SANTOS LTD

Appendix 4E

Preliminary Final Report under ASX Listing Rule 4.3A

For the period ended 31 December 2004

ABN	Previous corresponding period
80 007 550 923	31 December 2003

Results for announcement to the market

				$A million
Revenue from ordinary activities	Up	8.3%	to	1,753.2
Profit from ordinary activities after tax attributable to members before write-down of non-current assets	Up	4.0%	to	402.0
Profit from ordinary activities after tax attributable to members	Up	16.2%	to	379.9
Net profit for the period attributable to members	Up	16.2%	to	379.9

Dividends	Amount per security	Franked amount per security at 30% tax
Interim Dividends		
Ordinary securities	15.0¢	15.0¢
Preference securities	$3.2940	$3.2940
Final Dividends		
Ordinary securities	18.0¢	18.0¢
Preference securities	$2.4497	$2.4497

Record date for determining entitlements to the dividends: 4 March 2005

Brief explanation of any of the figures disclosed above necessary to enable the figures to be understood:

2004 production and sales in the Cooper Basin were affected by a fire at the Moomba Plant on 1 January 2004 ("Moomba incident"). Refer attached Commentary on Results and Media Release.

This report is based on financial statements which have been audited.

The 2004 Consolidated Financial Report, Commentary on Results and Media Release dated 23 February 2005 form part of and should be read in conjunction with this Preliminary Final Report (Appendix 4E).

The Santos Ltd Company and Controlled Entities ("Group")
Financial Commentary – Financial Report for the Year ended 31 December 2004

1. Consolidated Statement of Financial Performance

Product Sales ($1,500.9 million up by $35.9 million +2.5%)
Total sales revenue for the 12 months to 31 December 2004 was a record $1,500.9 million. The record revenue reflected higher average product prices and was achieved despite lower production for much of the year that was largely related to the incident at Moomba on 1 January 2004.

- Sales of crude oil increased by $24.1 million primarily due to a 24% increase in average realised AUD oil prices, offset in part by a 1.3 mmboe decrease in sales volumes arising from the decline in Stag reservoir pressure, natural field decline and the timing of liftings.
- Naphtha revenues increased by $78.5 million due to a 45% increase in average realised AUD prices and a 0.3 mmboe increase in sales volumes. The commencement of naphtha production from the Bayu-Undan liquids recycle project in the first quarter of 2004 more than offset the lower Cooper Basin naphtha production as a result of the Moomba incident.
- Liquefied petroleum gas ("LPG") revenues were also adversely affected by the Moomba incident and decreased by $26.0 million.

Sales gas and ethane revenues decreased by $40.7 million as a result of 3.6 mmboe lower volumes offset by 4% higher prices. In addition to the production impact of the Moomba incident, lower firm contracted demand for Cooper gas and lower onshore Otway production, initially due to the watering out of wells and then the disposal of these assets to Origin, also contributed to the lower sales volumes. Gas prices in 2004 averaged $3.28/GJ up from $3.16/GJ in 2003.

Other Revenue ($252.3 million up by $97.9 million +63.4%)
Other revenue totalled $252.3 million and comprised principally of insurance recoveries and proceeds from sale of non-current assets.

- Insurance recoveries for the business interruption and property damage resulting from the Moomba fire of $116.6 million have been recognised in the accounts but had not been received prior to 31 December 2004. This estimate is based on discussions with the Company's insurers/advisors and reflects a reasonable estimate of the likely final recoveries.

- Proceeds from sales of non-current assets of $98.9 million include:
  - sale of interest in the Carpenteria Gas Pipeline,
  - sale of interests in onshore Otway assets,
  - farmout of 20% interest in North Bali 1 PSC,
  - farmout of 25% interest in VIC P/51 permit,
  - sale of shareholdings in Magellan Australia Limited ("MAG"), and
  - sale of interests in the Jefferson County properties in the USA and other minor asset sales.

Cost of Sales ($1,049.8 million up by $75.4 million +7.7%)

- **Production Costs**
  - Field production costs were $44.9 million higher than in 2003. The increase is primarily attributed to Cooper Basin loss mitigation expenditure following the Moomba incident in January 2004; higher insurance premiums, additional costs resulting from the commencement of production from Bayu-Undan in February; the acquisition of Novus interests in September; and the increase in equity interest in Patricia Baleen from 1 July 2004. These increases have been partially offset by lower Legendre lease costs; a reduction in the number of Stag workovers; and improved management of field costs in the USA.
  - Drawdowns of liquids and gas inventories in the Cooper Basin as a result of the Moomba incident were offset in part by a build up of liquids inventories in Offshore Australia. The net drawdown totalled $3.4 million in 2004 (2003: drawdown of $11.9 million) resulting in an $8.5 million lower charge to cost of sales in 2004 as compared to 2003.

- **Royalties, Excise and PRRT**
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  - Royalties are $26.7 million higher primarily as a result of the Legendre field paying excise tax for the first time from June 2004.
  - PRRT is $4.1 million lower as a result of higher deductions attributed to increased offshore Australia exploration expenditure.

- **Depreciation, Depletion & Amortisation ($539.7 million up by $8.1 million +1.5%)**

  - **Depletion**
    Depletion is $10.5 million higher mainly due to revisions in proved and probable reserves and future development costs in the USA properties.

- **Gas Purchases**

  Gas purchases are $9.5 million higher as a result of purchasing gas from the Harriet JV due to lower deliverability caused by water breakthrough in the East Spar field.

Write Down of Exploration and Development Expenditure ($22.1 million down by $37.6 million -63.0%)

Exploration and development expenditure was written down by $22.1 million (2003: $59.7 million). A write down of $16.3 million of exploration and development expenditure was recognised in respect of the Group's USA properties. The remaining write downs relate to costs incurred in the evaluation of new ventures and exploration opportunities that have either not met Santos' internal investment criteria or not resulted in a successful bid.

Selling and Corporate Administration Expenses ($57.1 million up by $15.5 million +37.3%)

Selling and Corporate Administration expenses reflect the costs associated with the organisation restructure ($21.6 million).

Borrowing Costs ($33.6 million down by $1.0 million -2.9%)

The weighted average interest rate for the Group (allowing for interest rate swap contracts) as at 31 December 2004 was 5.09% (4.91%. in 2003). Interest expense has decreased slightly due to an increase in the capitalisation of interest on higher development project funding in 2004.

Income tax ($160.9 million up by $57.0 million +54.9%)

Income tax has increased in 2004 due to the higher profit before tax. Income tax expense in 2003 reflected a $55 million benefit arising from income tax consolidation. Revised estimates of the tax basis of assets held by Australian resident wholly-owned controlled entities within the consolidated group from 1 January 2003 has resulted in a $20 million income tax benefit from income tax consolidation in 2004.

Profit attributable to shareholders ($379.9 million up by $52.9 million +16.2%)

Net profit after income tax attributable to Santos shareholders has increased by $52.9 million to $379.9 million over the previous year. Earnings per share has increased by 12.5% in 2004 to 58.6 cents.

The net profit after tax for the year includes the following significant items:

- $116.6 million insurance recovery relating to business interruption and property damage resulting from the Moomba incident ($81.6 million after tax),
- $43.9 million gain on the sale of non-current assets comprising the Group's interest in Carpentaria Gas Pipeline ($23.1 million after tax), and the sale of interests in onshore Otway assets ($18.0 million after tax), and
- $17.5 million of costs associated with Moomba liquids recovery plant fire ($12.3 million after tax), and
- $21.6 million organisation restructure costs ($15.1 million after tax).

The Moomba incident resulted in lost production and sales and increased production costs and capital expenditure in 2004. The significant items include the increased production costs of $17.5 million. Lost production and sales revenue are reflected in the lower sales revenue of the Group (discussed above) and increased capital costs are included in the Group's total capital expenditure in 2004. The significant items include $116.6 million insurance recovery representing the total estimated recovery, net of deductibles, for lost revenue and increased costs as a result of the incident.

Geographic Segment Results

Santos operates primarily in Australia but also has International operations in the United States, Papua New Guinea, Indonesia and Egypt.

Approximately 93% of the Group's segment revenues are generated in and 88% of its segment assets are located in Australia.

Dividends

During the year Santos Ltd paid fully franked dividends of $175.5 million on ordinary shares, $23.0 million on reset convertible preference shares and $14.3 million on redeemable convertible preference shares for a total of $212.8 million (2003: $198.0 million).

The Directors have declared a final dividend for 2004 of 18 cents per ordinary share, fully franked (15 cents fully franked 2003) and a preferential, non cumulative fully franked dividend of $2.4497 per redeemable convertible preference share payable on 31 March 2005.

2. Consolidated Statement of Financial Position

Total Assets ($5,956.0 million higher by $737.7 million +14.1%)

Current assets were $266.4 million higher in 2004 mainly as a result of recognising insurance recoveries receivable of $116.6 million.

Current liabilities were $65.2 million higher mainly due to the high level of exploration and development activities undertaken in the latter part of 2004.

Non current assets increased a net $471.3 million. Capital expenditure in 2004 for exploration, delineation, development and construction amounted to $929.5 million. Acquisitions made during the year totalled $158.6 million.

These increases were offset in part by depreciation, depletion and amortisation charges of $539.7 million; write down of exploration and development expenditure of $22.1 million; and sales of non-current assets totalling $46.5 million.

Net Debt ($1,131.4 million higher by $233.8 million +26.0%)

Net debt increased as a result of draw downs of borrowings of $282.8 million to fund the capital programme, acquisitions, the cost impacts of the Moomba incident which was partially offset by the impact of translation of US dollar borrowings due to the appreciation of the Australian dollar against the US dollar over the course of the year. Correspondingly, the group's net debt /debt plus equity ratio has increased from 22.5% in 2003 to 24.4% at the end of 2004 as a result of the draw down of borrowings and partially offset by increased equity.

Equity ($3,498.3 million higher by $410.4 million +13.3%)

Retained profits increased by $164.7 million to $1,368.3 million at year end. This increase primarily reflects the 2004 net profit after tax of $379.9 million less dividends paid during 2004 of $212.8 million.

Contributed equity at year end 2004 was $2,139.0 million, an increase of $245.9 million. Contributed equity at 31 December 2004 comprises shares on issue of:

- 585.5 million fully paid ordinary shares (2003: 584.5 million),
- 0.2 million ordinary shares paid to 1 cent (2003: 0.2 million), and
- 6.0 million redeemable convertible preference shares (2003: 3.5 million reset convertible preference shares).

3. Consolidated Statement of Cash Flows

Operating Cash Flows ($605.0 million inflow lower by $292.3 million -32.6%)

Operating cash flows were $605.0 million in 2004, a decrease of 32.6% from the previous year. The decrease largely reflects the timing of liftings and payments of creditors and the impact of the Moomba incident on operating cash flows. In particular, estimated insurance recoveries in respect of the Moomba fire of $116.6 million were brought to account but were not received prior to 31 December 2004.

Operating cash flow per share was 103.3 cents in 2004 compared to 153.8 cents in 2003.

Investing Cash Flows ($893.6 million outflow higher by $240.6 million +36.8%)

Capital expenditure payments increased by $45.2 million from $750.7 million in 2003 to $798.9 million in 2004. This increase substantially reflects the higher development activity in 2004 such as in the Bayu-Undan project including the commencement of the Darwin LNG facilities and pipelines, and Mutineer/Exeter, John Brookes and Casino developments.

Amounts paid acquiring controlled entities in 2004 relates mainly to the acquisition of Novus's interests in the Cooper Basin and of part of its interests in Indonesia.

In 2004 the group received proceeds from sale of non-current assets of $39.9 million (2003: $130.6 million) principally comprising the sale of the Group's onshore Otway interests, shares in MAG and proceeds on farmout of several permits. Proceeds from the sale of the Group's interest in the Carpentaria Gas Pipeline were not received before year end ($59.0 million).

Financing Activities Flows ($313.9 million inflow higher by $524.0 million)

The group paid $212.8 million of fully franked dividends during the year (2003: $198.0 million) and drawdown borrowings of $282.8 million (2003: $20.4 million repayment). Proceeds from issues of ordinary shares totalled $6.4 million (2003: $8.3 million). The Company's 3.5 million reset convertible preference shares were redeemed during the year and 6.0 million redeemable convertible preference shares were issued raising $239.5 million (net) additional equity.

4. International Financial Reporting Standards

The Australian Financial Reporting Council announced in July 2002 that Australia would adopt International Financial Reporting Standards (IFRS) from 1 January 2005. Santos will be required to first report under IFRS in its financial statements for the half-year ended 30 June 2005 and year ending 31 December 2005. To address this change, Santos has established a project team to assess the likely impact on its accounting policies and its future financial reporting.

The new IFRS that are expected to have the more significant impact on the Group are in the areas of accounting for exploration and evaluation expenditure, employee benefits, financial instruments, impairment of assets and provisions. It is too early to quantify these impacts with any degree of certainty at this stage as many of the standards have not yet been finalised and are still subject to change.

The transition to IFRS at 1 January 2005 is not expected to change the Group's underlying business operations nor have any impact on either the quality or the value of its oil and gas reserves; its future cash flows, or its current borrowing facilities. Also, the ability of the Group to raise additional finance for normal business expansion or to pay dividends consistent with past practice, is not expected to be impacted.