



2014 first-half shareholder update

Santos
We have the energy.



Dear Shareholder,

Santos' first-half result reinforces your company's position as a leading oil and gas exploration and production company in Australia and Asia.

Successful project delivery continued during the half, with the start-up of PNG LNG ahead of schedule in April 2014. With GLNG now more than 85% complete and on track for first cargo in 2015, our portfolio of assets is being transformed. LNG's attractiveness as a cleaner burning fuel continues to create opportunities in the fast growing Asian region, and Santos is well placed to benefit.

Sound operational performance resulted in a higher first-half underlying profit, strong operating cash flow and record sales revenue driven by higher crude oil and LNG sales volumes and higher oil and gas prices.

Our ongoing commitment to exploration resulted in a significant gas-condensate discovery at the Lasseter-1 exploration well in the Browse Basin offshore Western Australia. Lasseter is a material discovery that adds to our strong position in the Browse, following our success with the Crown discovery in 2012.

Our ability to continue to deliver this strong operational and financial performance is dependent on our execution of safe operations. Santos and its contractors worked a record 32 million work hours in the first half and we are attaining the lowest levels of lost time incidents in the company's history.

**“We remain focused on growing
shareholder returns as the company’s
earnings and cash flows increase”**
Ken Borda, Chairman

The Santos Board and management are aware that returns are a key priority for shareholders. Our aim is to strike an ongoing balance between higher dividends, debt repayment and ongoing investment for growth. Following the early start-up of PNG LNG and the receipt of first cash from the project, the Board announced an interim dividend of 20 cents per share fully franked, 33% higher than the previous interim dividend.

Looking forward, we plan to maintain or increase each dividend as earnings and cash flow increase. We expect the level of dividend will next be reviewed around the time of GLNG start-up.

Our major projects are now clearly providing the foundation for future growth and increased shareholder returns and we remain well-funded to execute our strategy with \$2.7 billion in cash and undrawn debt facilities. A strong production outlook driven by the start-up of PNG LNG in 2014 and GLNG in 2015 combined with growing oil-linked margins is set to drive continued revenue growth.

Thank you for your support. We are confident of a stronger second half and look forward to continuing to deliver on our strategy to grow shareholder value in a safe and sustainable manner.



KEN BORDA
Chairman



DAVID KNOX
Managing Director

2014 operational highlights



First LNG
April 2014



PNG LNG

PNG LNG commenced production ahead of schedule in April 2014.

Project construction began in 2010 and took 194 million work hours to complete.

PNG LNG is now producing at full capacity and 22 cargoes had been shipped by the end of August.



First gas
March 2014



INDONESIA

Sanctioned February 2013, the Peluang gas project is a tie-back to the existing Maleo facilities located offshore East Java.



Gas discovery
August 2014



BROWSE BASIN

Significant gas-condensate discovery with the Lasseter-1 well adding to Santos' material resource position in the Browse Basin.



>85%

Complete



GLNG

The GLNG project remains on track for first LNG in 2015.

Well drilling is on plan, and the three upstream gas hubs are ready for commissioning. Commissioning of the gas transmission pipeline has also commenced.

On the Curtis Island LNG plant site, construction of the LNG trains, tanks and jetty is progressing well.



First oil

July 2014



VIETNAM

Sanctioned August 2012, the Dua oil project is a three-well subsea tie-back to the existing Chim Sáo facilities located in the Nam Con Son Basin.



Shale
success



COOPER BASIN

Our second commercial shale well, Moomba-194, was connected to market and a further two horizontal shale wells were successfully drilled, fraced and flow tested.

2014 first-half financial highlights

INTERIM DIVIDEND

20¢

+33%

First-half 2013
15¢

SALES REVENUE

\$1.9 billion

+25%

First-half 2013
\$1.5 billion

EBITDAX

\$950 million

+13%

First-half 2013
\$844 million

NET PROFIT AFTER TAX

\$206 million

-24%

First-half 2013
\$271 million

UNDERLYING PROFIT

\$258 million

+3%

First-half 2013
\$251 million

OPERATING CASH FLOW

\$744 million

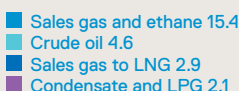
+18%

First-half 2013
\$629 million

For a reconciliation between the underlying profit (non-IFRS financial information) and net profit after tax, please see the 2014 Half-year financial report at www.santos.com

2014 first-half production

25 mmboe



Investor calendar

Ex-dividend date for 2014 interim dividend	27 Aug 2014
Record date for 2014 interim dividend	29 Aug 2014
Payment date for 2014 interim dividend	30 Sep 2014
2014 third quarter activities report	17 Oct 2014
2014 fourth quarter activities report	23 Jan 2015
2014 full year results announcement	20 Feb 2015
Ex-dividend date for 2014 full year dividend	25 Feb 2015
Record date for 2014 full year dividend	27 Feb 2015
Payment date for 2014 full year dividend	31 Mar 2015

All dates are indicative and subject to change

SHAREHOLDER ENQUIRIES

Enquiries about shareholdings should be directed to
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For more information and updates, please refer to
www.santos.com

Cover image:

Spirit of Hela transporting first
cargo from PNG LNG

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