

# Second Quarter Activities Report

For period ending 30 June 2017

# Santos

20 July 2017

## Key highlights

### Costs reduced

- Forecast free cash flow breakeven for 2017 reduced to US\$33/bbl<sup>1</sup>, down from US\$36.50/bbl in 2016.
- 2017 production cost guidance reduced to US\$8-8.25/boe, down from US\$8.45/boe in 2016.

### Balance sheet strengthened

- Net debt reduced to US\$2.9 billion at the end of the quarter, down from US\$3.5 billion at the end of 2016.

### Production and sales guidance upgraded

- 2017 production guidance upgraded to 57-60 mmbœ and sales guidance upgraded to 75-80 mmbœ.

### Record PNG LNG performance

- PNG LNG operated at an annualised rate of 8.6 mtpa in June, the highest monthly rate since start-up.

### Growth in PNG and Northern Australia

- PNG: The Muruk drilling programme confirmed the discovery of a potentially significant new gas field.
- Northern Australia: Positive results from the two-well Barossa appraisal drilling campaign strengthened the field's position as lead candidate to supply backfill gas to Darwin LNG.

Santos Managing Director and Chief Executive Officer Kevin Gallagher said the company's second quarter results delivered further progress on reducing costs, lowering net debt and improving the free cash flow position.

"Compared to the end of 2016, our net debt position is US\$600 million lower to US\$2.9 billion and our forecast free cash flow breakeven for 2017 now sits at US\$33 per barrel<sup>1</sup>, well below the US\$47 per barrel at the beginning of 2016.

"These are strong outcomes that highlight Santos' ongoing transformation into a low-cost, reliable and high performance business with a robust asset portfolio that can generate significant free cash flow in a lower oil price environment."

Second quarter production of 14.7 mmbœ was in line with the previous quarter. Sales volumes were up 16% to 21.5 mmbœ and sales revenues up 12% to US\$769 million primarily due to higher LNG prices and the timing of liftings. As a result of this solid operational performance, Santos has increased its production and sales volume guidance for 2017 to 57-60 mmbœ and 75-80 mmbœ respectively.

Mr Gallagher said more efficient, lower cost operations had enabled Santos to increase drilling activity in both the Cooper Basin and across its GLNG acreage. This has been achieved as a result of the significant improvements in drill, complete and connect upstream operations unit cost performance over the last 18 months. These additional wells will help boost production over the next few years so Santos can deliver increased gas supply for the domestic market. Santos also executed a number of term gas sales into the east coast domestic market during the second quarter.

"As a long-standing supplier of gas to Australian customers in both the east and west coast, we understand the importance of well-functioning domestic market," Mr Gallagher said.

"It is also pleasing to see our exploration and appraisal activity growing as part of our disciplined operating model, with successful outcomes in the Cooper Basin, as well as Muruk in PNG and Barossa offshore Northern Australia."

<sup>1</sup> Free cash flow breakeven is the average annual oil price in 2017 at which cash flows from operating activities (including hedging) equals cash flows from investing activities. Forecast methodology uses corporate assumptions. Excludes one-off restructuring and redundancy costs and asset divestitures.

## Comparative performance

Santos share	Units	Q2 2017	Q1 2017	Change	YTD 2017	YTD 2016	Change
Production	mmbœ	14.7	14.8	-1%	29.5	31.1	-5%
Sales volume	mmbœ	21.5	18.6	+16%	40.1	40.9	-2%
Average realised oil price	US\$/bbl	53.0	57.6	-8%	54.8	42.8	+28%
Sales revenue	US\$million	769	684	+12%	1,453	1,191	+22%
Capital expenditure <sup>1</sup>	US\$million	187	134	+40%	321	283	+13%

<sup>1</sup> Capital expenditure including restoration expenditure but excluding capitalised interest.

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## Sales volumes (Santos share)

Product	Unit	Q2 2017	Q1 2017	Q2 2016	YTD 2017	YTD 2016
LNG	000 t	754.8	729.0	637.6	1,483.8	1,302.1
Domestic sales gas and ethane	PJ	60.7	47.8	52.9	108.5	113.7
Crude oil	000 bbls	2,684.7	2,086.6	3,137.0	4,771.3	6,650.7
Condensate	000 bbls	991.8	1,046.5	999.8	2,038.3	1,875.2
LPG	000 t	26.7	42.8	41.5	69.5	65.2
<b>Sales</b>						
Own product	mmboe	15.0	14.1	15.2	29.1	31.3
Third party	mmboe	6.5	4.5	4.4	11.0	9.6
<b>Total sales volume</b>	<b>mmboe</b>	<b>21.5</b>	<b>18.6</b>	<b>19.6</b>	<b>40.1</b>	<b>40.9</b>

## Sales revenues (Santos share)

Product	Unit	Q2 2017	Q1 2017	Q2 2016	YTD 2017	YTD 2016
LNG	US\$m	290	272	174	562	390
Domestic sales gas and ethane	US\$m	279	212	200	491	416
Crude oil	US\$m	142	120	154	262	285
Condensate	US\$m	48	58	47	106	76
LPG	US\$m	10	22	15	32	24
<b>Sales</b>						
Own product	US\$m	557	504	462	1,061	913
Third party	US\$m	212	180	129	392	278
<b>Total sales revenue</b>	<b>US\$m</b>	<b>769</b>	<b>684</b>	<b>591</b>	<b>1,453</b>	<b>1,191</b>
Third party product purchases	US\$m	159	119	123	278	250

Second quarter sales volumes and revenues were higher than previous quarter primarily due to the timing of three PNG LNG DES cargoes shipped late March but delivered in April, combined with higher domestic sales volumes and higher LNG prices.

## Average realised prices

	Unit	Q2 2017	Q1 2017	Q2 2016	YTD 2017	YTD 2016
LNG price	US\$/mmBtu	7.32	7.09	5.19	7.21	5.70
Domestic sales gas price	US\$/GJ	4.60	4.45	3.77	4.53	3.62
Oil price	US\$/bbl	52.96	57.63	49.21	54.79	42.79
Condensate price	US\$/bbl	48.49	55.68	46.80	52.18	40.55
LPG price	US\$/t	372.81	503.75	374.79	467.19	374.64

## Production (Santos share)

Product	Unit	Q2 2017	Q1 2017	Q2 2016	YTD 2017	YTD 2016
Sales gas to LNG plant	PJ	32.4	31.2	25.7	63.6	53.5
Domestic sales gas and ethane	PJ	37.8	38.7	45.9	76.5	90.3
Crude oil	000 bbls	1,672.8	1,627.0	2,010.7	3,299.8	4,079.6
Condensate	000 bbls	810.7	855.7	884.5	1,666.4	1,770.2
LPG	000 t	34.7	35.9	37.3	70.6	73.1
<b>Total production</b>	<b>mmboe</b>	<b>14.7</b>	<b>14.8</b>	<b>15.5</b>	<b>29.5</b>	<b>31.1</b>

Second quarter production was in line with the previous quarter as higher GLNG equity gas and WA domestic gas production was offset by slightly lower Cooper Basin gas production. First half production was 5% lower than the previous half primarily due to the sale of the Victorian, Mereenie and Stag assets, partially offset by the ramp-up of GLNG and higher WA domestic gas production.

## Oil price hedging

2.7 million barrels of oil hedging expired in the second quarter under the zero-cost three way collar hedges, resulting in a positive cash settlement of US\$2.2 million being received during the quarter. Oil hedging was also commenced for 2018. The following oil price hedging positions were in place as at 18 July 2017.

Open oil price positions	2017	2018
Zero-cost three-way collars (barrels) <sup>1</sup>	5,520,000	4,562,500
Brent short call price (\$/bbl)	US\$62.85	US\$59.33
Brent long put price (\$/bbl)	US\$50.00	US\$46.93
Brent short put price (\$/bbl)	US\$40.00	US\$40.00

<sup>1</sup> When Brent price is above the weighted average short call price, Santos realises short call price. When Brent price is between the long put price and the weighted average short call price, Santos realises Brent price. When Brent price is between the long put price and the short put price, Santos realises the long put price. When Brent price is below the short put price, Santos realises Brent price plus the difference between the long put price and the short put price.

## 2017 Guidance

Production guidance is upgraded to 57-60 mmboe and sales volumes guidance to 75-80 mmboe. Upstream production cost guidance is lowered to US\$8-8.25/boe produced. All guidance is shown in the table below.

Item	Original guidance	Updated guidance
Sales volumes	73-80 mmboe	75-80 mmboe
Production	55-60 mmboe	57-60 mmboe
Upstream production costs	US\$8-8.50/boe produced	US\$8-8.25/boe produced
Depreciation, depletion and amortisation (DD&A)	US\$700-750 million	No change
Capital expenditure (including exploration, evaluation and restoration, excl cap. int.)	US\$700-750 million	No change

Further detail of 2017 half-year capital expenditure, including exploration and evaluation expenditure, is reported in the table on page 9 of this report.

## 2017 First-half results

Santos will release its results for the first-half ended 30 June 2017 on Thursday 24 August 2017. The first-half report (incorporating Appendix 4D) and associated investor presentation will be available on Santos' website at [www.santos.com](http://www.santos.com). A webcast briefing including investor/analyst questions will also be available on Santos' website from 11:00am AEST on 24 August 2017.

## Core assets

### Cooper Basin

Santos share	Units	Q2 2017	Q1 2017	Q2 2016	2017 YTD	2016 YTD
<b>Sales volume</b>						
Sales gas and ethane						
Own product	PJ	16.9	18.2	18.4	35.1	36.5
Third party	PJ	0.7	0.6	(0.4)	1.3	3.0
Total	PJ	17.6	18.8	18.0	36.4	39.5
Condensate						
Own product	000 bbls	336.1	371.6	342.3	707.7	502.8
Third party	000 bbls	40.1	38.5	51.3	78.6	73.1
Total	000 bbls	376.2	410.1	393.6	786.3	575.9
LPG						
Own product	000 t	19.1	32.5	32.5	51.6	46.7
Third party	000 t	2.0	2.0	1.0	4.0	2.6
Total	000 t	21.1	34.5	33.5	55.6	49.3
Crude oil						
Own product	000 bbls	667.3	412.8	558.7	1,080.1	1,211.3
Third party	000 bbls	1,070.6	730.2	1,073.7	1,800.8	2,445.8
Total	000 bbls	1,737.9	1,143.0	1,632.4	2,880.9	3,657.1
<b>Total sales volume</b>	<b>mmboe</b>	<b>5.4</b>	<b>5.0</b>	<b>5.4</b>	<b>10.4</b>	<b>11.4</b>
<b>Total sales revenue</b>	<b>US\$million</b>	<b>204</b>	<b>175</b>	<b>181</b>	<b>379</b>	<b>345</b>
<b>Production</b>						
Sales gas and ethane	PJ	13.9	14.7	16.0	28.6	31.5
Condensate	000 bbls	198.2	215.7	241.4	413.9	484.9
LPG	000 t	26.1	27.3	28.9	53.4	57.9
Crude oil	000 bbls	682.9	649.7	664.4	1,332.6	1,346.3
<b>Total production</b>	<b>mmboe</b>	<b>3.5</b>	<b>3.6</b>	<b>3.9</b>	<b>7.1</b>	<b>7.7</b>
Capital expenditure	US\$million	46	38	39	84	90

Sales gas and ethane sales volumes were lower than the previous quarter primarily due to lower spot sales, partially offset by higher gas sales to GLNG. Condensate and LPG sales volumes were lower than the previous quarter due to timing of liftings.

Crude oil sales volumes were higher than the previous quarter due to timing of liftings and higher third party volumes.

Sales gas and ethane production was lower as gas capacity additions were offset by natural field decline. Condensate production was lower due to natural field decline and lower condensate yields.

Higher crude oil production reflected new oil wells coming online offsetting natural field decline.

Fourteen development and appraisal gas wells were drilled during the quarter, taking the total to 25 gas wells for the first half. Drilling cost and schedule efficiencies continue to be realised and Santos is targeting to drill 52 wells with two rigs in 2017, compared to 31 wells with the same two rigs in 2015.

Of the nine development gas wells drilled in the second quarter, eight were cased and suspended for future production and one was drilling at quarter end.

Of the two appraisal and three near-field exploration gas wells drilled in the quarter, three were cased and suspended for future production.

## GLNG

Santos share	Units	Q2 2017	Q1 2017	Q2 2016	2017 YTD	2016 YTD
<b>Sales volume</b>						
GLNG Project						
LNG - own product	000 t	145.5	172.9	132.3	318.4	239.1
LNG - third party	000 t	222.3	228.0	170.4	450.4	353.0
<b>LNG – total</b>	<b>000 t</b>	<b>367.8</b>	<b>400.9</b>	<b>302.7</b>	<b>768.8</b>	<b>592.1</b>
Domestic contracts	PJ	7.9	3.3	4.6	9.8	10.9
Other <sup>1</sup>	PJ	4.8	3.8	5.8	9.3	10.1
<b>Total sales volume<sup>2</sup></b>	<b>mmboe</b>	<b>5.6</b>	<b>5.0</b>	<b>4.5</b>	<b>10.6</b>	<b>9.1</b>
<b>Total sales revenue<sup>2</sup></b>	<b>US\$million</b>	<b>187</b>	<b>167</b>	<b>102</b>	<b>354</b>	<b>218</b>
<b>Production</b>						
GLNG Project						
Sales gas to LNG	PJ	10.4	9.8	5.9	20.2	12.5
Domestic contracts	PJ	0.8	0.9	1.3	1.7	2.7
Other <sup>1</sup>	PJ	5.7	5.1	5.1	10.8	9.8
<b>Total production<sup>2</sup></b>	<b>mmboe</b>	<b>2.9</b>	<b>2.7</b>	<b>2.1</b>	<b>5.6</b>	<b>4.3</b>
Capital expenditure	US\$million	47	28	41	75	97

<sup>1</sup> Combabula, Ramyard, Spring Gully, Denison and Tardrum

<sup>2</sup> Total sales volume, sales revenue and production include minor condensate production from Denison

GLNG operational data (gross)	Units	Q2 2017	Q1 2017	Q2 2016	2017 YTD	2016 YTD
<b>Production</b>						
LNG <sup>1</sup>	000 t	1,073	1,367	991	2,441	1,949
Sales gas to LNG plant						
Own product	PJ	30	34	26	64	44
Third party	PJ	36	49	34	84	76
<b>Total sales gas to LNG plant</b>	<b>PJ</b>	<b>66</b>	<b>83</b>	<b>61</b>	<b>149</b>	<b>120</b>
LNG cargoes shipped		21	21	16	42	32

<sup>1</sup> Includes LNG produced from GLNG equity gas, Santos portfolio gas and third-party quantities

Upstream equity sales gas production was 6% higher than the previous quarter and 36% higher than the corresponding quarter primarily due to production enhancements in Fairview and stronger field performance in Roma. Forty-one development wells were drilled in the GLNG fields in the second quarter, with a further 18 top holes batch-drilled and suspended for further deepening as at the end of the quarter. Santos is now targeting to drill approximately 170 GLNG wells in 2017, up from original guidance of 130-150 wells.

Notwithstanding the higher upstream gas production, sales gas delivered to the LNG plant and LNG production were both lower than the previous quarter due to the planned four-week statutory inspection shutdown of LNG train 2 in June combined with the processing of GLNG gas at APLNG during their two-train completion test.

Gross daily production of 490 TJ/day from the Fairview field at the end of the quarter was ahead of forecast. All 12 wells of the Fairview infield project have been top-set and the project is over 40% complete.

The Roma field continues to de-water and gross daily production of 42 TJ/day at the end of the quarter was in line with forecast. The Roma 2B project is over 90% complete, with 151 of 159 wells online. The Roma 3A project is 70% complete, with all 29 wells now drilled and completions underway.

Gross daily production from the Scotia field at the end of the quarter was 28 TJ/d. The Scotia CF1 project is 38% complete, with 33 of the 84 wells spudded. Gross daily production from the Arcadia field at the end of the quarter was 8 TJ/d.

A planned three-week maintenance shutdown of LNG train 1 commenced in July.

## PNG

Santos share	Units	Q2 2017	Q1 2017	Q2 2016	2017 YTD	2016 YTD
<b>Sales volume</b>						
PNG LNG						
LNG <sup>1</sup>	000 t	300.1	232.8	236.7	532.9	518.8
Condensate	000 bbls	352.3	374.7	389.6	727.0	812.3
Crude oil	000 bbls	5.5	5.0	5.3	10.5	14.4
<b>Total sales volume</b>	<b>mmboe</b>	<b>3.2</b>	<b>2.6</b>	<b>2.6</b>	<b>5.8</b>	<b>5.7</b>
<b>Total sales revenue</b>	<b>US\$million</b>	<b>127</b>	<b>121</b>	<b>91</b>	<b>248</b>	<b>207</b>
<b>Production</b>						
PNG LNG						
Sales gas to LNG <sup>1</sup>	PJ	15.7	16.1	14.4	31.8	30.4
Condensate	000 bbls	357.8	377.1	351.2	734.9	733.6
Crude oil	000 bbls	5.4	5.0	6.1	10.4	13.7
<b>Total production</b>	<b>mmboe</b>	<b>3.1</b>	<b>3.1</b>	<b>2.8</b>	<b>6.2</b>	<b>5.9</b>
Capital expenditure	US\$million	4	4	(4)	8	1

<sup>1</sup> Includes SE Gobe

PNG LNG operational data (gross)	Units	Q2 2017	Q1 2017	Q2 2016	2017 YTD	2016 YTD
<b>Production</b>						
LNG	mt	2.0	2.0	1.8	4.0	3.8
Sales gas to LNG plant	PJ	119	121	109	239	228
Condensate <sup>1</sup>	000 bbls	2,658	2,786	2,592	5,444	5,419
Sales gas (SE Gobe) <sup>2</sup>	PJ	5	4	3	8	7
LNG cargoes shipped		27	27	25	54	51

<sup>1</sup> Measured at the Kutubu entry point

<sup>2</sup> Purchased by PNG LNG

During the quarter, PNG LNG operated at an annualised rate of approximately 8.1 mtpa, lower than the previous quarter due to scheduled LNG plant compressor maintenance in May, but averaged 8.6 mtpa in June, the highest monthly rate achieved since start-up.

LNG sales volumes were higher than the previous quarter due to the delivery of three DES cargoes that were shipped in late March but delivered in the second quarter.

## Northern Australia

Santos share	Units	Q2 2017	Q1 2017	Q2 2016	2017 YTD	2016 YTD
<b>Sales volume</b>						
Darwin LNG						
LNG	000 t	87.1	95.3	98.1	182.4	191.1
Bayu Undan						
Condensate	000 bbls	133.6	187.5	118.8	321.1	286.0
LPG	000 t	5.6	8.3	8.1	13.9	15.9
<b>Total sales volume</b>	<b>mmboe</b>	<b>1.0</b>	<b>1.2</b>	<b>1.1</b>	<b>2.2</b>	<b>2.2</b>
<b>Total sales revenue</b>	<b>US\$million</b>	<b>36</b>	<b>42</b>	<b>35</b>	<b>78</b>	<b>71</b>
<b>Production</b>						
Darwin LNG						
Sales gas to LNG	PJ	4.8	5.3	5.4	10.1	10.6
Bayu Undan						
Condensate	000 bbls	130.6	155.7	151.0	286.3	281.2
LPG	000 t	8.6	8.6	8.4	17.2	15.2
<b>Total production</b>	<b>mmboe</b>	<b>1.0</b>	<b>1.1</b>	<b>1.1</b>	<b>2.1</b>	<b>2.2</b>
Capital expenditure	US\$million	23	17	1	40	1

Darwin LNG / Bayu Undan operational data (gross)	Units	Q2 2017	Q1 2017	Q2 2016	2017 YTD	2016 YTD
<b>Production</b>						
LNG	000 t	794	897	978	1,691	1,906
Sales gas to LNG plant	PJ	48	54	59	103	114
Condensate	000 bbls	1,316	1,673	1,744	2,989	3,227
LPG	000 t	71	88	90	159	162
LNG cargoes shipped		12	14	15	26	29

Darwin LNG sales volumes and production were lower than the previous quarter due to planned maintenance.

Condensate sales volumes and production were lower than the previous quarter due to natural field decline and planned maintenance.

During the quarter, the two-well appraisal drilling campaign in the Barossa field was successfully completed. Positive results from the campaign, including a successful production test of Barossa-6, strengthened the field's position as lead candidate to supply backfill gas to Darwin LNG. The campaign significantly reduced resource uncertainty and further confirmed the high deliverability potential of the primary Elang reservoir. For further information, refer to ASX release of 28 June 2017.

Good progress continues to be made with pre-Front End Engineering Design (pre-FEED) studies on the Barossa development concept. The development concept includes a Floating Production Storage and Offloading (FPSO) facility, subsea production system and a gas export pipeline, all located in Commonwealth waters. Subsurface data obtained from the appraisal program will now be integrated into subsurface models to support a FEED-entry decision in early 2018.

The Barossa Area Development Offshore Project Proposal (Barossa OPP) has now also been published by the National Offshore Petroleum Safety and Environmental Management Authority (NOPSEMA) to provide the public with the opportunity to comment during the project's early design phase.

The Barossa offshore development area encompasses petroleum retention lease NT/RL5 and potential future phased development in the smaller Caldita field to the south in retention lease NT/RL6.

## Western Australia Gas

Santos share	Units	Q2 2017	Q1 2017	Q2 2016	2017 YTD	2016 YTD
<b>Sales volume</b>						
Sales gas	PJ	14.1	11.3	8.9	25.4	21.5
Condensate	000 bbls	129.3	73.1	95.0	202.4	194.9
<b>Total sales volume</b>	<b>mmboe</b>	<b>2.5</b>	<b>2.0</b>	<b>1.6</b>	<b>4.5</b>	<b>3.9</b>
<b>Total sales revenue</b>	<b>US\$million</b>	<b>65</b>	<b>51</b>	<b>30</b>	<b>116</b>	<b>74</b>
<b>Production</b>						
Sales gas	PJ	12.5	11.4	13.3	23.9	26.0
Condensate	000 bbls	118.8	106.3	133.7	225.1	254.6
<b>Total production</b>	<b>mmboe</b>	<b>2.2</b>	<b>2.1</b>	<b>2.4</b>	<b>4.3</b>	<b>4.7</b>
Capital expenditure	US\$million	3	2	2	5	10

Sales gas volumes and production were higher due to higher customer nominations in the current quarter and cyclone activity impacting the previous quarter.

## Other assets

### Asia, New South Wales and Western Australia Oil (ANWO)

Santos share	Units	Q2 2017	Q1 2017	Q2 2016	2017 YTD	2016 YTD
<b>Sales volume</b>						
Sales gas <sup>1</sup>	PJ	5.6	6.7	9.8	12.3	19.5
Condensate <sup>2</sup>	000 bbls	0.4	0.9	2.3	1.3	5.0
Crude oil <sup>3</sup>	000 bbls	948.7	955.0	1,517.3	1,903.7	3,018.8
<b>Total sales volume</b>	<b>mmboe</b>	<b>1.9</b>	<b>2.1</b>	<b>3.2</b>	<b>4.0</b>	<b>6.4</b>
<b>Total sales revenue</b>	<b>US\$million</b>	<b>79</b>	<b>88</b>	<b>118</b>	<b>167</b>	<b>217</b>
<b>Production</b>						
Sales gas <sup>4</sup>	PJ	6.3	6.6	10.1	12.9	20.2
Condensate <sup>2</sup>	000 bbls	5.1	0.8	6.7	5.9	15.3
Crude oil <sup>3</sup>	000 bbls	984.5	972.3	1,340.1	1,956.8	2,719.5
<b>Total production</b>	<b>mmboe</b>	<b>2.1</b>	<b>2.1</b>	<b>3.1</b>	<b>4.2</b>	<b>6.2</b>
Capital expenditure	US\$million	17	22	26	39	43

<sup>1</sup> Indonesia, Vietnam, Victoria and Mereenie. Victorian assets and Mereenie sold effective 1 January 2017.

<sup>2</sup> Indonesia and Victoria. Victorian assets sold effective 1 January 2017.

<sup>3</sup> Mutineer-Exeter/Fletcher Finucane and Barrow Island (Western Australia), Vietnam, Indonesia and Mereenie. Mereenie sold effective 1 January 2017. Stag (Western Australia) sold effective 11 November 2016.

<sup>4</sup> Indonesia, Vietnam, NSW, Victoria and Mereenie. Victorian assets and Mereenie sold effective 1 January 2017.

Total production and sales volumes from the ANWO assets were lower than the previous half year due to the sale of the Victorian, Mereenie and Stag assets.

Sales gas production in Indonesia and Vietnam was in line with the previous quarter. Stronger oil production in WA in the quarter (primarily due to cyclone-related shutdowns in the prior quarter) was partially offset by slightly lower oil production in Vietnam due to well workovers.



## Corporate, exploration and eliminations

Santos share	Units	Q2 2017	Q1 2017	Q2 2016	2017 YTD	2016 YTD
<b>Total sales volume</b>	<b>mmboe</b>	<b>1.9</b>	<b>0.7</b>	<b>1.2</b>	<b>2.6</b>	<b>2.2</b>
<b>Total sales revenue</b>	<b>US\$million</b>	<b>71</b>	<b>40</b>	<b>34</b>	<b>111</b>	<b>59</b>
Capital expenditure	US\$million	47	23	27	70	41

Sales volumes and revenues in the corporate segment primarily represent gas trading activities. Capital expenditure primarily represents exploration and evaluation activities not recorded against assets.

Capital expenditure is higher than the previous quarter primarily due to the farm-in to Muruk in PNG.

## Capital expenditure

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

US\$million	Q2 2017	Q1 2017	Q2 2016	YTD 2017	YTD 2016
<b>Capital expenditure</b>					
Exploration	43	30	24	73	40
Evaluation	36	17	31	53	57
Development and other capex (including restoration)	108	87	78	195	186
<b>Capital expenditure excl capitalised interest</b>	<b>187</b>	<b>134</b>	<b>133</b>	<b>321</b>	<b>283</b>
Capitalised interest	3	2	8	5	15
<b>Total capital expenditure</b>	<b>190</b>	<b>136</b>	<b>141</b>	<b>326</b>	<b>298</b>
<b>Exploration and evaluation expensed</b>					
Exploration	10	30	15	40	28
Evaluation	4	4	9	8	19
<b>Total current year expenditure</b>	<b>14</b>	<b>34</b>	<b>24</b>	<b>48</b>	<b>47</b>
Write-off of amounts capitalised in prior years	1	4	(1)	5	0
<b>Total expensed</b>	<b>15</b>	<b>38</b>	<b>23</b>	<b>53</b>	<b>47</b>

## Exploration activity

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

Well name	Basin/area	Target	Santos %	Well status
Muruk 1ST3**	PNG Southern Highlands Province	Gas	20%	P&A; gas discovery

# Not operated by Santos.

\* Spud in Q1 2017, completed in Q2 2017

Positive production well test results from the Muruk 1ST3 exploration well in the Papua New Guinea Highlands were announced on 14 June 2017. The Muruk drilling program confirmed the discovery of a potentially significant new gas field, 21 kilometres northwest of the Hides production facilities. The data from the Muruk drilling program will be evaluated to assist in the definition of forward appraisal options. Well site preparations are being planned for late 2017 ahead of a potential Muruk appraisal program in 2018.

## Drilling summary

### Appraisal/evaluation/near-field exploration (NFE) wells

Well name	Basin/area	Target	Santos %	Well status
Barossa 6 <sup>#</sup>	Bonaparte Basin - NT	Gas	25%	Tested; successful appraisal
Cougar 1	Cooper - QLD	Gas	60.06%	NFE; P&A
Gallan 1	Cooper - QLD	Gas	60.06%	NFE; P&A
Hector South 1	Cooper - QLD	Gas	60.06%	NFE C&S; successful gas
Lepard 3	Cooper - QLD	Gas	60.06%	C&S; successful gas
Snefru 1	Cooper - QLD	Gas	76.8%**	NFE C&S; successful gas

# Not operated by Santos.

\* Spud in Q1 2017, completed in Q2 2017

### Development wells

Well name	Basin/area	Target	Santos %	Well status
Avalon 3	Scotia - QLD	CSG	30%	C&S; successful CSG
Avalon 4 (top hole)	Scotia - QLD	CSG	30%	Suspended for later deepening
Avalon 9	Scotia - QLD	CSG	30%	C&S; successful CSG
Avalon 10	Scotia - QLD	CSG	30%	C&S; successful CSG
Avalon 11	Scotia - QLD	CSG	30%	C&S; successful CSG
Avalon 12	Scotia - QLD	CSG	30%	C&S; successful CSG
Avalon 13	Scotia - QLD	CSG	30%	C&S; successful CSG
Avalon 14	Scotia - QLD	CSG	30%	C&S; successful CSG
Avalon 15	Scotia - QLD	CSG	30%	C&S; successful CSG
Big Lake 139	Cooper - SA	Gas	86.81%**	C&S; successful gas
Big Lake 140 / 140ST1	Cooper - SA	Gas	86.81%**	C&S; successful gas
Big Lake 141	Cooper - SA	Gas	86.81%**	C&S; successful gas
Big Lake 142	Cooper - SA	Gas	86.81%**	C&S; successful gas
Big Lake 143	Cooper - SA	Gas	86.81%**	Drilling
Dullingari 42DW1	Cooper - SA	Gas	60.6%	C&S; successful gas
Dullingari 43DW1	Cooper - SA	Gas	60.6%	C&S; successful gas
FV11-49-2 (top hole)	Fairview - QLD	CSG	23.85%	Suspended for later deepening
FV11-55-1 (top hole)	Fairview - QLD	CSG	23.85%	Suspended for later deepening
FV11-56-1 (top hole)	Fairview - QLD	CSG	23.85%	Suspended for later deepening
FV11-57-1 (top hole)	Fairview - QLD	CSG	23.85%	Suspended for later deepening
FV11-58-1 (top hole)	Fairview - QLD	CSG	23.85%	Suspended for later deepening
FV11-59-1 (top hole)	Fairview - QLD	CSG	23.85%	Suspended for later deepening
FV11-60-1 (top hole)	Fairview - QLD	CSG	23.85%	Suspended for later deepening
FV11-61-1 (top hole)	Fairview - QLD	CSG	23.85%	Suspended for later deepening
FV11-62-1 (top hole)	Fairview - QLD	CSG	23.85%	Suspended for later deepening
FV11-65-1 (top hole)	Fairview - QLD	CSG	23.85%	Suspended for later deepening
FV11-66-1 (top hole)	Fairview - QLD	CSG	23.85%	Suspended for later deepening
FV11-67-1 (top hole)	Fairview - QLD	CSG	23.85%	Suspended for later deepening
FV12-37-1 (top hole)	Fairview - QLD	CSG	23.85%	Drilling
Inca 1DW1	Cooper - QLD	Gas	60.06%	C&S; successful gas
Moomba 216	Cooper - SA	Gas	100%**	C&S; successful gas

Well name	Basin/area	Target	Santos %	Well status
RM02-46-1	Roma - QLD	CSG	30%	C&S; successful CSG
RM02-47-1	Roma - QLD	CSG	30%	C&S; successful CSG
RM02-51-1*	Roma - QLD	CSG	30%	C&S; successful CSG
RM02-52-1	Roma - QLD	CSG	30%	C&S; successful CSG
RM02-53-1	Roma - QLD	CSG	30%	C&S; successful CSG
RM02-54-1	Roma - QLD	CSG	30%	C&S; successful CSG
RM03-38-1	Roma - QLD	CSG	30%	C&S; successful CSG
RM03-39-1	Roma - QLD	CSG	30%	C&S; successful CSG
RM03-69-1	Roma - QLD	CSG	30%	C&S; successful CSG
RM08-40-1	Roma - QLD	CSG	30%	C&S; successful CSG
RM08-44-1	Roma - QLD	CSG	30%	C&S; successful CSG
RM08-45-1	Roma - QLD	CSG	30%	C&S; successful CSG
RM08-68-1	Roma - QLD	CSG	30%	C&S; successful CSG
RM08-82-1	Roma - QLD	CSG	30%	C&S; successful CSG
RM08-84-1	Roma - QLD	CSG	30%	C&S; successful CSG
RM08-85-1	Roma - QLD	CSG	30%	C&S; successful CSG
RM09-54-1	Roma - QLD	CSG	30%	C&S; successful CSG
RM09-55-1	Roma - QLD	CSG	30%	C&S; successful CSG
RM09-56-1	Roma - QLD	CSG	30%	C&S; successful CSG
RM09-57-1	Roma - QLD	CSG	30%	C&S; successful CSG
RM09-58-1	Roma - QLD	CSG	30%	C&S; successful CSG
RM09-59-1	Roma - QLD	CSG	30%	C&S; successful CSG
RM09-60-1	Roma - QLD	CSG	30%	C&S; successful CSG
RM12-11-5	Roma - QLD	CSG	30%	C&S; successful CSG
RM12-71-1	Roma - QLD	CSG	30%	C&S; successful CSG
RM12-73-1	Roma - QLD	CSG	30%	C&S; successful CSG
RM13-58-1	Roma - QLD	CSG	30%	C&S; successful CSG
RM13-60-1	Roma - QLD	CSG	30%	Drilling
Scotia 47 (top hole)	Scotia - QLD	CSG	30%	Suspended for later deepening
Scotia 50	Scotia - QLD	CSG	30%	C&S; successful CSG
Scotia 51	Scotia - QLD	CSG	30%	C&S; successful CSG
Scotia 67 (top hole)	Scotia - QLD	CSG	30%	Suspended for later deepening
Scotia 68 (top hole)	Scotia - QLD	CSG	30%	Suspended for later deepening
Scotia 70 (top hole)	Scotia - QLD	CSG	30%	Suspended for later deepening
The Rock 8	Scotia - QLD	CSG	30%	C&S; successful CSG
The Rock 9	Scotia - QLD	CSG	30%	C&S; successful CSG
The Rock 10	Scotia - QLD	CSG	30%	C&S; successful CSG
The Rock 11	Scotia - QLD	CSG	30%	C&S; successful CSG
Woodroyd 3 (top hole)	Scotia - QLD	CSG	30%	Suspended for later deepening

\* Spud in Q1 2017, completed in Q2 2017

\*\* LTAP = Less than all parties

## Seismic activity

The table below details seismic activity during the second quarter and status.

Permit	Basin/area	Survey	Type	km/km <sup>2</sup>	Status
WA459P	Bonaparte	Fishburn 3D	3D	600 km <sup>2</sup>	28% complete

## Abbreviations and conversion factors

Abbreviations		Conversion factors	
C&C	cased and completed	Sales gas and ethane, 1 PJ	171.937 boe x 10 <sup>3</sup>
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
kbbbls	thousand barrels	LNG, 1 tonne	52.54 mmBtu
kt	thousand tonnes		
LNG	liquefied natural gas		
LPG	liquefied petroleum gas		
m	million		
mmbbl	million barrels		
mmboe	million barrels of oil equivalent		
mmBtu	million British thermal units		
mmscf	million standard cubic feet		
mt	million tonnes		
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		