Pipeline tariffs and other receipts		**17.9**	13.7	**16.4**	10.4
Payments to suppliers and employees		**(301.3)**	(249.7)	**(118.7)**	(96.1)
Government royalties		**(94.7)**	(45.6)	**(32.5)**	(23.5)
Interest and other costs of finance paid		**(85.9)**	(84.2)	**(80.8)**	(75.1)
Income taxes paid		**(72.2)**	(45.0)	**(60.6)**	(9.0)
Net cash provided by operating activities	(23)	**1,023.0**	529.9	**418.0**	335.8
Cash flows from investing activities					
Payments for:					
Exploration		**(93.7)**	(95.0)	**(27.2)**	(32.0)
Development		**(159.1)**	(118.4)	**(61.4)**	(52.0)
Land and buildings, plant and equipment		**(138.6)**	(95.1)	**(70.9)**	(48.3)
Acquisitions of oil and gas assets		**(302.5)**	(112.5)	**(0.1)**	–
Acquisitions of controlled entities		**–**	(15.3)	**(220.4)**	(14.2)
Restoration		**(0.7)**	(2.2)	**(0.5)**	–
Other investments		**(0.4)**	–	**(4.8)**	(0.1)
Proceeds from:					
Sale of associated company		**325.5**	–	**325.5**	–
Liquidation of controlled entity		**–**	–	**14.1**	–
Disposal of non-current assets		**11.3**	19.8	**0.5**	0.1
Other		**0.5**	0.3	**0.5**	–
Net cash used in investing activities		**(357.7)**	(418.4)	**(44.7)**	(146.5)
Cash flows from financing activities					
Dividends paid		**(182.1)**	(151.5)	**(182.1)**	(151.5)
Proceeds from issues of shares		**10.0**	1.9	**10.0**	1.9
Net (repayment)/drawdown of borrowings		**(411.9)**	18.0	**–**	–
Advances to controlled entities		**–**	–	**(191.3)**	(71.5)
Net cash used in financing activities		**(584.0)**	(131.6)	**(363.4)**	(221.1)
Net increase/(decrease) in cash		**81.3**	(20.1)	**9.9**	(31.8)
Cash at the beginning of the year		**97.9**	117.8	**2.8**	34.6
Effects of exchange rate changes on the balances of cash held in foreign currencies		**3.3**	0.2	**–**	–
Cash at the end of the year		**182.5**	97.9	**12.7**	2.8

The statements of cash flows are to be read in conjunction with the notes to the financial statements.

Notes to the Financial Statements

for the year ended 31 December 2000

1
Statement of Accounting Policies

The significant accounting policies that have been adopted in the preparation of this financial report are:

(a) Basis of preparation

The financial report is a general purpose financial report in accordance with applicable Accounting Standards, Urgent Issues Group Consensus Views, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Law. It has been prepared on the basis of historical cost principles and does not take into account changes in the purchasing power of money or, except where specifically stated, current valuations of non-current assets. The accounting policies are consistent with those adopted in the previous financial year.

(b) Principles of consolidation

The consolidated financial statements include the financial statements of the Company, Santos Ltd being the parent entity, and its controlled entities ("the consolidated entity").

The balances and effects of all transactions between controlled entities included in the consolidated financial statements are eliminated.

Interests in unincorporated joint ventures are recognised by including in the financial statements under the appropriate headings the consolidated entity's proportion of the joint venture costs, assets and liabilities.

Interests in associated companies are accounted for under the equity method in the consolidated financial statements.

The equity method requires the carrying amount of investments in associated companies to be adjusted by the consolidated entity's share of the associates' net profit or loss after tax and amortisation of goodwill. These amounts are recognised in the consolidated profit and loss statement.

Interests in associated companies are accounted for under the cost method in the Company's financial statements.

(c) Non-current assets

With the exception of exploration expenditure carried forward pertaining to areas of interest in the exploration stage (refer note 1(j)), the carrying amounts of non-current assets are reviewed to determine whether they are in excess of their estimated recoverable amount at balance date. If the carrying amount of a non-current asset exceeds the estimated recoverable amount, the asset is written down to the lower value. In assessing recoverable amounts, the relevant cash flows have not been discounted to their present value.

(d) Acquisition of assets

Assets acquired in arms length transactions are recorded at the cost of acquisition as represented by the purchase consideration which is the fair value of assets given.

On acquisition of a controlled entity, the identifiable net assets acquired are recorded at their fair values. To the extent that there is excess purchase consideration representing goodwill, the goodwill is amortised using the straight line method over a period of 20 years. The unamortised balance of goodwill is reviewed at each balance date and charged to profit and loss to the extent that the balance exceeds the value of expected future benefits.

Assets transferred between entities within the consolidated entity on restructuring may be transferred at other than fair value. The acquiring entity deems the purchase consideration to be the fair value of assets acquired and any difference from the fair value of assets given is brought to account as revenue or expense on restructuring.

(e) Foreign currency

Foreign currency transactions are translated to Australian currency at the rates of exchange in effect at the dates of the transactions. Amounts receivable and payable in foreign currencies at balance date are translated at the rate of exchange existing on that date. Exchange differences relating to amounts receivable or payable in foreign currencies are brought to account in the profit and loss statement in the period in which they arise except that exchange differences on transactions entered into in order to hedge the purchase or sale of specific goods and services are deferred and included in the measurement of the purchase or sale.

Financial statements of integrated foreign controlled entities are translated at balance date using the temporal method and any profit or loss on the translation of monetary assets and liabilities is brought to account in determining operating profit for the year.

Financial statements of self-sustaining foreign controlled entities are translated at balance date using the current method and exchange differences are taken directly to the foreign currency translation reserve.

Exchange differences relating to amounts receivable or payable in foreign currencies forming part of the net investment in a self-sustaining foreign operation are transferred on consolidation to the foreign currency translation reserve.

1
Statement of Accounting Policies continued

(f) Goods and services tax
Revenues, expenses and assets are recognised net of the amount of goods and services tax ("GST"), except where the amount of GST incurred is not recoverable from the Australian Tax Office ("ATO"). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the balance sheet.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(g) Revenue
Product sales, equipment rentals and pipeline tariffs, overriding royalties and other income are recognised when the goods and services are provided and the consolidated entity has a legally enforceable entitlement to the proceeds. Interest revenue is recognised as it accrues. Dividend income from controlled entities is recognised as revenue as dividends are declared and from other parties as dividends are received.

(h) Receivables
Trade debtors and other receivables are recorded at amounts due. A provision is made for any doubtful debts based on a review of collectability of outstanding amounts at balance date. Bad debts are written off in the period they are identified.

(i) Inventories
Inventories are valued at the lower of cost and net realisable value after provision is made for obsolescence. Cost is determined as follows:

(i) Drilling and maintenance stocks, which include plant spares, maintenance and drilling tools used for ongoing operations, are valued at average cost.

(ii) Petroleum products, which comprise extracted crude oil, LPG, condensate and naphtha stored in tanks and pipeline systems and processed sales gas and ethane stored in subsurface reservoirs, are valued using the absorption cost method.

(j) Exploration and development expenditure
Exploration and development expenditures in respect of each area of interest are accumulated and carried forward if either:

(i) such expenditure is expected to be recouped through successful development and commercial exploitation of the area of interest; or

(ii) the exploration activities in the area of interest have not yet reached a stage which permits reasonable assessment of the existence of economically recoverable reserves.

When an area of interest is abandoned or if Directors consider the expenditure to be of reduced or no further value, accumulated exploration expenditure is written down or off in the period in which such a decision is made.

(k) Borrowings
Borrowings are carried on the balance sheet at their principal amount. Interest is accrued at the contracted rate.

(l) Leases
Finance leases, which effectively transfer to the lessee substantially all of the risks and benefits incidental to ownership of the leased item, are capitalised at the present value of the minimum lease payments, disclosed as capitalised leases and amortised over the period the lessee is expected to benefit from the use of the leased assets. A corresponding liability is also established and each lease payment is allocated between the principal component and the interest expense.

Operating lease payments, where the lessors effectively retain substantially all the risks and benefits of ownership of the leased items, are charged against operating profit in equal instalments over the lease term.

(m) Capitalisation of finance costs
Pre-production interest, finance charges and foreign currency exchange gains and losses relating to major plant and equipment projects under development and construction up to the date of commencement of commercial operations are capitalised and amortised over the expected useful lives of the facilities. Where funds are borrowed specifically for qualifying projects the actual finance costs incurred are capitalised. Where the projects are funded through general borrowings the finance costs are capitalised based on the weighted average borrowing rate, which for the year ended 31 December 2000 was 6.70% (1999: 5.60%).

Finance costs incurred in respect of completed projects are expensed.

(n) Deferred income

A liability is recorded for obligations under sales contracts to deliver natural gas in future periods for which payment has already been received.

(o) Depreciation and depletion

Depreciation charges are calculated to write-off the carrying value of buildings, plant and equipment over their estimated useful lives to the entity. Depreciation of onshore buildings, plant and equipment assets is calculated using the straight line method of depreciation. The estimated useful lives to the entity will vary for each asset depending on projected average rate of usage, degree of technical obsolescence, expected commercial life and the period of time during which the right or entitlement to the asset exists. The depreciation rates are reviewed and reassessed periodically in light of the technical and economic developments.

The useful lives for each class of onshore asset will vary depending on their individual technical and economic characteristics but will generally fall within the following ranges:

• Plant and equipment	
– Computer equipment	3 – 5 years
– Motor vehicles	4 – 7 years
– Furniture and fittings	10 – 20 years
– Pipelines	20 – 30 years
– Plant and facilities	20 – 50 years
• Buildings	20 – 50 years

Depreciation of offshore plant and equipment is calculated using a unit of production method which will proportionately depreciate the assets over the life of the reserves on a field by field basis.

Depletion charges are calculated using a unit of production method which will amortise, over the life of the reserves, exploration and development expenditure together with future costs necessary to develop the hydrocarbon reserves in the respective areas of interest.

Depletion is not charged on costs carried forward in respect of areas of interest in the development stage until production commences.

(p) Restoration

Provisions are made for environmental restoration where gas and petroleum production is undertaken. Such provisions recognise the estimated future restoration obligations incrementally over the life of the hydrocarbon reserves on a unit of production basis. The estimated future obligations include removing of facilities, abandoning of wells and restoring the affected areas. Estimates for the future restoration obligations are reviewed and reassessed regularly, based on current legal requirements and technology and are measured in current dollars on an undiscounted basis. Adjustments to the provisions are made on a prospective basis.

(q) Employee entitlements

The provisions for employee entitlements to wages, salaries, annual leave and sick leave are measured at undiscounted amounts based on current wage and salary rates and include related on-costs.

Long service leave is provided in respect of all employees, based on the present value of the estimated future cash outflow to be made resulting from employees' services up to balance date, and having regard to the probability that employees as a group will remain in the entity's employ for the period of time necessary to qualify for long service leave.

Contributions to defined benefit superannuation plans sponsored by the consolidated entity are charged against operating profit. Where the assets of a fund significantly exceed the liabilities and the fund's actuary has so recommended, contributions are suspended until such time as the surplus is reduced.

(r) Employee share ownership plans

The Company operates a number of share ownership plans.

Shares issued under the Santos Executive Share Plan, Santos Executive Share Option Plan and the Santos Employee Share Purchase Plan are treated as equity contributions to the extent the shares are paid up.

The value of the shares issued to eligible employees under the Santos Employee Share Acquisition Plan is expensed over a three year period.

(s) Income tax

Tax effect accounting is applied whereby the income tax charged in the profit and loss statements is matched with the accounting profit after allowing for permanent differences. Income tax on timing differences, which arise from items being brought to account in different periods for income tax and accounting purposes, is carried forward in the balance sheets as a future income tax benefit or deferred income tax liability. Future income tax benefits relating to entities which incur losses are brought to account where realisation of the benefits is considered to be virtually certain.

(t) Derivative financial instruments

Gains and losses on derivative financial instruments designated as hedges are accounted for on the same basis as the underlying exposures they are hedging. The gains and losses on derivative financial instruments hedging specific purchase or sale commitments are deferred and included in the measurement of the purchase or sale.

(u) Comparatives

Where applicable, prior year amounts have been adjusted to place them on a comparable basis with current year amounts.

Notes to the Financial Statements

for the year ended 31 December 2000

2 Revenue

	Consolidated 2000 $million	Consolidated 1999 $million	Santos Ltd 2000 $million	Santos Ltd 1999 $million
Revenue from operating activities				
Product sales	**1,497.1**	944.5	**507.2**	420.5
Overriding royalties	**16.5**	13.3	**22.8**	17.2
Equipment rentals, pipeline tariffs and other	**21.1**	13.8	**14.2**	15.4
Interest revenue:				
Controlled entities	**–**	–	**23.7**	29.3
Other entities	**9.4**	3.8	**0.3**	0.4
Dividends from:				
Other entities	**1.4**	0.7	**1.4**	0.7
Controlled entities	**–**	–	**98.2**	81.2
Associated company – ordinary dividend	**–**	–	**–**	11.3
Proceeds from sale of non-current assets	**9.7**	19.5	**0.4**	0.2
Net revenue on restructuring within the consolidated entity	**–**	–	**53.9**	–
	1,555.2	995.6	**722.1**	576.2
Revenue from outside operating activities				
Proceeds from sale of shares in QCT Resources Limited comprising $1.20 per share from MetCoal Holdings (Qld) Pty Ltd and $0.10 per share special dividend from QCT Resources Limited	**325.5**	–	**325.5**	–
	1,880.7	995.6	**1,047.6**	576.2

3 Depreciation, Depletion and Amortisation

	Consolidated 2000 $million	Consolidated 1999 $million	Santos Ltd 2000 $million	Santos Ltd 1999 $million
Depletion of exploration and development expenditure	**204.4**	163.1	**69.4**	59.6
Depreciation of plant and equipment	**116.3**	90.8	**44.7**	42.4
Depreciation of buildings	**2.0**	2.0	**1.3**	1.3
Future restoration costs	**12.7**	5.1	**1.0**	0.6
Amortisation of capitalised leases	**0.8**	0.9	**–**	–
Amortisation of goodwill	**9.0**	9.0	**–**	–
Write-down of exploration expenditure	**9.7**	7.6	**–**	–
	354.9	278.5	**116.4**	103.9

4 Interest Expense

	Consolidated 2000 $million	Consolidated 1999 $million	Santos Ltd 2000 $million	Santos Ltd 1999 $million
Interest expense:				
Controlled entities	**–**	–	**80.7**	75.0
Other entities:				
On loans	**97.2**	81.7	**–**	0.1
On finance leases	**0.9**	0.7	**–**	–
Less interest capitalised	**(12.3)**	(8.0)	**(0.9)**	(0.5)
	85.8	74.4	**79.8**	74.6

5

Operating Profit

	Consolidated		Santos Ltd	
	2000	1999	**2000**	1999
	$million	$million	**$million**	$million
Operating profit before income tax includes the following items:				
Government royalties	**98.5**	48.8	**34.6**	25.4
Increase in provisions:				
Doubtful debts	**0.4**	0.1	**0.1**	–
Stock obsolescence	**0.6**	0.1	**0.3**	–
Employee entitlements and non-executive Directors' retirement benefits	**12.4**	3.8	**9.0**	2.7
Operating lease rentals	**30.1**	25.1	**4.6**	2.1
Write-down of investment in controlled entity	**–**	–	**6.3**	7.7
Loss on disposal of other non-current assets	**0.1**	0.4	**0.1**	0.3
Sale of shares in QCT Resources Limited:				
(Surplus)/deficit of proceeds over book value	**(29.8)**	–	**26.2**	–
Transaction costs	**1.8**	–	**1.8**	–

Sale of shares in QCT Resources Limited

On 17 October 2000 the Company sold its shares in its associated company, QCT Resources Limited. Total proceeds on sale were $325.5 million. The equity carrying value at the date of sale was $295.7 million which resulted in a surplus on sale in the consolidated profit and loss statement of $29.8 million. The cost of the shares sold was $351.7 million which resulted in a deficit on sale by the Company of $26.2 million.

6

Taxation

	Consolidated		Santos Ltd	
	2000	1999	**2000**	1999
Income tax attributable to operating profit				
The prima facie income tax attributable to operating profit differs from income tax expense and is calculated as follows:				
Prima facie income tax at 34% (1999: 36%)	**246.8**	122.3	**115.2**	96.6
Tax effect of permanent and other differences which increase/(decrease) income tax expense:				
(Gain)/loss on sale of associated company	**(1.6)**	–	**17.4**	–
Rebate on dividend income	**(9.0)**	(0.4)	**(42.4)**	(33.5)
Net revenue on restructuring within the consolidated entity	**–**	–	**(18.3)**	–
Other	**2.9**	(1.5)	**0.2**	(8.8)
Income tax attributable to operating profit	**239.1**	120.4	**72.1**	54.3
Abnormal income tax item				
Restatement of net deferred income tax provision due to change in future income tax rates	**–**	(89.9)	**–**	(48.3)
	239.1	30.5	**72.1**	6.0
Income tax comprises amounts set aside to:				
Provision for current income tax	**231.6**	95.3	**68.9**	46.8
Provision for deferred income tax	**7.6**	(53.3)	**3.2**	(40.8)
Future income tax benefits	**(0.1)**	(11.5)	**–**	–
	239.1	30.5	**72.1**	6.0

7 Dividends

	Consolidated 2000 $million	Consolidated 1999 $million	Santos Ltd 2000 $million	Santos Ltd 1999 $million
Dividends provided for or paid by the Company				
Interim dividend of 15.0 cents per share, fully franked (1999: 12.0 cents per share, fully franked)	**91.0**	72.7	**91.0**	72.7
Final ordinary dividend of 15.0 cents per share, fully franked (1999: 15.0 cents per share, fully franked)	**91.7**	91.0	**91.7**	91.0
Final special dividend of 10.0 cents per share, fully franked (1999: nil)	**61.2**	–	**61.2**	–
	243.9	163.7	**243.9**	163.7
Franking credits				
Balance of franking account credits at 34% (1999: 36%) available for future distribution of franked dividends, after adjusting for franking credits which will arise from the payment of the current income tax provision at 31 December 2000 and after deducting franking credits to be used in payment of the 2000 final dividends	**359.6**	179.3	**57.4**	61.1

8 Receivables

	Consolidated 2000 $million	Consolidated 1999 $million	Santos Ltd 2000 $million	Santos Ltd 1999 $million
Trade debtors	**192.4**	119.2	**69.5**	70.7
Sundry debtors and prepayments	**44.1**	35.9	**18.5**	16.4
Less provision for doubtful debts	**(1.8)**	(1.4)	**(0.9)**	(0.8)
Amounts owing by controlled entities	**–**	–	**1,089.4**	1,181.5
	234.7	153.7	**1,176.5**	1,267.8

9 Inventories

	Consolidated 2000 $million	Consolidated 1999 $million	Santos Ltd 2000 $million	Santos Ltd 1999 $million
Petroleum products	**62.0**	58.0	**29.1**	30.4
Drilling and maintenance stocks	**41.0**	35.9	**17.1**	16.6
Less provision for obsolescence	**(4.2)**	(3.8)	**(1.1)**	(1.0)
	98.8	90.1	**45.1**	46.0

10 Other Assets

	Consolidated 2000 $million	Consolidated 1999 $million	Santos Ltd 2000 $million	Santos Ltd 1999 $million
Current				
Deferred foreign currency fluctuations on borrowings	**20.8**	–	**–**	–
	20.8	–	**–**	–
Non-current				
Security deposit	**9.2**	13.0	**5.3**	7.6
Future income tax benefits	**16.4**	16.3	**–**	–
Other loans	**–**	0.5	**–**	0.5
Deferred foreign currency fluctuations on borrowings	**60.3**	29.4	**–**	–
	85.9	59.2	**5.3**	8.1

11
Investments

	Consolidated		Santos Ltd	
	2000 $million	1999 $million	**2000 $million**	1999 $million
Investments in controlled entities	**–**	–	**1,805.1**	1,546.4
Investment in associated company:				
Equity accounted	**–**	314.4	**–**	–
Listed shares at cost	**–**	–	**–**	351.7
Investments in other listed shares at cost	**33.8**	34.9	**33.8**	33.8
	33.8	349.3	**1,838.9**	1,931.9
Market value of investments in listed shares	**46.3**	261.6	**46.3**	261.6

12
Exploration and Development Expenditure

	Consolidated 2000	Consolidated 1999	Santos Ltd 2000	Santos Ltd 1999
Areas in which production has commenced				
Cost at the beginning of the year	**3,717.0**	3,563.0	**1,214.8**	1,153.5
Expenditure incurred during the year	**254.2**	170.5	**96.5**	61.3
Acquisitions, net of disposals and foreign currency translation	**241.7**	(29.3)	**–**	–
Expenditure transferred from areas in the exploration and development stage	**22.1**	12.8	**–**	–
Expenditure written off during the year	**(4.7)**	–	**–**	–
Cost at the end of the year	**4,230.3**	3,717.0	**1,311.3**	1,214.8
Less accumulated depletion	**(1,909.2)**	(1,641.0)	**(617.6)**	(548.3)
	2,321.1	2,076.0	**693.7**	666.5
Areas in the exploration and development stage				
Cost at the beginning of the year	**282.0**	169.3	**136.3**	123.3
Expenditure incurred during the year	**33.0**	24.4	**11.5**	13.0
Acquisitions, net of disposals and foreign currency translation	**14.7**	108.7	**–**	–
Expenditure transferred to areas where production has commenced	**(22.1)**	(12.8)	**–**	–
Expenditure written off during the year	**(5.0)**	(7.6)	**–**	–
Cost at the end of the year	**302.6**	282.0	**147.8**	136.3
Total exploration and development expenditure	**2,623.7**	2,358.0	**841.5**	802.8

13
Land and Buildings, Plant and Equipment

	Consolidated 2000	Consolidated 1999	Santos Ltd 2000	Santos Ltd 1999
Land and buildings				
At cost	**68.4**	68.4	**39.6**	39.6
Less accumulated depreciation	**(38.9)**	(36.4)	**(27.6)**	(25.8)
	29.5	32.0	**12.0**	13.8
Plant and equipment				
At cost	**2,677.3**	2,403.6	**1,374.5**	1,310.9
Capitalised leases	**16.9**	18.2	**–**	–
	2,694.2	2,421.8	**1,374.5**	1,310.9
Less accumulated depreciation	**(1,379.7)**	(1,267.9)	**(815.9)**	(775.8)
	1,314.5	1,153.9	**558.6**	535.1
Total land and buildings, plant and equipment	**1,344.0**	1,185.9	**570.6**	548.9

14 Intangibles

	Consolidated		Santos Ltd	
	2000	1999	**2000**	1999
	$million	$million	**$million**	$million
Goodwill, at cost	**160.2**	160.2	**–**	–
Less accumulated amortisation	**(124.6)**	(115.6)	**–**	–
	35.6	44.6	**–**	–

15 Accounts Payable

	Consolidated 2000 $million	Consolidated 1999 $million	Santos Ltd 2000 $million	Santos Ltd 1999 $million
Trade creditors	**183.9**	81.0	**67.1**	31.8
Sundry creditors and accruals	**102.0**	40.6	**29.7**	17.7
Amounts owing to controlled entities	**–**	–	**1,748.2**	2,028.5
	285.9	121.6	**1,845.0**	2,078.0

16 Borrowings

	Consolidated 2000 $million	Consolidated 1999 $million	Santos Ltd 2000 $million	Santos Ltd 1999 $million
Current				
Lease liabilities	**0.4**	0.4	**–**	–
Long-term notes	**61.1**	–	**–**	–
	61.5	0.4	**–**	–
Non-current				
Bank loans	**–**	462.7	**–**	–
Commercial paper	**40.0**	443.0	**–**	–
Medium-term notes	**169.9**	219.8	**–**	–
Long-term notes	**765.1**	260.0	**–**	–
Lease liabilities	**12.6**	13.1	**–**	–
	987.6	1,398.6	**–**	–

Details of major credit facilities

(a) Bank loans

The consolidated entity has access to the following committed revolving facilities:

Revolving facilities at 31 December 2000

Year of maturity	Currency	Amount A$million
2001	Australian dollars	5.0
2001	Multi option	100.0
2002	Multi option	50.0
2003	Multi option	175.0
2004	Multi option	200.0
2005	Multi option	100.0
2006	Multi option	200.0
		830.0

Bank loans bear interest at the relevant interbank reference rate plus 0.15% to 0.45%. The amount drawn at 31 December 2000 is nil (1999: US$90.0 million (A$137.7 million) and A$325.0 million). The weighted average annual effective interest rate at 31 December 1999 was 5.87%.

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Borrowings continued

(b) Commercial paper

The consolidated entity has commercial paper programs based in Hong Kong and Australia. The programs which total US$200.0 million (1999: US$200.0 million) (Euro Commercial Paper) and A$800.0 million (1999: A$600.0 million) (Promissory Notes) are supported by the revolving facilities referred to in (a) above. At 31 December 2000, A$40.0 million (1999: A$443.0 million) equivalent of commercial paper is on issue and the weighted average annual effective interest rate is 6.82% (1999: 5.75%).

(c) Medium-term notes

The consolidated entity has a A$500.0 million (1999: A$500.0) domestic medium-term note program. At 31 December 2000, A$149.9 million (1999: A$149.8 million) of fixed rate notes have been issued at an annual effective interest rate of 6.55% (1999: 6.55%), maturing in 2002. In addition, A$20.0 million (1999: A$70.0 million) of medium-term notes have been issued at fixed rate and swapped into floating rates of interest of 7.18% (1999: 5.77%) at 31 December 2000, maturing in 2008.

(d) Long-term notes

US$170.0 million (A$305.3 million) (1999: US$170.0 million equivalent to A$260.0 million) of long-term notes were issued to institutional investors in 1993 at an annual effective interest rate of 6.95% and are repayable in five annual US dollar instalments commencing in December 2001. In addition, US$290.0 million (A$520.9 million) (1999: nil) of long-term notes were issued to institutional investors in 2000 at an annual effective interest rate of 8.41% and are repayable at varying maturity dates between 2007 and 2015.

All facilities are unsecured and arranged through a controlled entity, Santos Finance Ltd, and are guaranteed by Santos Ltd. In addition, Santos Ltd has guaranteed the finance lease obligations of its controlled entities.

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Provisions

	Consolidated		Santos Ltd	
	2000	1999	**2000**	1999
	$million	$million	**$million**	$million
Current				
Dividends	**152.9**	91.0	**152.9**	91.0
Employee entitlements	**47.2**	36.8	**36.6**	28.3
Income tax	**215.5**	55.9	**57.5**	49.5
Non-executive Directors' retirement benefits	**0.9**	–	**0.9**	–
	416.5	183.7	**247.9**	168.8
Non-current				
Deferred income tax	**518.2**	510.6	**251.9**	248.7
Future restoration costs	**78.2**	65.6	**27.1**	26.4
Non-executive Directors' retirement benefits	**1.0**	1.5	**1.0**	1.5
	597.4	577.7	**280.0**	276.6

18 Share Capital

	Consolidated		Santos Ltd	
	2000	1999	**2000**	1999
	$million	$million	**$million**	$million
Share capital				
609,605,403 (1999: 606,340,553) fully paid ordinary shares	**1,572.6**	1,562.6	**1,572.6**	1,562.6
838,250 (1999: 1,845,750) ordinary shares paid to one cent	**–**	–	**–**	–
	1,572.6	1,562.6	**1,572.6**	1,562.6

Movement in fully paid ordinary shares

	note	**2000** **No. of Shares**	1999 No. of Shares	**2000** **$million**	1999 $million
Balance at the beginning of the year		**606,340,553**	605,909,045	**1,562.6**	1,555.0
Santos Executive Share Plan	(a)	**1,007,500**	84,000	**3.2**	0.2
Santos Employee Share Acquisition Plan	(b)	**237,150**	281,808	**1.4**	1.4
Santos Employee Share Purchase Plan	(c)	**170,200**	65,700	**0.7**	0.3
Transfer from capital reserve		**–**	–	**–**	5.7
Shares issued:					
1,000,000 Restricted Shares	(f)	**1,000,000**	–	**–**	–
850,000 shares issued on exercise of options	(d)	**850,000**	–	**4.7**	–
Balance at the end of the year		**609,605,403**	606,340,553	**1,572.6**	1,562.6

The market price of the Company's shares on 31 December 2000 was $6.02 (1999: $4.15).

(a) Santos Executive Share Plan

The Santos Executive Share Plan was approved by shareholders in general meeting on 22 December 1987.

In essence, the Plan involves the Company issuing to employees selected by the Board ("the Executives"), a number of ordinary shares in the capital of the Company determined by the Board. There are two categories of Plan Shares which have been issued to Executives, Plan 2 Shares and Plan 0 Shares, each initially issued as partly paid shares, paid to one cent.

The Plan allows for calls to be made at the instigation of the Company in certain specified events or at the request of the Executive. While partly paid, the Plan Shares are not transferable, carry no voting right and no entitlement to dividend but are entitled to participate in any bonus or rights issue. The price payable for shares issued under the Plan varies according to the event giving rise to a call being made. Market price at the time of the call is payable on the issued Plan 2 Shares if the Executive resigns within two years from the date of issue or is dismissed. After a restriction period of two years, the price payable upon a call being made on the issued Plan 2 Shares is the lower of two-thirds of the market price on the date of allotment and the highest sale price on the day prior to the date of the call. The price payable on the issued Plan 0 Shares is the lowest of market price on the date of allotment, the date of the call and the date fourteen days thereafter.

Since its inception, some 101 Executives have participated in the Plan and 2,012,500 Plan 0 and 1,999,500 Plan 2 Shares have been issued, principally in years 1987 and 1989. During the financial year, no issue of Plan Shares was made and at balance date no offer to an Executive was outstanding. During the financial year 663,750 Plan 0 and 343,750 Plan 2 Shares were fully paid and as at 31 December 2000 there were 25 holders of the outstanding 285,250 Plan 0 Shares and 24 holders of the outstanding 553,000 Plan 2 Shares.

In 1997 the Board determined that the Plan be discontinued and, accordingly, there has been no further issues of shares under the Plan.

(b) Santos Employee Share Acquisition Plan

The Santos Employee Share Acquisition Plan was approved by shareholders at the Annual General Meeting on 15 May 1997 and its continuation, with amendment, approved at the Annual General Meeting on 5 May 2000.

Broadly, permanent employees with at least a minimum period of service determined by Directors as at the offer date (one year of completed service for issues so far) are eligible to acquire shares under this Plan. Executives participating in the Santos Executive Share Option Plan (see below), casual employees and Directors of the Company are excluded from participating in this Plan. Employees are not eligible to participate under the Plan while they are resident overseas unless the Board decides otherwise.

The Plan provides for free grants of fully paid ordinary shares in the capital of the Company up to a value determined by the Board, which, to date has been $1,000 per annum per eligible employee. A trustee is funded by the Company and its subsidiaries to acquire shares direct from the Company or on market. The shares are then allocated to eligible employees who have made applications under the Plan. The employee's ownership of shares allocated under the Plan, and his or her right to deal with them, are subject to restrictions until the earlier of the expiration of the restriction period determined by the Board and the time when he or she ceases to be an employee. Shares are granted to eligible employees for no consideration.

On 25 August 2000, the Company issued 237,150 ordinary shares to the trustee on behalf of 1,395 eligible employees under the Plan, being 170 shares for each employee. The total market value of those shares on the issue date was $1,370,727. At this time no offers remain outstanding under this Plan.

At 31 December 2000, the total number of shares acquired under the Plan since its commencement was 1,021,687.

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Share Capital continued

(c) Santos Employee Share Purchase Plan

The Santos Employee Share Purchase Plan was approved by shareholders at the Annual General Meeting on 15 May 1997 and its continuation, with amendment, approved at the Annual General Meeting on 5 May 2000. The Plan is open to all employees (other than a casual employee or Director of the Company) determined by the Board who are continuing employees at the date of the offer. However, employees who are not resident in Australia at the time of an offer under the Plan will not be eligible to participate in that offer unless the Board otherwise decides.

Under the Plan, eligible employees may be offered the opportunity to subscribe for or acquire fully paid ordinary shares in the capital of the Company at a discount to market price, subject to restrictions, including on disposal, determined by the Board. The subscription or acquisition price is Market Value (as defined in the Rules of the Plan) less any discount determined by the Board. At the discretion of the Board, financial assistance may be provided to employees to subscribe for or acquire shares under the Plan.

On 30 March 2000, the Company issued 141,100 ordinary shares to 169 eligible employees at a subscription price of $3.72 per share under the Plan. The total market value of those shares on the issue date was $561,578 and the total amount received from employees for those shares was $524,892.

On 29 September 2000, the Company issued 29,100 ordinary shares to 43 eligible employees at a subscription price of $5.76 per share under the Plan. The total market value of those shares on the issue date was $183,330 and the total amount received from employees for those shares was $167,616.

At 31 December 2000, the total number of shares acquired under the Plan since its commencement was 530,700.

(d) Santos Executive Share Option Plan

The Santos Executive Share Option Plan was approved by shareholders at the Annual General Meeting on 15 May 1997 and its continuation, with amendment, approved at the Annual General Meeting on 5 May 2000.

The Plan provides for the grant of options to subscribe for or purchase ordinary shares in the capital of the Company to eligible executives selected by the Board. Participation will be limited to those executives who, in the opinion of the Board, are able to significantly influence the generation of shareholder wealth. Directors envisage the Plan applying to up to 50 executives.

Each option is a right to acquire one share, subject to adjustment in accordance with the Rules of the Plan. The options entitle the holder to participate in any bonus issue conducted by the Company, upon exercise of the options. The exercise price of each option will be adjusted in the event of a rights issue.

The exercise price of the options and other conditions, including any performance hurdles, will be determined, and may be amended or waived, by the Board. No consideration is provided by executives for the options. The Plan provides for options with a life of up to ten years.

During the financial year, the Company granted options over unissued shares as set out in the following table. The ability to exercise the options is generally conditional on the Company achieving a prescribed performance hurdle or exercise condition. To reach the performance hurdle, the Company's Total Shareholder Return (broadly, growth in share price plus dividends reinvested) ("TSR Growth") over a minimum three year period must equal or exceed 10% per annum calculated on a compound basis. If Total Shareholder Return does not reach the performance hurdle at the end of those respective periods, the options may nevertheless be exercisable if the hurdle is subsequently reached within the remaining life of the options. In assessing the performance against the hurdle, the Board may apply on a consistent basis an averaging method over a period of three months to allow for short-term volatility.

Date of grant	Number of ordinary shares under option [2]	Exercise price	Date first exercisable [1]	Expiry date
18 April 2000	900,000	$3.92	18 April 2003	17 April 2005
26 August 2000	3,000,000 [3]	$5.83	26 August 2003 [4]	25 August 2010

1. In limited circumstances described in the Plan or determined by the Board the options may be exercised before this date.
2. These comprise options granted to Mr J C Ellice-Flint and eight other participating eligible executives.
3. Three tranches, each for 1,000,000 options, were granted to Mr J C Ellice-Flint on the terms described above.
4. First exercisable as to 1,000,000 on 26 August 2003; further 1,000,000 on 26 August 2004; and final 1,000,000 on 26 August 2005.

At 31 December 2000, the total number of options acquired under the Plan since its commencement was 18,350,000, some of which have lapsed or have been exercised. During the year, 850,000 fully paid ordinary shares were issued to former executives as a result of the exercise of options. The total market value of those shares on the issue date was $5,295,500 and the total amount received from the former executives for those shares was $4,676,500.

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Share Capital continued

(d) Santos Executive Share Option Plan continued

At the date of the Directors' Statutory Report, unissued ordinary shares of the Company under option are:

Expiry date of options	Issue price of shares	Number of ordinary shares under option
24 July 2002	$6.32	4,500,000
30 April 2003	$5.59	900,000
15 June 2003	$4.84	2,025,000
14 June 2004	$5.12	2,475,000
17 April 2005	$3.92	900,000
25 August 2010	$5.83	3,000,000

During or since the end of the financial year, 300,000 fully paid ordinary shares in the Company were issued as a result of the exercise of options at prices per share of: $4.84; $5.12; $5.59; and $6.32.

(e) Maximum number of shares that may be acquired under share and option schemes

The aggregate number of:

(i) shares issued under and for the time being outstanding and subject to the terms of each employee share plan of the Company; and

(ii) unissued shares to which options are granted and for the time being outstanding under any employee or executive share option plan of the Company;

cannot exceed 5% of the issued shares of all classes of the Company.

(f) Restricted Shares

On his appointment as Chief Executive Officer on 13 December 2000, 1,000,000 Restricted Shares were issued to Mr J C Ellice-Flint. The Restricted Shares were issued for nil consideration and are held under a trust structure. The Restricted Shares carry rights to dividends and bonus issues and allow Mr Ellice-Flint to instruct the trustee as to the exercise of voting rights. Legal title in the Shares will not pass to Mr Ellice-Flint until he has completed 5 years continuous service with the Company or his employment is earlier terminated by the Company (other than for cause).

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Reserves

	Consolidated		Santos Ltd	
	2000 $million	1999 $million	**2000 $million**	1999 $million
Foreign currency translation	**0.2**	(1.1)	**–**	–
	0.2	(1.1)	**–**	–
Movements during the year				
Balance at the beginning of the year	**(1.1)**	–	**–**	–
Transfers to/(from) foreign currency translation reserve arising from exchange rate fluctuations on:				
Overseas net assets	**18.5**	(7.6)	**–**	–
Foreign currency borrowings	**(17.2)**	6.5	**–**	–
Balance at the end of the year	**0.2**	(1.1)	**–**	–

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Earnings per Share

	Consolidated	
	2000	1999
Basic earnings per share (cents)	**80.0**	51.0
Weighted average number of ordinary shares on issue used in the calculation of basic earnings per share (million)	**608.3**	606.1

Santos Ltd has potential ordinary shares on issue being 838,250 (1999: 1,845,750) ordinary shares paid to one cent issued to senior executives of the Company under the Santos Executive Share Plan and options over 15,950,000 (1999: 13,850,000) unissued ordinary shares granted to senior executives of the Company under the Santos Executive Share Option Plan, the dilutive impacts of which are not material. Diluted earnings per share are therefore not materially different to basic earnings per share.

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Investments in Controlled Entities

Name	Place of incorporation
Santos Ltd (Parent Entity)	SA
Controlled entities[1]:	
Alliance Petroleum Australia Pty Ltd[2]	VIC
Australasian Eagle Petroleum Pty Ltd	NSW
Controlled entity of Australasian Eagle Petroleum Pty Ltd	
Castend Pty Ltd	NSW
Boston L.H.F. Pty Ltd	VIC
Bridge Oil Developments Pty Ltd[2]	NSW
Canso Resources Pty Ltd[2]	NSW
Doce Pty Ltd	QLD
Farmout Drillers Pty Ltd[2]	NSW
Kipper GS Pty Ltd	WA
Controlled entity of Kipper GS Pty Ltd	
Crusader (Victoria) Pty Ltd	VIC
Moonie Pipeline Company Pty Ltd	QLD
Controlled entities of Moonie Pipeline Company Pty Ltd	
Candolia Pty Ltd	ACT
Australian Interstate Pipeline Company Pty Ltd	NSW
Controlled entity of Australian Interstate Pipeline Company Pty Ltd	
Bridgefield Pty Ltd	QLD
Reef Oil Pty Ltd	NSW
Santos Asia Pacific Pty Ltd	QLD
Controlled entities of Santos Asia Pacific Pty Ltd	
Santos (Bentu No. 2) Pty Ltd	QLD
Santos (Korinci-Baru No. 2) Pty Ltd	SA
Santos (Sampang) Pty Ltd	SA
Santos (Warim) Pty Ltd	SA
Santos Australian Hydrocarbons Pty Ltd	QLD
Santos (BOL) Pty Ltd[2]	NSW
Controlled entities of Santos (BOL) Pty Ltd	
Bridge Gas Queensland Pty Ltd	QLD
Bridge Oil Exploration Pty Ltd	ACT
Bridge Oil International Finance Pty Ltd	ACT
Bridge Oil Investments Pty Ltd	NSW
Santos Facilities Pty Ltd	SA
Santos Finance Ltd	NSW
Santos (Halph) Pty Ltd	ACT
Santos (Korinci-Baru) Pty Ltd	ACT
Santos (N.T.) Pty Ltd	ACT
Controlled entity of Santos (N.T.) Pty Ltd	
Bonaparte Gas & Oil Pty Limited	NSW
Santos Offshore Pty Ltd	VIC
Santos Petroleum Pty Ltd	NSW
Santos Resources Pty Ltd	QLD
Santos (Varanus) Pty Ltd	WA
Santos International Holdings Pty Ltd	ACT
Controlled entities of Santos International Holdings Pty Ltd	
Barracuda Limited	PNG
Lavana Limited	PNG
Peko Offshore Ltd	BER
Santos Americas and Europe Corp	USA
Controlled entities of Santos Americas and Europe Corp	
SAE Management Services Corp	USA
Santos Colombia Exploration Inc	USA
Santos USA Corp	USA
Controlled entity of Santos USA Corp	
Santos USA Pipeline Corp	USA
Santos (Bentu) Pty Ltd	NSW
Controlled entity of Santos (Bentu) Pty Ltd	
Santos (Bangko) Pty Ltd	WA
Santos Niugini Exploration Limited	PNG
Santos Petroleum (NZ) Ltd	NZ
Zan Star Ltd	PNG
Santos QNT Pty Ltd	QLD
Controlled entities of Santos QNT Pty Ltd	
Santos QNT (No. 1) Pty Ltd	QLD
Controlled entities of Santos QNT (No. 1) Pty Ltd	
Santos Petroleum Management Pty Ltd	QLD
Santos Petroleum Marketing Pty Ltd	QLD
Santos Petroleum Operations Pty Ltd	QLD
TMOC Exploration Pty Ltd	QLD
Santos QNT (No. 2) Pty Ltd	QLD
Controlled entities of Santos QNT (No. 2) Pty Ltd	
Alliance Minerals Australia Pty Ltd	VIC
Associated Petroleum Pty Ltd	QLD
Moonie Oil Pty Ltd	QLD
Petromin Pty Ltd	QLD
Santos (299) Pty Ltd	QLD
Santos Exploration Pty Ltd	VIC
Santos Gnuco Pty Ltd	QLD
Transoil Pty Ltd	QLD
Santos (Zoca 91-01) Pty Ltd	ACT
Santos (Zoca 91-12) Pty Ltd	ACT
Vamgas Pty Ltd	VIC
Alliance Oil Development Australia Pty Ltd (in liquidation)	VIC
Santos Oil Exploration (Malaysia) Sdn Bhd (in liquidation)	MAL
Western Australian Capital Holdings Pty Ltd (in liquidation)	WA

1. Beneficial interests in all controlled entities is 100% except for Kipper GS Pty Ltd in which two shares of the total issued capital of 9,246,353 shares are owned by a third party.
2. Controlled entities acquired by Santos Ltd in restructuring within the consolidated entity.

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Investments in Controlled Entities continued

Notes

(a) Disposal of controlled entities

During the financial year Alliance Oil Development Australia Pty Ltd was placed into voluntary liquidation.

(b) Place of incorporation

ACT – Australian Capital Territory
NSW – New South Wales
QLD – Queensland
SA – South Australia
VIC – Victoria
WA – Western Australia
NZ – New Zealand
BER – Bermuda
MAL – Malaysia
PNG – Papua New Guinea
USA – United States of America

	Consolidated		Santos Ltd	
	2000 $million	1999 $million	**2000 $million**	1999 $million
(c) Acquisitions of controlled entities				
During the financial year, the Company acquired a number of controlled entities as identified above as part of restructuring within the consolidated entity. The financial impact of the restructure has been eliminated on consolidation. Details of the acquisitions are as follows:				
Fair value of net assets acquired				
Working capital	**–**	–	**(255.3)**	–
Investment in controlled entities	**–**	–	**45.4**	–
Exploration and development	**–**	10.3	**460.1**	9.2
Land and buildings, plant and equipment	**–**	–	**191.9**	–
Provisions	**–**	–	**(72.7)**	–
Fair value of net assets acquired	**–**	10.3	**369.4**	9.2
Outflow of cash to acquire net assets, net of cash acquired				
Total consideration	**–**	10.3	**220.4**	9.2
Payment relating to 1998 acquisition	**–**	5.0	**–**	5.0
Outflow of cash	**–**	15.3	**220.4**	14.2

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Interests in Joint Ventures

(a) Santos Ltd and its controlled entities have combined interests in unincorporated joint ventures in the following major areas:

Joint venture/area	Principal activities	Average interest %
Amadeus Basin		
Mereenie	Oil and gas production	65
Mereenie Pipeline	Oil transportation	65
Palm Valley	Gas production	48
Bass Basin	Oil and gas exploration	5
Browse Basin	Oil and gas exploration	22
Carnarvon Basin	Oil and gas exploration and production	31
Cooper Basin Downstream	Liquid hydrocarbon transportation and processing	60
Cooper Basin Unit		
South Australia	Oil and gas production	60
Queensland	Oil and gas production	60
Cooper/Eromanga Basins		
South Australia	Oil and gas exploration and production	60
Queensland, ATP 259P	Oil and gas exploration and production	60
Other Eromanga	Oil and gas exploration and production	40
Ballera to Mt Isa Pipeline	Gas transportation	18
Jackson Moonie Pipeline	Oil transportation	83
Eastern Queensland		
Denison Trough	Gas exploration and production	50
Surat Basin	Oil and gas exploration and production	48
Gippsland Basin	Oil and gas exploration	37
Indonesia	Oil and gas exploration	47
Offshore Northern Australia		
Bonaparte Basin	Oil and gas exploration	95
Timor Gap	Oil and gas exploration and production	18
Timor Sea	Oil and gas exploration and production	20
Otway Basin	Oil and gas exploration and production	42
Papua New Guinea		
PDL1 (Part Hides Field)	Oil and gas exploration	31
Other interests	Oil and gas exploration and production	35
USA		
Onshore/Gulf Coast	Oil and gas exploration and production	33
Gulf of Mexico	Oil and gas exploration and production	52

(b) The sales revenue received from the consolidated entity's share of petroleum products produced by the joint ventures is $1,486.2 million (1999: $936.0 million) and the contribution of joint venture business undertakings to operating profit before interest and tax of the consolidated entity is $820.9 million (1999: $427.6 million).

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Interests in Joint Ventures continued	Consolidated 2000 $million	Consolidated 1999 $million	Santos Ltd 2000 $million	Santos Ltd 1999 $million
(c) Santos Ltd and its controlled entities' share of assets and liabilities employed in the joint ventures are included in the balance sheets under the following classifications:				
Current assets				
Cash	**39.5**	21.6	**16.1**	4.0
Receivables	**32.5**	24.9	**13.1**	11.5
Inventories	**34.4**	30.7	**16.0**	15.1
Total current assets	**106.4**	77.2	**45.2**	30.6
Non-current assets				
Exploration and development expenditure	**2,407.6**	2,323.2	**798.7**	778.4
Land and buildings, plant and equipment	**1,222.5**	1,128.5	**563.2**	524.2
Other	**9.2**	13.0	**5.3**	7.6
Total non-current assets	**3,639.3**	3,464.7	**1,367.2**	1,310.2
Total assets	**3,745.7**	3,541.9	**1,412.4**	1,340.8
Current liabilities				
Accounts payable	**129.5**	73.9	**52.3**	28.2
Non-current liabilities				
Provisions	**74.6**	63.9	**26.7**	26.3
Total liabilities	**204.1**	137.8	**79.0**	54.5
Net investments in joint ventures	**3,541.6**	3,404.1	**1,333.4**	1,286.3
(d) The amount of capital expenditure commitments, minimum exploration commitments and contingent liabilities in respect of unincorporated joint ventures are:				
Capital expenditure commitments	**128.7**	100.5	**24.1**	45.5
Minimum exploration commitments	**209.0**	225.5	**69.5**	78.4
Contingent liabilities	**15.7**	14.2	**10.1**	9.1

23 Notes to Statements of Cash Flows

	Consolidated 2000 $million	Consolidated 1999 $million	Santos Ltd 2000 $million	Santos Ltd 1999 $million
Reconciliation of net cash provided by operating activities to operating profit after income tax				
Operating profit after income tax	**486.8**	309.1	**266.7**	262.4
Add/(deduct) non-cash items:				
Depreciation, depletion and amortisation	**354.9**	278.5	**116.4**	103.9
Write-down of controlled entity	**–**	–	**6.3**	7.7
Net revenue on restructuring within the consolidated entity	**–**	–	**(53.9)**	–
Increase in income taxes payable	**159.6**	50.4	**8.0**	37.9
Net increase/(decrease) in deferred tax payable and future income tax benefits	**7.5**	(64.8)	**3.2**	(40.9)
Capitalised interest	**(12.3)**	(8.0)	**(0.9)**	(0.5)
Foreign currency fluctuations	**2.7**	(0.2)	**–**	–
Share of associated company's operating loss/(profit) after tax	**18.7**	(2.5)	**–**	–
Ordinary dividends received from associate	**–**	11.3	**–**	–
Net (profit)/loss on sale of non-current assets	**(29.7)**	0.4	**26.3**	0.3
Net cash provided by operating activities before change in assets or liabilities	**988.2**	574.2	**372.1**	370.8
Add/(deduct) change in operating assets or liabilities net of acquisitions of businesses:				
Increase in receivables	**(83.2)**	(39.5)	**(0.8)**	(32.9)
(Increase)/decrease in inventories	**(1.5)**	(13.9)	**1.5**	(8.0)
Decrease in other assets	**2.4**	2.8	**2.3**	1.9
Increase in accounts payable	**105.4**	5.6	**34.0**	2.4
Increase in provisions	**11.7**	0.7	**8.9**	1.6
Net cash provided by operating activities	**1,023.0**	529.9	**418.0**	335.8

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Related Parties

The names of each person holding the position of Director of Santos Ltd during the financial year are:

UHRIG John Allan
ADLER Norman Ross: retired 30 September 2000
BARNETT Peter Charles
CONROY Francis John
ELLICE-FLINT John Charles: appointed 19 December 2000
GERLACH Stephen
McARDLE John Walter
McGREGOR Graeme William
O'LEARY Michael Anthony
SLOAN Judith
WEBBER Ian Ernest

Santos Ltd and its controlled entities engage in a variety of related party transactions in the ordinary course of business. These transactions are conducted on normal terms and conditions, the effects of which are eliminated on consolidation.

Details of related party transactions and amounts are set out in:

Note 2 as to dividends received from controlled entities;
Note 4 as to interest paid to controlled entities;
Note 8 as to amounts owing by controlled entities;
Note 15 as to amounts owing to controlled entities;
Note 16 as to guarantees by Santos Ltd of the financing facilities and lease obligations of controlled entities;
Note 17 as to non-executive Directors' retirement benefits;
Notes 11 and 21 as to investments in controlled entities;
Notes 2, 5 and 11 as to investments in associated company and dividends received from associated company;
Note 18 as to shares and options granted to executive Directors; and
Note 25 as to Directors' remuneration, including amounts paid or prescribed benefits given in respect of the retirement of Directors.

In addition:

(i) Agreements exist with the non-executive Directors providing for the payment of a sum on retirement from office as a Director in accordance with shareholder approval at the 1989 Annual General Meeting. The amount provided for the year was $340,230 (1999: $375,335).

(ii) An amount of $506,000 was received from Mr N R Adler, former Managing Director, in repayment of a loan previously made in accordance with the provisions of the Loan Scheme approved at the 1990 Annual General Meeting. Interest received during the year on this loan totalled $32,359 (1999: $32,890).

(iii) The aggregate number of shares acquired by Directors during the financial year was 750,000 fully paid ordinary shares acquired by Mr N R Adler, former Managing Director, upon the exercise of options previously granted pursuant to the Santos Executive Share Option Plan.

The aggregate number of shares and options held directly, indirectly or beneficially by Directors of Santos Ltd and their director-related entities in Santos Ltd as at the balance sheet date was 1,491,450 fully paid ordinary shares (1999: 588,700) including 1,000,000 Restricted Shares referred to in note 18, 160,000 Executive Share Plan Shares paid to one cent (1999: 930,000) and 4,000,000 options granted under the Santos Executive Share Option Plan (1999: 4,000,000).

	Santos Ltd	
	2000 $million	1999 $million
(iv) All amounts owing by or to controlled entities are for loans made on interest free terms for an indefinite period with the exception of:		
Amounts owing by controlled entities	**625.0**	896.7
Amounts owing to controlled entities	**1,273.2**	1,709.5

These loans were made in the ordinary course of business on normal market terms and conditions.

(v) During the financial year, legal costs of $214,650 (1999: $351,339) have been paid by the Company in defending certain proceedings in relation to termination of employment brought by a former employee against: the Company; the former Managing Director, Mr N R Adler; another employee of the consolidated entity, Dr J D Armstrong; and a former employee of the consolidated entity. These costs, which in so far as they relate to the three personal defendants have been paid pursuant to the terms of Deeds of Indemnity entered into between the Company and each of them, have not been apportioned among the Company nor the three indemnified personal defendants and therefore it is not possible to determine the amount paid on behalf of each of them.

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Related Parties continued

(vi) During the financial year, Mr N R Adler, former Managing Director, and Mr J W McArdle, an executive Director, were provided with a tax indemnity by the Company in relation to any liability to tax that may arise in respect of payments, the benefit of which have been passed on to the Company, made upon their retirement as the Company's representatives on the Board of QCT Resources Limited. No liability has arisen under the indemnities during the financial year.

(vii) During the financial year, the Company and Mr J C Ellice-Flint, the Chief Executive Officer and Managing Director, entered into a Deed of Access, Indemnity and Insurance. Pursuant to the Deed, the Company agreed to: indemnify Mr Ellice-Flint as an officer to the extent permitted by law; obtain D & O insurance for Mr Ellice-Flint during the time he holds office and for seven years after he ceases to hold office; and allow Mr Ellice-Flint access to documents upon terms contemplated by the Corporations Law.

(viii) Mr N R Adler, who retired as Managing Director on 30 September 2000, acquired certain items of personal property upon his retirement including the purchase of a motor vehicle at book value. Mr J W McArdle, an executive Director, also purchased a motor vehicle during the year at the highest of independent valuations. These transactions occurred within a normal employee relationship on terms no more favourable than would have been adopted if dealing at arm's length, do not have the potential to adversely affect decisions about the allocation of scarce resources and are trivial in nature.

25

Executives' and Directors' Remuneration

	Consolidated		Santos Ltd	
	2000 $000	1999 $000	**2000 $000**	1999 $000
(a) Executives				
Amounts received from Santos Ltd or its controlled entities by Executive Officers domiciled in Australia whose income is $100,000 or greater	**10,917**	5,920	**10,917**	5,920

Number of Executive Officers whose remuneration was within the following bands:

$000	**No.**	No.	**No.**	No.
240 – 250	**–**	2	**–**	2
260 – 270	**1**	–	**1**	–
270 – 280	**1**	–	**1**	–
300 – 310	**–**	1	**–**	1
310 – 320	**–**	1	**–**	1
320 – 330	**1**	–	**1**	–
330 – 340*	**1**	–	**1**	–
340 – 350	**1**	2	**1**	2
360 – 370	**–**	1	**–**	1
370 – 380	**1**	1	**1**	1
380 – 390	**1**	–	**1**	–
390 – 400	**1**	–	**1**	–
420 – 430	**–**	1	**–**	1
480 – 490	**1**	–	**1**	–
490 – 500	**1**	–	**1**	–
590 – 600	**–**	1	**–**	1
640 – 650	**1**	–	**1**	–
670 – 680	**1**	–	**1**	–
720 – 730	**–**	1	**–**	1
910 – 920	**1**	–	**1**	–
1,620 – 1,630	**–**	1	**–**	1
4,990 – 5,000	**1**	–	**1**	–

* refer note 25(d)

Executives disclosed above are those Executive Officers (including former executives) within the consolidated entity responsible for the strategic direction and operational management of major business units.

25 Executives' and Directors' Remuneration continued

	Consolidated 2000 $000	Consolidated 1999 $000	Santos Ltd 2000 $000	Santos Ltd 1999 $000
(b) Directors				
Amounts received or due from Santos Ltd and its controlled entities by the Directors of Santos Ltd and Directors of each of its controlled entities	**7,319**	3,275	**7,018**	2,982

Number of Directors whose remuneration was within the following bands:

$000	No. (2000)	No. (1999)
10 – 20	–	1
20 – 30	–	1
60 – 70	1	1
70 – 80	5	4
90 – 100	1	–
240 – 250	–	1
260 – 270	1	–
330 – 340*	1	–
720 – 730	–	1
910 – 920	1	–
1,620 – 1,630	–	1
4,990 – 5,000	1	–

* refer note 25(d)

(c) Retirement Benefits

There were no retirement benefits paid to non-executive Directors during the year (1999: nil).

(d) Restricted Shares and Options

1,000,000 Restricted Shares were issued to a trustee on 13 December 2000 in respect of Mr J C Ellice-Flint. The terms of issue of the Restricted Shares are set out in note 18. The Restricted Shares were valued by independent valuers as having a fair value of $5.60 per share.

3,000,000 options were granted to Mr Ellice-Flint pursuant to the Santos Executive Share Option Plan, details of which are described in note 18. The options were valued by independent valuation using the binomial option pricing model as follows:

Date of grant	Exercise price	Expiry date	Number of options	Date first exercisable	Valuation per option
26 August 2000	$5.83	25 August 2010	1,000,000	26 August 2003	$0.77
26 August 2000	$5.83	25 August 2010	1,000,000	26 August 2004	$0.76
26 August 2000	$5.83	25 August 2010	1,000,000	26 August 2005	$0.75

The value for neither the Restricted Shares nor options has been included in the remuneration disclosed above as it is only a notional value and ultimately no benefit may accrue to Mr Ellice-Flint.

26 Remuneration of Auditors

	Consolidated 2000 $000	Consolidated 1999 $000	Santos Ltd 2000 $000	Santos Ltd 1999 $000
Amounts received or due and receivable by the auditors of Santos Ltd for:				
Audit of financial reports	**269**	363	**202**	273
Other audit assurance services	**420**	290	**420**	290
Other services	**322**	239	**242**	188
	1,011	892	**864**	751
Amounts received or due and receivable by auditors other than the auditors of Santos Ltd for:				
Audit of financial reports	**57**	76	**–**	–
Other services	**–**	182	**–**	–
	57	258	**–**	–

27
Segment Reporting

The consolidated entity operates predominantly in one industry, namely exploration, development, production, transportation and marketing of hydrocarbons and in one geographical segment, namely Australia. Operations are also conducted in Indonesia, Papua New Guinea and the United States of America but are not material to the consolidated entity results. Revenue is derived from the sale of gas and liquid hydrocarbons and transportation of crude oil.

28
Commitments for Expenditure

	Consolidated		Santos Ltd	
	2000	1999	**2000**	1999
	$million	$million	**$million**	$million
The consolidated entity has the following commitments for expenditure:				
(a) Capital commitments				
Capital expenditure contracted for at balance date for which no amounts have been provided in the financial report:				
Due not later than one year	**81.9**	32.6	**16.1**	11.9
Due later than one year but not later than two years	**43.3**	23.7	**4.5**	8.1
Due later than two years but not later than five years	**3.5**	44.2	**3.5**	25.5
	128.7	100.5	**24.1**	45.5
(b) Minimum exploration commitments				
Minimum exploration commitments for which no amounts have been provided in the financial report or capital commitments:				
Due not later than one year	**63.5**	48.6	**13.6**	8.9
Due later than one year but not later than two years	**70.0**	53.0	**21.4**	10.5
Due later than two years but not later than five years	**75.5**	91.0	**34.5**	36.6
Due later than five years	**–**	32.9	**–**	22.4
	209.0	225.5	**69.5**	78.4

The consolidated entity has certain obligations to perform minimum exploration work and expend minimum amounts of money pursuant to the terms of the granting of petroleum exploration permits in order to maintain rights of tenure. These commitments may be varied as a result of renegotiations of the terms of the exploration permits, licences or contracts or alternatively upon their relinquishment. The minimum exploration commitments are less than the normal level of exploration expenditures expected to be undertaken by Santos Ltd and its controlled entities.

	Consolidated		Santos Ltd	
	2000	1999	**2000**	1999
	$million	$million	**$million**	$million
(c) Lease commitments				
Finance leases:				
Due not later than one year	**1.3**	1.1	**–**	–
Due later than one year but not later than five years	**13.0**	14.0	**–**	–
Total commitments under finance leases	**14.3**	15.1	**–**	–
Less future finance charges	**(1.3)**	(1.6)	**–**	–
Lease liabilities	**13.0**	13.5	**–**	–
Operating leases:				
Due not later than one year	**43.3**	26.4	**4.5**	3.6
Due later than one year but not later than five years	**118.6**	79.4	**16.8**	13.9
Due later than five years	**13.2**	24.7	**7.6**	10.3
Total commitments under operating leases	**175.1**	130.5	**28.9**	27.8

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Superannuation Commitments

Santos Ltd and certain of its controlled entities participate in a number of superannuation funds and pension plans in Australia and the United States of America which provide benefits either on a defined benefit or cash accumulation basis for employees or their dependants on retirement, resignation, total or permanent disablement or death. The employers and employee members make contributions as specified in the rules of the respective funds.

Independent actuarial valuations of the company sponsored defined benefit plan are undertaken every three years as at 1 January.

The following is a review of the significant employee benefit plans:

	Santos Petroleum Management Superannuation Fund and Santos Retirement Plan	**Santos Superannuation Fund**
Type of benefit	Cash accumulation	Defined benefits and cash accumulation
Basis of contributions	Percentage of member's wage contributed by member and employer.	Percentage of member's salary contributed by member and employer. The employer's percentage reflects the amount to provide an accumulation and the amount recommended by the actuary to provide the defined benefit.
Employer's legal obligation to contribute	Enforceable subject to right to cease contributions on written notice to the Trustee.	Enforceable subject to right to cease contributions on written notice to the Trustee.
Last actuarial assessment:		
Date issued	Not applicable	13 October 2000
Name of valuer and qualifications	Not applicable	M Wood BSc(Eng) FIA FIAA

The assets of all funds were sufficient to satisfy all benefits which would have been vested in the event of termination of the fund, or in the event of voluntary or compulsory termination of the employment of each employee.

The Santos Superannuation Fund has employee accrued benefits and assets as follows:

	As at 30 June 2000 $million	As at 30 June 1999 $million
Net market value of assets	**109.1**	93.0
Less present value of employees' accrued benefits as determined by triennial actuarial assessment as at 1 January 2000 (1999: 1 January 1997)	**(99.5)**	(64.1)
Excess of assets held to meet future benefit payments	**9.6**	28.9

Vested benefits at 1 January 2000 are $97.0 million.

30
Contingent Liabilities

	Consolidated 2000 $million	Consolidated 1999 $million	Santos Ltd 2000 $million	Santos Ltd 1999 $million
Santos Ltd and its controlled entities have the following contingent liabilities arising in respect of other persons:				
Performance guarantees	**7.3**	7.0	**5.1**	5.0
Employee service agreements	**7.6**	3.3	**7.6**	3.3
Claims have been lodged including the following:				
(a) claims under and for breach of contract and public liability	**8.4**	7.1	**5.0**	4.0
(b) miscellaneous claims	**–**	0.1	**–**	0.1
	23.3	17.5	**17.7**	12.4

Legal advice in relation to the claims lodged above indicates that on the basis of available information, liability in respect of these claims is unlikely to exceed $0.9 million on a consolidated basis.

Guarantees provided by Santos Ltd for borrowings in respect of controlled entities are disclosed in note 16.

A number of the Australian interests of the consolidated entity are located within areas the subject of one or more claims or applications for native title determination. Whatever the outcome of those claims or applications, it is not believed that they will significantly impact the consolidated entity's asset base. The decision of the High Court of Australia in the "Wik" case has the potential to introduce delay in the grant of mineral and petroleum tenements and consequently to impact generally the timing of exploration, development and production operations. An assessment of the impact upon the timing of particular operations may require consideration and determination of complex legal and factual issues and on final resolution of the response of the States to the Commonwealth Native Title Amendment Act, 1998.

31
Additional Financial Instruments Disclosure

The consolidated entity uses derivative financial instruments to hedge its exposure to changes in foreign exchange rates, commodity prices and interest rates arising in the normal course of business. The principal derivatives used are forward foreign exchange contracts, foreign currency option contracts, interest rate swaps and options, and commodity crude oil price swap and option contracts. Their use is subject to a comprehensive set of policies, procedures and limits approved by the Board of Directors. The consolidated entity does not trade in derivative financial instruments for speculative purposes.

(a) Foreign exchange risk exposure

The consolidated entity is exposed to foreign exchange risk principally through the sale of liquid petroleum products denominated in US dollars, US dollar borrowings and US dollar capital expenditure. In order to hedge this foreign exchange risk, the consolidated entity has from time to time entered into forward foreign exchange and foreign currency option contracts.

At 31 December 2000 the consolidated entity has open forward foreign exchange and foreign currency option contracts with settlement/expiry dates up to 25 months. If closed out at balance date these contracts would have resulted in a loss of $2.2 million (1999: gain of $2.6 million) that has been deferred for inclusion as part of the underlying future sales transaction.

US dollar denominated borrowings are either swapped into Australian dollar exposure or designated as a hedge of US dollar denominated investments in self-sustaining overseas controlled entities or as a hedge of future US denominated sales revenues. As a result, there were no net foreign currency gains or losses arising from translation of US denominated dollar borrowings recognised in the profit and loss statement in 2000. Accordingly, $81.1 million of unrealised foreign currency losses were deferred as at 31 December 2000 (1999: $29.4 million). The ultimate foreign currency gains or losses will be included in the measurement of the specific hedged US dollar denominated sales revenues to be realised in the years 2001 through 2005.

The Australian dollar equivalents of foreign currency monetary items included in the balance sheet to the extent that they are not effectively hedged are:

		Consolidated 2000 $million	Consolidated 1999 $million	Santos Ltd 2000 $million	Santos Ltd 1999 $million
Current assets	– United States dollars	**83.0**	91.2	**–**	28.4
Current liabilities	– United States dollars	**6.9**	6.4	**–**	–

31
Additional Financial Instruments Disclosure continued

(b) Interest rate risk exposure

The consolidated entity enters into interest rate swap contracts with maturities up to 15 years to manage interest rate risk.

At 31 December 2000 the consolidated entity has open interest rate swap contracts which if closed out would have resulted in a gain of $18.8 million (1999: loss of $6.0 million).

The consolidated entity's exposure to interest rate risk and the effective weighted average interest rates for classes of interest-bearing financial assets and financial liabilities is set out below:

	note	Weighted average interest rate	Floating interest rate $million	Fixed interest repriced or maturing in: 1 year or less $million	Over 1 to 5 years $million	More than 5 years $million	Non interest bearing $million	Total $million
31 December 2000								
Financial assets								
Cash		**5.78%**	**182.5**	**–**	**–**	**–**	**–**	**182.5**
Receivables	8	**N/A**	**–**	**–**	**–**	**–**	**234.7**	**234.7**
Investments	11	**N/A**	**–**	**–**	**–**	**–**	**33.8**	**33.8**
Other assets	14	**N/A**	**–**	**–**	**–**	**–**	**–**	**–**
			182.5	**–**	**–**	**–**	**268.5**	**451.0**
Financial liabilities								
Accounts payable	15	**N/A**	**–**	**–**	**–**	**–**	**285.9**	**285.9**
Borrowings	16	**7.64%**	**13.0**	**101.1**	**394.2**	**540.8**	**–**	**1,049.1**
			13.0	**101.1**	**394.2**	**540.8**	**285.9**	**1,335.0**
Interest rate swaps*		**0.17%**	**–**	**100.1**	**(80.1)**	**(20.0)**	**–**	**–**
31 December 1999								
Financial assets								
Cash		4.66%	97.9	–	–	–	–	97.9
Receivables	8	N/A	–	–	–	–	153.7	153.7
Investments	11	N/A	–	–	–	–	349.3	349.3
Other assets	14	6.50%	–	–	–	0.5	–	0.5
			97.9	–	–	0.5	503.0	601.4
Financial liabilities								
Accounts payable	15	N/A	–	–	–	–	121.6	121.6
Borrowings	16	6.10%	13.5	955.7	357.8	72.0	–	1,399.0
			13.5	955.7	357.8	72.0	121.6	1,520.6
Interest rate swaps*		(0.12%)	–	188.2	(119.3)	(68.9)	–	–

* notional principal amounts

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Additional Financial Instruments Disclosure continued

(c) Commodity price risk exposure

The consolidated entity is exposed to liquid petroleum price fluctuations through the sale of liquid petroleum products denominated in US dollars. The consolidated entity enters into commodity crude oil price swap and option contracts to manage its commodity price risk.

At 31 December 2000 the consolidated entity has open oil price swap contracts with settlement expiry dates up to twelve months. If closed out at balance date these contracts would have resulted in a gain of $32.6 million (1999: nil).

(d) Credit risk exposure

Credit risk represents the potential financial loss if counterparties fail to perform as contracted.

The credit risk on financial assets, excluding investments, of the consolidated entity which have been recognised on the balance sheet is indicated by the carrying amount.

The credit risk on off-balance sheet derivatives is the cost of replacing the contract if the counterparty were to default and is measured by their market value at balance date. As at 31 December 2000, counterparty default of interest rate swap and option contracts, foreign exchange contracts, foreign currency options and oil price swap and option contracts would result in a loss of $56.2 million (1999: $7.4 million).

The consolidated entity controls credit risk on derivative financial instruments by setting exposure limits related to the credit worthiness of counterparties, all of which are selected banks or institutions with a Standard and Poor's rating of A or better.

(e) Net fair values of financial assets and liabilities

The carrying amounts of all financial assets and liabilities including hedges approximate net fair value.

At 31 December 2000 the consolidated entity has open derivative financial instruments contracts relating to future operating profit which if closed out at their market rates would have resulted in a gain of $49.2 million (1999: loss of $3.4 million).

32
Economic Dependency

There are in existence long-term contracts for the sale of gas, but otherwise the Directors believe there is no economic dependency.

Directors' Declaration

for the year ended 31 December 2000

In the opinion of the Directors of Santos Ltd:

(a) the financial statements and notes, set out on pages 42 to 69, are in accordance with the Corporations Law, including:

(i) giving a true and fair view of the financial position of the Company and consolidated entity as at 31 December 2000 and of their performance, as represented by the results of their operations and their cash flows, for the year ended on that date; and

(ii) complying with Accounting Standards; and

(b) 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 9th day of March 2001.

Signed in accordance with a resolution of the Directors:

J A Uhrig
Director

J C Ellice-Flint
Director

Independent Auditors' Report

to the members of Santos Ltd

Scope

We have audited the financial report of Santos Ltd for the financial year ended 31 December 2000, consisting of the profit and loss statements, balance sheets, statements of cash flows, accompanying notes, and the directors' declaration set out on pages 42 to 70. The financial report includes the consolidated financial statements of the consolidated entity, comprising the Company and the entities it controlled at the end of the year or from time to time during the financial year. The Company's Directors are responsible for the financial report. We have conducted an independent audit of this financial report in order to express an opinion on it to the members of the Company.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards and other mandatory professional reporting requirements and statutory requirements in Australia so as to present a view which is consistent with our understanding of the Company's and the consolidated entity's financial position, and performance as represented by the results of their operations and their cash flows.

The audit opinion expressed in this report has been formed on the above basis.

Audit Opinion

In our opinion, the financial report of Santos Ltd is in accordance with:

(a) the Corporations Law, including:

- (i) giving a true and fair view of the Company's and the consolidated entity's financial position as at 31 December 2000 and of their performance for the financial year ended on that date; and
- (ii) complying with Accounting Standards and the Corporations Regulations; and

(b) other mandatory professional reporting requirements.

KPMG

KPMG

William J Stevens
Partner

Adelaide
9 March 2001

Stock Exchange & Shareholder Information

 Listed on Australian Stock Exchange at 28 February 2001 were 611,539,203 fully paid ordinary shares. Unlisted were 283,250 partly paid Plan 0 shares, 551,000 partly paid Plan 2 shares and 170,200 fully paid ordinary shares issued pursuant to the Santos Employee Share Purchase Plan ('SESPP'). There were 76,313 holders of all classes of issued shares (including 24 holders of Plan 0 shares; 23 holders of Plan 2 shares; and 189 holders of SESPP shares) compared with 82,113 a year earlier and there were 44 holders of the 13,850,000 options granted pursuant to the Santos Executive Share Option Plan.

The listed issued ordinary shares plus the ordinary shares issued pursuant to SESPP represent all of the voting power in Santos. The holdings of the 20 largest holders of shares represent 46.45% of the total voting power in Santos (last year 44.85%).

The 20 largest shareholders in Santos as shown in the Company's Register of Members at 28 February 2001 were:

Name	Number of fully paid shares	% of voting capital
Chase Manhattan Nominees Limited	61,068,895	9.98
National Nominees Limited	61,055,502	9.98
Westpac Custodian Nominees Limited	35,562,807	5.81
AMP Life Limited	13,243,744	2.17
HSBC Custody Nominees (Australia) Limited	13,242,704	2.16
MLC Limited	13,119,430	2.14
Perpetual Trustees Nominees Limited	12,575,221	2.06
Citicorp Nominees Pty Limited	10,134,875	1.66
Queensland Investment Corporation	9,800,835	1.60
The National Mutual Life Association of Australasia Limited	9,517,990	1.56
ANZ Nominees Limited	7,914,930	1.29
Westpac Custodian Nominees Limited (ADR Account)	7,064,647	1.15
Cogent Nominees Pty Limited	5,907,133	.97
Perpetual Trustees Australia Limited	4,145,654	.68
National Australia Financial Management Limited	3,960,605	.65
Australian Foundation Investment Company Limited (Investment Portfolio Account)	3,514,251	.57
NRMA Nominees Pty Limited	3,197,764	.52
Government Superannuation Office (State Super Fund A/c)	3,082,336	.50
Commonwealth Custodial Services Limited	3,069,398	.50
Merrill Lynch (Australia) Nominees Pty Ltd	3,032,189	.50
	284,210,910	46.45

Substantial Shareholders, as at 28 February 2001, as disclosed by notices received by the Company:

Name	Number of voting shares held
Maple-Brown Abbott Limited	56,878,652

Analysis of Fully Paid Ordinary Shares – range of shares held

	Fully paid ordinary shares (Holders)	% of holders	% of shares held
1 – 1,000*	23,863	31.29	2.35
1,001 – 5,000	41,001	53.76	16.39
5,001 – 10,000	7,384	9.68	8.63
10,001 – 100,000	3,830	5.02	12.61
100,001 and over	194	.25	60.02
Total	76,272	100.00	100.00

* There were 980 shareholders who held less than a marketable parcel based on the market price as at 28 February 2001.

For Directors' Shareholdings see Directors' Statutory Report as set out on page 38 of this Annual Report.

Voting Rights

Every member present in person or by an attorney, a proxy or a representative shall on a show of hands, have one vote and upon a poll, one vote for every fully paid share held. Pursuant to the Rules of the Santos Executive Share Plan, Plan 2 and Plan 0 shares do not carry any voting rights except on a proposal to vary the rights attached to Plan shares.

Notice of Meeting

The Annual General Meeting of Santos Ltd will be held in the Auditorium at The Adelaide Town Hall Function Centre, 128 King William Street, Adelaide, South Australia on Friday, 4 May 2001 at 11.00 a.m.

Final Dividend

The 2000 final ordinary dividend and special dividend will be paid on 27 April 2001 to shareholders registered in the books of the Company at the close of business on 3 April 2001 in respect of fully paid shares held at record date.

Shareholders' Enquiries

Enquiries from shareholders and other interested people should be directed to:
Investor Relations, Santos Ltd, Santos House, Level 29, 91 King William Street, Adelaide, South Australia 5000
Email: investor.relations@santos.com.au
Santos website: www.santos.com.au
Share Registrar, Santos Ltd, Santos House, Level 29, 91 King William Street, Adelaide, South Australia 5000
Email: share.register@santos.com.au

Directors

J A Uhrig (Chairman), J C Ellice-Flint (Managing Director), P C Barnett, F J Conroy, S Gerlach (Deputy Chairman), J W McArdle (Executive Director), G W McGregor, M A O'Leary, J Sloan, I E Webber

Secretary

M G Roberts

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