Disclaimer & important notice

This presentation contains forward looking statements that are subject to risk factors associated with the oil and gas industry. It is believed that the expectations reflected in these statements are reasonable, but they may be affected by a range of variables which could cause actual results or trends to differ materially, including but not limited to: price fluctuations, actual demand, currency fluctuations, geotechnical factors, drilling and production results, gas commercialisation, development progress, operating results, engineering estimates, reserve estimates, loss of market, industry competition, environmental risks, physical risks, legislative, fiscal and regulatory developments, economic and financial markets conditions in various countries, approvals and cost estimates.

All references to dollars, cents or $ in this document are to Australian currency, unless otherwise stated.
Agenda

1. The East Coast gas market

2. Application of US shale gas learnings to the Cooper Basin

3. Santos’ technical and commercial advantages

4. The plan to commercialise Cooper Basin unconventional gas
Unprecedented growth in Eastern Australia gas market

Demand growth from LNG and power generation is increasing gas prices...

Eastern Australia gas demand

Eastern Australia gas supply costs (ex-field)\(^1\)

3 fold demand growth from today

Proposed

Sanctioned

Retail and C&I

Power generation

QCLNG (T1&2)

GLNG (T1&2)

APLNG (T1 & T2)

Arrow LNG (T1&2)

3 fold demand growth from today

$0 50,000 100,000 150,000 200,000

LRMC (Real $2012-13)

Reserves/Resource (PJ)

Retail and C&I

Power generation

QCLNG (T1&2)

GLNG (T1&2)

APLNG (T1 & T2)

Arrow LNG (T1&2)

Retail and C&I

Power generation

QCLNG (T1&2)

GLNG (T1&2)

APLNG (T1 & T2)

Arrow LNG (T1&2)

3 fold demand growth from today

$0 500 1,000 1,500 2,000 2,500 3,000 3,500


3 fold demand growth from today

$0 $2 $4 $6 $8 $10 $12 $14 $16

0 50,000 100,000 150,000 200,000

Reserves/Resource (PJ)

Contracted

Uncontracted

STO price range of $6-$9/GJ

1 Source: Fuel cost projections, natural gas and coal outlooks for AEMO modelling (December 2011)

...unlocking the next wave of natural gas development

Sanctioned
Eastern Australia has a significant resource base with geographic and geological diversity.

**Western Australia**
- Estimated Resource Potential: 316,800 PJ
- Conventional: 158,800 PJ
- Unconventional: 158,800 PJ

**Eastern Australia**
- Estimated Resource Potential: 422,476 PJ
- Conventional: 116,932 PJ
- CSG: 41,920 PJ
- Unconventional: 263,624 PJ

Source:
1. BREE 2012 Gas Resource Assessment, 2012
2. EIA World Shale Gas Resources, 2011
3. AEMO 2012 GSOO
The Cooper Basin provides the most prospective unconventional reservoir opportunity in Australia.

The Cooper Basin is a world scale unconventional resource.

**Net Santos Cooper Basin Unconventional Prospective Resources**

<table>
<thead>
<tr>
<th></th>
<th>Low</th>
<th>Mid</th>
<th>High</th>
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<tbody>
<tr>
<td>Recoverable Raw Gas</td>
<td>Tcf</td>
<td></td>
<td></td>
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<tr>
<td>Total</td>
<td>15</td>
<td>50</td>
<td>125</td>
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Notes:
1. Evaluated by DeGolyer and MacNaughton, 2008

**Net Santos Cooper Basin Contingent Unconventional Resources**

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<th>1C</th>
<th>2C</th>
<th>3C</th>
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<tr>
<td>Recoverable Gas</td>
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<td>PJ</td>
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<tr>
<td>Total</td>
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<td>2,345</td>
<td>4,561</td>
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Notes:
1. Verified by DeGolyer and MacNaughton, as at 2011
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North America’s Shale gas revolution

- US has led worldwide shale gas production
- Growth in US supply has fundamentally altered US gas industry dynamics
- Shale gas production now accounts for over 30%\(^1\) of total gas production in the US

The US Shale gas transformation driven by technology & accelerated learning

Source:
1. AEO 2012
2. Illustrations from BHP Billiton Petroleum Investor Briefing, 14 November 2011
Technology and innovation has driven the phenomenal growth of gas in the U.S.

Geological Modelling
- Integration of 3D seismic, geo-mechanical and mineralogy data to create reservoir earth models
  ➢ To determine gas volume, stress regimes, brittleness, recovery factors and plan well trajectories

Drilling techniques
- Horizontal wells, lateral length & orientation
- Multi well pads and SIMOPS
  ➢ To reduce well costs through design, repeatability and scale

Multi stage fracture stimulation
- Fluid type & rate
- Proppant volumes and concentration
- Frac diagnostics
  ➢ To maximise stimulated rock volume and UR per well
Knowing your shale characteristics

There are common factors to the most successful shale gas plays...

- Thickness, lateral extent, gas saturation and porosity determine the resource size
- Thermal maturity determines whether the shale is in the ‘gas window’
- Mineralogy & shale brittleness impact ability to drill and frac formations
- Formation frac gradient impacts stimulation cost

...understanding these will help unlock the enormous resource potential
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Extensive knowledge & expertise of Cooper Basin unconventional reservoirs

Santos has 50+ years of E&P experience in the Cooper Basin and...

Australia’s first dedicated shale core, gas desorption and fracture stimulation program (Moomba 175)

Australia’s first contingent resource booking for shale*

Drilling of dedicated shale reservoir well (Moomba 191)

Australia’s first commercial shale gas well commenced production


Dedicated Cooper Basin unconventional reservoir team formed

Deep coal fracture stimulation with producing hydrocarbon (Moomba 77)

Detailed design of specific shale targeted gas well

Shale targeted core & log evaluation (Moomba 185)

Moomba 191 fracture stimulation

...has been actively progressing an unconventional reservoirs program for the last decade, with a growing list of Australia’s first shale achievements

* Contingent resource booking for shale, deep coal and mixed lithology
Santos understands the rocks

Santos has significant understanding of Moomba REM continuity and thickness trends...

- Extensive subsurface data set from 50+ years of operation
- Over 940km² of 3D seismic coverage
- 106 wells drilled through the REM (289 in total)
- >4,000 feet of core acquired
- >300 fracs
- Diagnostic fracture data used to develop field wide understanding of frac gradients, geo-mechanical properties, and over pressure

...provides confidence in resource assessment, well and fracture design
Deep understanding leads to optimised drilling and completion strategies

Moomba 185 shale specific logs demonstrate that...

- Mineralogy and stress variation is consistent through the REM
- Britteness & frac gradient indicates fracability
- Total organic content, porosity and moderate over pressure support an average gas content of 80 scf/ton
Moomba 191 is an extraordinary result

- Dedicated shale well commissioned on 28 September 2012
- Initial flow rate >3 mmscf/d
- First month average flow rate of 2.7 mmscf/d
- Gas composition is consistent with that produced in the Moomba Big Lake area

**Moomba 191: Production History**

**Santos EUR Estimates YE 12**

<table>
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<tr>
<th>Gross Bcf</th>
<th>1P</th>
<th>2P</th>
<th>3P</th>
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<tr>
<td>Accessed OGIP</td>
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<td>4</td>
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<td>Ultimate Recovery</td>
<td>1.5</td>
<td>3</td>
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**Moomba 191 Gas Flare**
Moomba 191: Production logging result

Successful stimulation...

- Majority of gas flow across the Murteree shale
- Minor gas flow contribution from the Epsilon
- Roseneath contribution unable to be measured
- Continued production expected to result in greater contribution from Epsilon and Roseneath resulting in higher gas recovery

...demonstrates ability to unlock resource potential
Achieving a commercial reserve in the REM shale

The results from Moomba 191 indicate that Cooper Basin shale can be commercially produced

- Estimated well and connection costs of $10 million for vertical wells optimised for production
- Estimated recovery per well of 3-6 Bcf

At circa $6GJ vertical shale wells are economic based upon Moomba 191 characteristics. Horizontal wells provide opportunity for significant additional value enhancement.
Santos’ strong infrastructure position is a clear commercial advantage

Santos owns and operates all major existing infrastructure and processing facilities in the Cooper Basin

- Processing capacity 550 TJ/day (Moomba & Ballera) with plans to expand
- 70 PJ gas storage
- 6,000 km flowlines and 100,000 horsepower satellite compression
- Access to East Coast gas market
- Firm pipeline capacity to transport gas from Moomba to Wallumbilla gas hub

Estimated replacement cost of $10+ Billion

Enabling early commercial success
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Our objective is to deliver material commercial production by 2015/16

Prove gas content & recoverable volumes

Achieve gas flow to surface

Demonstrate commercial flows

Development

2004–2010

- Developed the leading resource understanding

2011–2012

- Vertical well technology trials & optimisation

2013–2014

- Horizontal well technology trials & optimisation

2015+

- Manufacturing approach to development trials

- Australia’s first shale & unconventional resource bookings achieved in 2008

- Australia’s first commercial shale production and reserve bookings in 2012

- Multiple horizontal and vertical wells further appraising the Moomba REM

- Extensive fracturing trials in the Moomba REM and Nappamerri Trough to optimise design

- Material commercial shale production and reserve bookings by 2015/16 underpinning Cooper development beyond 2020

Leveraging our expertise and infrastructure

Santos

We have the energy.
Comprehensive program targeting our most prospective play types

Prioritising 2 significant resource plays

- Moomba REM shale
- Nappamerri Trough Basin Centred Gas

Estimated capital spend of ~$200M$^{(1)}$

1. Gross JV, subject to approval
Moomba REM shale program

Defining an optimal well and fracture stimulation design...

- Drilling multiple horizontal & vertical pairs
- Systematically testing critical factors:
  - Horizontal length
  - Fracture stages
  - Fluid volumes, proppant size & concentration
- Utilising micro-seismic fracture diagnostics in vertical wells
- Campaign to further test REM potential in existing wellbores

...delivering maximum rate and recovery at lowest cost

<table>
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<tr>
<th>Project</th>
<th>Roswell</th>
<th>Aurora</th>
<th>Fortuna</th>
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<tr>
<td>REM Formation</td>
<td>Roseneath</td>
<td>Murreee</td>
<td>Murreee</td>
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<tr>
<td>Lateral Length</td>
<td>1,000 ft</td>
<td>3,000 ft</td>
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<tr>
<td>Horizontal Fracture Stages</td>
<td>5</td>
<td>10</td>
<td>15-20</td>
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Nappamerri Trough program

Targeting contingent resource bookings from Basin Centred Gas

Significant continuous gas saturation over 2,400km² of operated acreage
Unprecedented growth in EA gas demand is unlocking a world class unconventional opportunity in the Cooper Basin.

U.S. technology and learnings are being applied to accelerate unlocking the Cooper’s enormous potential.

Santos’ extensive geological and stimulation knowledge, operating experience and multi billion dollar pre-existing infrastructure, provide a unique position to commercialise the resource.

2 year drilling, workover and fracture stimulation program targeting Moomba REM shale and Nappamerri Trough.
Contact information

Head office

Adelaide
Ground Floor, Santos Centre
60 Flinders Street
Adelaide, South Australia 5000
GPO Box 2455
Adelaide, South Australia 5001
Telephone: +61 8 8116 5000
Facsimile: +61 8 8116 5050

Useful email contacts
Share register enquiries:
web.queries@computershare.com.au

Investor enquiries:
investor.relations@santos.com

Andrew Nairn
Group Executive Investor Relations
Level 10, Santos Centre
Direct: + 61 8 8116 5314
Email: andrew.nairn@santos.com

Nicole Walker
Investor Relations Manager
Level 10, Santos Centre
Direct: + 61 8 8116 5302
Email: nicole.walker@santos.com

Website:
www.santos.com