

First Quarter Activities Report

For period ending 31 March 2016

Santos
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22 April 2016

Key Highlights

- First quarter production of 15.6 mmboe was up 11% on the corresponding quarter and 5% higher than the previous quarter.
- Sales volumes were up 40% on the corresponding quarter. First quarter sales revenue was A\$835 million.
- The average realised oil price decreased 28% to A\$51 (US\$37) per barrel.
- First quarter upstream production costs of A\$11.90 per barrel, excluding LNG plant costs, were 13% lower than the corresponding quarter.
- First quarter capital expenditure of A\$209 million was 59% lower than both the corresponding quarter and the previous quarter.
- GLNG train 1 produced 958,000 tonnes of LNG and shipped 16 cargoes in the quarter. Sales under the long-term contracts with GLNG's foundation customers commenced at the end of March 2016.
- Kevin Gallagher commenced as Managing Director and Chief Executive Officer on 1 February 2016.

Santos Managing Director and Chief Executive Officer Kevin Gallagher said the company's first quarter results reflect solid production and a firm commitment to drive costs down and improve efficiencies across the business.

"We are focused on developing a business that is self-sustaining in a low oil price environment and well positioned to take full advantage of rising commodity prices in the future.

"We will continue to look for opportunities to lift productivity and reduce costs to drive long-term value for shareholders," Mr Gallagher said.

2016 production guidance of 57-63 mmboe is maintained.

Comparative performance at a glance

Corresponding period	Q1 2016	Q1 2015	Change
Production (mmboe)	15.6	14.0	+11%
Sales (mmboe)	21.3	15.2	+40%
Average realised oil price (A\$/bbl)	51.26	71.58	-28%
Sales revenue (A\$million)	835	825	+1%
Capital expenditure (A\$million) ¹	209	511	-59%
Quarterly comparison	Q1 2016	Q4 2015	Change
Production (mmboe)	15.6	14.9	+5%
Sales (mmboe)	21.3	17.2	+24%
Average realised oil price (A\$/bbl)	51.26	61.30	-16%
Sales revenue (A\$million)	835	828	+1%
Capital expenditure (A\$million) ¹	209	505	-59%

¹ Capital expenditure including restoration expenditure and excluding capitalised interest.

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Sales gas, ethane and sales gas to LNG production of 72.2 PJ for the quarter was 14% higher than the corresponding quarter, reflecting a full quarter of GLNG train 1 production. Total sales gas, ethane and LNG sales revenue increased 16% to A\$602 million for the quarter.

Quarterly crude oil production of 2.1 mmbbl was 5% lower than the previous quarter, primarily due to natural field decline. The average oil price for the quarter was A\$51 per barrel, 16% lower than the previous quarter, reflecting lower global oil prices. Total crude oil sales revenue of A\$180 million for the quarter was 17% lower than the previous quarter reflecting lower oil prices and flat sales volumes.

Corporate activities

Cash proceeds of A\$520 million from the sale of the Kipper gas asset to Mitsui E&P Australia were received on 3 March 2016.

On 1 April 2016, Santos announced the establishment of the new Executive team ("Excom") and the transition to a functional based organisational structure. This was a key step in establishing a new operating model for Santos that is focused on both lifting productivity and driving long-term value for shareholders in a low oil price environment.

The new organisational structure involves moving away from geographic based business units to an asset focused model with strong technical capabilities in the primary business areas of exploration, development, production and commercial. The transition to the new organisation is expected to take place over the next few months, consistent with the company's commitment to safe, sustainable development and operations.

The 2016 Annual General Meeting will be held at the Adelaide Convention Centre on Wednesday 4 May 2016 at 10:00 am.

2016 Guidance

All 2016 guidance is maintained, as shown in the table below.

Item	2016 Guidance
Production	57-63 mmboe
Sales	76-83 mmboe
Upstream production costs (excluding LNG plant costs)	A\$13.5-14/boe produced
Depreciation, depletion & amortisation (DD&A) expense	A\$1.1 billion
Capital expenditure (incl. exploration, evaluation and restoration, excluding capitalised interest) ¹	A\$1.1 billion

¹ Capital expenditure guidance excludes capitalised interest, which is forecast at approximately A\$30 million.

Further detail of 2016 capital expenditure, including exploration and evaluation expenditure, is reported in the table on page 7 of this report.

Production (Santos share)

	Q1 2016	Q1 2015	Q4 2015	Full-year 2015
Sales gas and ethane (PJ)				
Cooper	15.5	14.9	16.0	63.0
Carnarvon	12.7	13.8	11.1	51.6
Indonesia	6.0	5.6	6.2	23.8
Denison/Scotia/Spring Gully/Combabula	4.7	3.3	4.3	14.3
Otway	2.5	3.5	2.6	13.0
GLNG domestic	1.4	1.8	0.0	4.7
Other ¹	1.6	1.4	1.5	5.6
Total sales gas and ethane production (PJ)	44.4	44.3	41.7	176.0
Total sales gas and ethane production (mmboe)	7.6	7.6	7.1	30.2
Sales gas to LNG (PJ)				
PNG LNG (incl. SE Gobe)	16.0	14.0	15.4	59.5
GLNG ²	6.6	-	5.4	5.7
Darwin LNG	5.2	4.9	4.9	19.5
Total sales gas to LNG production (PJ)	27.8	18.9	25.7	84.7
Total sales gas to LNG production (mmboe)	4.8	3.2	4.5	14.6
Condensate (000 barrels)				
PNG LNG	382.4	334.7	377.2	1,441.9
Cooper	243.5	243.7	251.9	943.9
Bayu-Undan	130.2	190.5	136.8	682.1
Carnarvon	120.9	136.6	98.4	511.8
Other ³	8.7	13.7	10.3	54.6
Total condensate production (000 barrels)	885.7	919.2	874.6	3,634.3
Total condensate production (mmboe)	0.8	0.9	0.7	3.4
LPG (000 tonnes)				
Cooper	29.0	25.8	29.6	114.2
Bayu-Undan	6.8	10.4	7.5	37.5
Total LPG production (000 tonnes)	35.8	36.2	37.1	151.7
Total LPG production (mmboe)	0.3	0.3	0.4	1.3
Crude oil (000 barrels)				
Cooper	681.9	708.6	671.4	2,840.4
Vietnam	672.7	774.3	701.0	2,610.4
Mutineer-Exeter/Fletcher Finucane	348.6	85.8	394.7	972.0
Stag	185.6	180.1	227.9	817.1
Barrow	114.7	117.5	120.2	483.8
Other ⁴	65.4	105.4	60.1	422.0
Total crude oil production (000 barrels)	2,068.9	1,971.7	2,175.3	8,145.7
Total crude oil production (mmboe)	2.1	2.0	2.2	8.2
Total				
Production (mmboe)	15.6	14.0	14.9	57.7

¹ Amadeus, Vietnam and Gunnedah.

² GLNG production is Santos' share of the sales gas to LNG produced from the GLNG upstream fields at Fairview and Roma. Santos portfolio gas produced for the Horizon contract is attributed to the field of production.

³ Amadeus, Otway, Indonesia and Queensland.

⁴ Amadeus, Queensland, Indonesia and PNG.

Sales volumes and sales revenue (Santos share)

	Q1 2016	Q1 2015	Q4 2015	Full-year 2015
Sales gas and ethane¹				
Sales – own product (PJ)	44.4	39.4	36.1	158.1
Sales – third party (PJ)	16.4	6.0	10.8	25.9
Total sales (PJ)	60.8	45.4	46.90	184.0
Average gas price (A\$/GJ)	4.97	5.38	5.46	5.39
Total sales revenue (A\$million)	301	244	257	993
LNG²				
Sales – own product (000 tonnes)	557.5	332.4	416.3	1,429.3
Sales – third party (000 tonnes)	107.0	-	55.0	55.0
Total sales (000 tonnes)	664.5	332.4	471.3	1,484.3
Average LNG price (A\$/mmbtu)	8.63	15.78	11.01	11.86
Average LNG price (US\$/mmbtu)	6.24	12.33	7.94	8.94
Total sales revenue (A\$million)	301	276	273	925
Condensate				
Sales – own product (000 barrels)	853.6	872.7	844.8	3,506.6
Sales – third party (000 barrels)	21.8	20.1	15.0	67.7
Total sales (000 barrels)	875.4	892.8	859.8	3,574.3
Average condensate price (A\$/bbl)	46.78	65.46	66.23	67.89
Average condensate price (US\$/bbl)	33.78	51.13	47.73	51.16
Total sales revenue (A\$million)	41	58	57	243
LPG				
Sales – own product (000 tonnes)	22.1	35.0	36.1	161.1
Sales – third party (000 tonnes)	1.6	2.5	1.5	7.1
Total sales (000 tonnes)	23.7	37.5	37.6	168.2
Average LPG price (A\$/tonne)	519.64	637.71	651.78	615.66
Average LPG price (US\$/tonne)	375.28	498.12	469.74	463.90
Total sales revenue (A\$million)	12	24	24	103
Crude oil				
Sales – own product (000 barrels)	2,160.5	1,975.4	2,056.7	8,236.6
Sales – third party (000 barrels)	1,353.2	1,139.2	1,491.5	5,510.0
Total sales (000 barrels)	3,513.7	3,114.6	3,548.2	13,746.6
Average crude oil price (A\$/bbl)	51.26	71.58	61.30	71.44
Average crude oil price (US\$/bbl)	37.02	55.91	44.18	53.83
Total sales revenue (A\$million)	180	223	217	982
Total				
Sales – own product (mmboe)	16.1	13.0	13.3	53.7
Sales – third party (mmboe)	5.2	2.2	3.9	10.6
Total sales volume (mmboe)	21.3	15.2	17.2	64.3
Third party product purchases (A\$million)	178	111	121	476
Sales – own product (A\$million)	628	704	646	2,659
Sales – third party (A\$million)	207	121	182	587
Total sales revenue (A\$million)	835	825	828	3,246

¹ Domestic sales gas and ethane.

² Includes PNG LNG, Darwin LNG and GLNG sales.

Activity by asset

Comparisons between periods for gas, condensate, LNG and LPG production are made between the current quarter and the same quarter from the previous year, as production is influenced by seasonal factors. Conversely, comparisons for crude oil are made with the immediate previous quarter, as oil production rates are not generally subject to seasonal variations. Both comparisons are available in the table on page 3.

PNG LNG

During the quarter, PNG LNG operated at an annualised rate of approximately 8.0 mtpa. 26 LNG cargoes were shipped during the quarter, taking the total to 182 cargoes since start-up in May 2014.

Gross gas production was 115 PJ (Santos share 15.7 PJ), measured at the inlet of the LNG plant. Gross condensate production for the quarter was 2.8 mmbbl (Santos share 382,400 barrels), measured at the Kutubu entry point. Gross gas production from SE Gobe of 3.8 PJ (Santos share 0.3 PJ) was purchased by the PNG LNG project during the quarter.

GLNG

GLNG train 1 operated at an annualised rate of approximately 3.8 mtpa during the quarter, with 958,000 tonnes of LNG produced. 16 LNG cargoes were shipped during the quarter, taking the total to 23 cargoes since start up in September 2015. Sales under the long-term contracts with GLNG's foundation customers commenced at the end of March 2016.

Gross gas delivered to the plant during the quarter was 59.3 PJ from GLNG's supply portfolio including GLNG indigenous production, Santos' portfolio and third-party purchased quantities. Santos' share of GLNG domestic gas and sales gas to LNG production was 8.0 PJ for the quarter.

Commissioning work on the second LNG train is progressing well, with first gas introduced into the front end of the train in April. All six refrigerant compressors have been run and the wet flare, dry flare and fuel gas systems are operational. First LNG is expected in the second quarter of 2016.

Bayu-Undan/Darwin LNG

Gross gas to production in the first quarter of 55.6 PJ (Santos share 5.2 PJ) was in line with the corresponding quarter due to continued high availability and capacity utilisation at Darwin LNG. 14 LNG cargoes were shipped during the quarter.

Gross condensate production decreased by 36% to 1.49 mmbbl (Santos share 130,200 bbl) and LPG was down 39% to 72,000 tonnes (Santos share 6,800 tonnes) during the quarter. This was primarily due to planned wellhead platform (WP1) maintenance (which is scheduled to return to service at the end of the June quarter) and declining liquids yields due to the effects of lean gas recycling.

Cooper Basin

Sales gas and ethane production during the first quarter of 15.5 PJ was 4% higher than the corresponding quarter reflecting reduced downtime. Four appraisal and four development gas wells were drilled during the quarter, seven of which were cased and suspended for future production. Condensate production was in line with the corresponding quarter at 243,500 bbl while LPG production of 29,000 tonnes was up 12% as a result of higher gas production.

Crude production was in line with the previous quarter due to new wells online offsetting natural field decline. During the quarter the McKinley two-well campaign was completed successfully. In addition, five existing wells in the Cuisinier field were successfully recompleted.

Carnarvon

Gas and condensate production of 12.7 PJ and 120,900 barrels respectively were 8% and 11% lower than the corresponding quarter due to lower domestic gas nominations. Total oil production of 648,900 barrels was 13% lower than the previous quarter due to natural field decline.

Indonesia

Santos' net entitlement to gas production of 6.0 PJ was 7% higher than the corresponding period. Net entitlement gas production from the Madura PSC was in line with the corresponding quarter due to increased contractor entitlement in Peluang and Maleo, offset by decreased gross production volumes which averaged 63 TJ/day for the quarter. Santos' net entitlement to gas production from the Sampang PSC increased by 18% primarily due to planned shutdown activity at Oyong for workover activities during the corresponding quarter.

Oyong net entitlement oil production for the quarter was 33,800 barrels.

Vietnam

Gross oil production from the Chim Sào and Dua fields was 24,500 barrels per day, 4% lower than the previous quarter due to natural field decline. Gross oil production since start-up from the Chim Sào and Dua fields passed 40 million barrels during the quarter. Santos' net entitlement to oil production during the first quarter from the combined fields was 672,700 barrels. Net entitlement gas production was 1.1 PJ.

Denison/Scotia/Spring Gully/Combabula

Sales gas production of 4.7 PJ was up 42% on the corresponding quarter. Production from Combabula continues to ramp up in line with APLNG nominations.

Otway

Sales gas production of 2.5 PJ was 29% lower than the corresponding quarter due to natural field decline. Production from the Casino hub was 2.2 PJ of sales gas and 1,400 barrels of condensate. Minerva production was 0.3 PJ of sales gas and 690 barrels of condensate.

Capital expenditure

Total exploration, evaluation and development expenditure is summarised in the table below.

	Q1 2016	Q1 2015	Q4 2015	Full-year 2015
Capital expenditure (A\$million)				
Exploration	23	132	45	277
Evaluation	36	40	79	150
Development and other capex (including restoration)	150	340	381	1,283
Capital expenditure excluding capitalised interest	209	511	505	1,710
Capitalised interest	9	59	29	156
Total capital expenditure	218	571	534	1,866
Exploration and evaluation expensed (A\$million)				
Exploration	19	51	19	180
Evaluation	14	9	18	38
Total current year expenditure	33	60	37	218
Write-off of amounts capitalised in prior years	1	13	-	26
Total expensed	34	73	37	244

Exploration activity

The table below details wells drilled during the first quarter and their status.

Well name	Basin/area	Target	Santos %	Well status
Davis-1 (WA-214-P)**	Carnarvon – WA	Gas	45	Gas discovery
Merem-1 (Madura PSC)	East Java – Indonesia	Gas	77.5	P&A, dry hole
Melewis-1 (Madura PSC)	East Java – Indonesia	Gas	77.5	Gas discovery, evaluation ongoing

Not operated by Santos.

* Spudded in Q4 2015

Santos' 2016 exploration program is focused on lower risk, near-field exploration wells that target domestic gas markets through existing infrastructure.

Carnarvon

The Davis-1 near-field exploration well was drilled in permit WA-214-P, approximately 12 kilometres from the existing John Brookes platform. The well discovered gas in the Maitland sandstone and has been plugged and abandoned as planned.

Indonesia

A two-well near-field exploration program was conducted in the Madura Straits, offshore East Java, targeting the Pliocene-aged Mundu Formation which is productive in the adjacent Santos-operated Maleo and Peluang fields.

The Melewis-1 well encountered a gas column which is currently being evaluated via drill stem testing. The Merem-1 well failed to encounter hydrocarbons and was plugged and abandoned.

Seismic activity

The table below details seismic activity during the first quarter and status

Permit	Basin/area	Survey	Type	km/km ²	Status
PPLs 13, 23, 58, 92, 231 ATP 1189P PLs 34, 37, 63, 84, 110, 130, 134, 140, 186	Cooper Basin	Snowball 3D	Land 3D	1,698 km ²	25% Complete (424 km ² of 1,698 km ²)

Drilling summary

Appraisal/evaluation wells

The table below details wells drilled during the first quarter and their status.

Well name	Basin/area	Target	Santos %	Well status
Beryllium-1	Cooper - SA	Gas (NFE)	60.00	C&S, successful gas
Moomba-212	Cooper - SA	Gas	66.60	C&S, successful gas
Sphalerite-1	Cooper - SA	Gas (NFE)	60.00	P&A, dry hole
Varanus South-2	Cooper - SA	Gas (NFE)	60.00	C&S, successful gas

Development wells

The table below details development wells drilled during the first quarter and their status.

Well name	Basin/area	Target	Santos %	Well status
Jack Lake-4	Cooper - SA	Gas	86.81	C&S, successful gas
Jack Lake-5	Cooper - SA	Gas	86.81	C&S, successful gas
McKinlay-10*	Cooper - SA	Oil	66.60	C&S, successful gas
McKinlay-11	Cooper - SA	Oil	66.60	C&S, successful gas
Moomba-207*	Cooper - SA	Gas	66.60	C&S, successful gas
Moomba-208	Cooper - SA	Gas	66.60	C&S, successful gas
RM02-11-1	Roma - QLD	CSG	30.00	C&S, successful gas
RM02-18-1	Roma - QLD	CSG	30.00	C&S, successful gas
RM02-19-1	Roma - QLD	CSG	30.00	C&S, successful gas
RM02-25-1	Roma - QLD	CSG	30.00	C&S, successful gas
RM02-26-1	Roma - QLD	CSG	30.00	C&S, successful gas
RM02-32-1	Roma - QLD	CSG	30.00	C&S, successful gas
RM03-44-1	Roma - QLD	CSG	30.00	C&S, successful gas
RM03-48-1	Roma - QLD	CSG	30.00	C&S, successful gas
RM03-49-1	Roma - QLD	CSG	30.00	C&S, successful gas
RM03-58-1	Roma - QLD	CSG	30.00	C&S, successful gas

Well name	Basin/area	Target	Santos %	Well status
RM03-61-1	Roma – QLD	CSG	30.00	C&S, successful gas
RM08-18-1	Roma – QLD	CSG	30.00	C&S, successful gas
RM08-18-2	Roma – QLD	CSG	30.00	C&S, successful gas
RM09-49-1	Roma – QLD	CSG	30.00	C&S, successful gas
RM14-01-1	Roma – QLD	CSG	30.00	C&S, successful gas
RM14-01-2	Roma – QLD	CSG	30.00	C&S, successful gas
RM14-02-1	Roma – QLD	CSG	30.00	C&S, successful gas
RM14-02-2	Roma – QLD	CSG	30.00	C&S, successful gas
RM14-02-3	Roma – QLD	CSG	30.00	C&S, successful gas

*Spudded during fourth quarter 2015

Abbreviations and conversion factors

Abbreviations		Conversion factors	
C&C	cased and completed	Sales gas and ethane, 1 PJ	171.937 boe x 10 ³
C&S	cased and suspended	Crude oil, 1 barrel	1 boe
CSG	coal seam gas	Condensate, 1 barrel	0.935 boe
FPSO	floating production, storage and offloading	LPG, 1 tonne	8.458 boe
GJ	gigajoules	LNG, 1 PJ	18,040 tonnes
LNG	liquefied natural gas	LNG, 1 tonne	52.54 mmbtu
LPG	liquefied petroleum gas		
mmbbl	million barrels		
mmboe	million barrels of oil equivalent		
mmbtu	million British thermal units		
mmscf	million standard cubic feet		
mtpa	million tonnes per annum		
NFE	near-field exploration		
P&A	plugged and abandoned		
pa	per annum		
PJ	petajoules		
PSC	production sharing contract		
T	tonnes		
TJ	terajoules		