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The Santos logo is displayed in a bold, blue, sans-serif font.

TO: ASX Market Announcements
FROM: Company Secretary
DATE: 4 May 2016
SUBJECT: 2016 Annual General Meeting

Please find attached the Chairman's and Managing Director and Chief Executive Officer's addresses to the 2016 Annual General Meeting held in Adelaide today.

David Lim
Company Secretary

Chairman's Address

Good morning ladies and gentlemen, fellow shareholders, and welcome to the 2016 Annual General Meeting of Santos Limited.

I would like to acknowledge and pay respect to the traditional owners of the land on which we meet, the Kurna people.

Before we commence the business of the meeting, please familiarise yourselves with the evacuation procedures shown on the screens above.

I confirm that a quorum is present and now formally declare the meeting open.

First some introductions.

Starting with the members of the Santos Board, from my far right, independent non-executive directors Yasmin Allen, Hock Goh and Greg Martin. Next to me is David Lim, Company Secretary.

The other independent, non-executive directors from my far left are Scott Sheffield, Jane Hemstrich, Roy Franklin and Ken Dean.

And seated next to me is the Company's new Chief Executive Officer, Kevin Gallagher.

We are very pleased with Kevin's appointment, and you will hear from him later.

Also present today is Trevor Hammond, representing our auditor Ernst and Young.

The Notice of Meeting was distributed to shareholders on Friday the 1st of April.

I will commence our business today with my report to you, which will cover the challenges we faced in 2015 and our actions to deal with them.

As I am sure everyone at this meeting knows, 2015 provided many significant challenges for our business and indeed the entire industry.

Between September 2014 and the end of 2015, we saw the oil price decline by over US\$60 per barrel, and prices remain volatile.

It has been an extraordinarily tough environment.

Whilst the Board acknowledges and of course deeply regrets the financial cost of these events to shareholders in the short-term, we have acted decisively to reinforce the company's balance sheet.

The action taken has been the key to maintaining flexibility and providing time for the company to deal with the market environment we now face.

The decision to raise \$2.5 billion in equity from existing shareholders last November was not taken lightly, but ultimately, given the ongoing market volatility, it was determined that this was in the best interest of shareholders.

We do appreciate your support for the equity raise.

With the proceeds from this equity raise, the placement to Hony Capital and the Kipper asset sale, our balance sheet is much stronger.

Liquidity of over \$4 billion in cash and undrawn facilities provides a buffer to reinforce the company and deal with the short-term market challenges.

As I stressed at the time of the full-year results in February, we are treating our liquidity position only as a buffer.

Our objective is to fund operations through operating cash flow.

To that end, we have commenced a major transformation of the way Santos operates to drive costs down and improve productivity.

These initiatives are essential to remaining sustainable and ultimately, to maximising benefits from improved market conditions as they inevitably return.

This work is not finished but it is well underway. I can assure you that our new CEO clearly understands that this is his number one priority.

In short, ladies and gentlemen, it has been a tough year.

However, let's not lose sight of the progress the company made during the year.

Operationally, the business performed well.

Santos achieved its highest production in seven years and its best ever safety performance.

Production costs per barrel were down by 10% and capital expenditure down by more than 50%.

It is a credit to our employees that they maintained focus on safe and efficient operations and project delivery in the face of destabilising market conditions.

As you came in and took your seats, you saw video footage of the *Seri Bakti* loading the first cargo shipped from the Gladstone LNG project last October.

This was the culmination of an historic journey for Santos.

We are very proud of the project's successful delivery and early performance. GLNG has now shipped over 25 cargoes and produced more than 1.5 million tonnes of LNG.

Notwithstanding this success, I accept that when the key LNG investment decisions were made, like most in the industry, we did not fully anticipate the timing, speed or depth of the current down cycle for oil prices.

But Santos is a long-term business.

Over the past five years, our multi-billion dollar investments in Papua New Guinea and Gladstone were made with this in mind. While they required us to increase our debt level in the short-term, they are by no means short-term projects.

Any final judgement on the success of our LNG strategy should be measured through the oil price cycle, rather than today's spot price.

Our confidence in the long-term demand for energy remains strong. As does our belief that Santos is well positioned to benefit from this growing demand.

We have already implemented significant initiatives to drive costs out, improve productivity and ultimately, produce more for less.

Kevin will talk further on these matters when he provides his comments on the company's operations shortly.

The fully-franked final dividend of five cents per share was as forecast at the time of the equity raising in November last year.

The Board believes the new dividend framework is the most appropriate way to deliver short-term returns to shareholders. This is consistent with our objective to manage through low oil price environments.

Subject to business conditions, dividends will be based on a payout ratio, expected to be a minimum of 40% of underlying net profit after tax.

This will better reflect the company's exposure to oil-linked LNG pricing and the cyclical nature of global oil markets.

I will now introduce our new Chief Executive Officer, Kevin Gallagher, and provide an update on the Board's renewal program.

Kevin joined the Company in February and brings with him valuable insight and a proven track record of achievement for shareholders.

His career spans international oil and gas experience with Mobil and with Woodside on the North West Shelf project.

Most recently he was CEO of Clough Engineering, a major contractor to the oil and gas industry.

He has highly relevant experience across all aspects of our business.

He is ideally suited to lead Santos as we move from a focus on major strategic developments to delivering strong operational results in a continuing low oil price environment.

I can assure you that he has hit the ground running.

On behalf of the Board, I would also like to take this opportunity to thank Mr David Knox, former CEO, who stepped down late last year after seven years in the role. I'd like to acknowledge his role in leading the delivery of our LNG growth strategy.

With the strategic review completed and the company's balance sheet and liquidity position substantially strengthened, the Board is continuing its own renewal program.

This program has seen four new directors recruited to the board since 2012. They are Hock Goh, Scott Sheffield, Yasmin Allen and now Kevin Gallagher.

I am also pleased to advise that Peter Hearl and Guy Cowan have agreed to join the Santos Board.

Peter Hearl has over 30 years' international experience, including 18 years in the oil and gas industry with Exxon Mobil. He is a director of Telstra Corporation and Treasury Wine Estates.

Guy Cowan also has over 30 years' business experience, including 25 years in the oil and gas industry with Shell. He is a director of UGL Limited and Queensland Sugar Limited.

I look forward to welcoming Peter and Guy when they join the Santos Board shortly after today's meeting. They will also join the Board's Audit and Risk Committee.

Peter is very disappointed that due to a prior engagement he is not able to be here today. However, Guy is here and Guy could I ask you please to stand up and give us a wave.

Thank you, Guy. Shareholders will be able to catch up with Guy after the meeting over morning tea.

I would also like to acknowledge Ken Dean and Jane Hemstrich, who retire from the Board at the conclusion of today's meeting. Ken and Jane provided many years of outstanding service on the Santos Board and its Committees, including as Chairs of the Audit and Risk Committee.

On behalf of the Board and shareholders, thank you Ken and thank you Jane.

Before I hand over to Kevin, I would like to thank you, our shareholders, for your continued support.

The company has gone through an incredible major project delivery phase.

As I committed to you in my address last year, the Board is intent on ensuring Santos emerges from the oil price challenge as a more productive, agile and leaner business.

The focus now is to consolidate the business and drive efficiencies to ensure Santos is self-sustaining at low oil prices.

Rest assured that demand for energy will continue to grow over the medium-term and that we are well placed to reap the benefits from this growth.

Shareholders have good reason to be confident in the company's future.

I'll now hand over to Managing Director and Chief Executive Officer, Kevin Gallagher.

Thank you.

Managing Director and Chief Executive Officer's Address

Thank you Peter and good morning everyone.

This is my first AGM since becoming Managing Director and CEO, and I am very pleased to have the opportunity to speak with you all this morning.

There is no question that lower oil prices have put significant pressure on oil and gas companies, including Santos.

The 2015 financial results reflect the impact of low oil prices on our profits and on the value of our assets.

Despite the pleasing production and a solid operating performance in 2015, Santos recorded an overall loss of \$2.7 billion following asset impairments of \$2.8 billion.

This is a disappointing result, but it shows the stark reality that our business must be sustainable in a low oil price environment.

Since joining the company in February, I have had a first-hand look at our major operating assets.

I have had the opportunity to meet many of our employees, customers, suppliers, landowners and major shareholders.

I have been encouraged by their strong support for Santos and their enthusiasm for change.

Before dealing with the changes that have already been made, let me start with safety.

In 2015, Santos recorded its best safety performance on record with a lost time injury frequency rate of 0.1 incidents per million hours worked.

I would like to thank our employees for staying focussed on operations and safety during the year.

But let me tell you what I have told our operating teams: "Don't be complacent", and we won't be.

Likewise, last year Santos was recognised again for sustainable operations and placed in the top 10% of the Dow Jones Asia Pacific Sustainability Index for the sixth year in a row.

This is a fantastic achievement and one we are all proud of.

My immediate priority has been to review and understand our asset portfolio and to make sure that we have the right people and the right teams in place to drive performance.

It is clear there is a lot to do.

Last month, I announced a new executive team and a new organisational structure that involves a move away from geographic business units to create a single business: one Santos.

This means an asset-based management structure with strong technical capabilities in exploration, development and production.

The review of our operating assets is ongoing and the transition to the new structure will be completed over the next few months.

At the same time we are focussed on running the business and looking to increase operating cashflow through cost reduction and improvements in productivity.

The near term strategy is clear:

- Stabilise the business.
- Reduce debt.
- Put the right framework in place to become a low cost, reliable and high performance business.

This will put Santos in the position where it has the flexibility to take advantage of future opportunities.

However we must be careful not to over-extend ourselves in terms of debt.

At the end of 2015, the Santos Board acted decisively to strengthen the balance sheet and create a buffer against market volatility.

We must now ensure that we live within our means and fund our activities through operating cash flow.

Our aim, is to be cash flow break-even at between US\$35-40 per barrel on a portfolio basis.

My overall objective is therefore to deliver shareholder value. This will require a highly disciplined approach to everything we do.

Discipline in ensuring that our operations are safe and reliable.

Discipline in the application of strong technical capabilities to drive performance and maximise returns.

Discipline in allocating capital to make better investment decisions.

Discipline, as you can gather, is at the heart of the values we will display at Santos both internally and externally.

I am also committed to recapturing the values of our pioneering past: the drive, the focus and the self-belief that saw Santos develop the Cooper Basin.

I am genuinely excited by the opportunities within our asset portfolio to deliver real long-term growth, based on an increasing global need for cleaner energy.

Natural gas is the only fuel that can deliver reliable, cleaner and affordable energy to the world's major developing economies, including China.

For example, replacing one per cent of China's coal fired generating capacity with natural gas generation would save 35 million tonnes of carbon emissions per annum. This is equivalent to six per cent of Australia's annual emissions.

Over the next twelve months my priority is to strengthen our capabilities in exploration, development and production to lift our operational performance.

We will also strengthen our commercial and business development capabilities to maximise returns.

Let me explain what I mean by that.

It is essential that Santos rebuilds its exploration capability to find new reserves to provide future growth.

This includes an assessment of targets in the Northern Territory and Queensland, and near-field exploration to deliver additional gas.

The exploration team, led by Bill Ovenden, will do the hard technical work to define new resources that will ultimately provide backfill for existing infrastructure or that will be developed as new projects.

Brett Woods, as head of development, will provide the necessary capabilities to manage sustaining capital and to deliver our development projects such as the opportunities in PNG, Darwin LNG backfill and the ongoing technical assessment of the Narrabri Gas Project.

Vince Santostefano, as Chief Operations Officer, will build on the production success of 2015 and drive safe and low cost, reliable production across the business to maintain and increase our revenue stream.

Being a safe and reliable oil and gas supplier will provide the revenue that is the key to debt reduction and exploiting future opportunities.

John Anderson, as head of commercial and business development, will provide the necessary commercial capability and expertise that protects and increases our margins.

John will look to reshape our portfolio and prioritise assets and opportunities. Our objective is to create a good balance of conventional and unconventional projects to provide more stable returns throughout the cycle.

The other Executive Committee members, Andrew Seaton and Angus Jaffray, will work with me to support Bill, Brett, Vince and John.

Santos is a company with a long and proud history.

I firmly believe that Santos has the potential to be Australia's leading oil and gas exploration and production business. The partner of choice for low cost, safe and reliable operations.

There is no doubt in my mind that Santos has an exciting future. My new leadership team has been given a clear mandate from your Board to deliver on that future.

Together we will ensure that Santos emerges from these challenging times as a strong and sustainable business that delivers on its investment promise of shareholder value.

Thank you and I will hand back to Peter.

Ends.

The formal business of the meeting was then conducted.