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To: Company Announcements Office
ASX Limited

From: Company Secretary

Date 3 May 2012

Subject: 2012 Annual General Meeting

Please find attached the Chairman's and the CEO & Managing Director's addresses to the 2012 Annual General Meeting held in Adelaide today.

David Lim
Company Secretary

**ANNUAL GENERAL MEETING
OF SANTOS LIMITED**

CHAIRMAN'S ADDRESS

AND

CEO & MANAGING DIRECTOR'S ADDRESS

3 MAY 2012

Address by Peter Coates AO, Chairman

Good morning ladies and gentlemen.

Welcome to this Annual General Meeting of Santos Limited. I am your Chairman, Peter Coates.

I would also like to inform you that today's meeting is being recorded and made available as a live webcast on the company's website.

2011 was a strong year for Santos. Both reported and underlying profit were higher, and pleasingly, our safety performance also continued to improve.

The foundations for future growth were also cemented. We sanctioned the Gladstone LNG project and our base oil and gas businesses also performed very well.

Operations continued to deliver strong cash flow and the balance sheet was further strengthened. We are very well placed to fund the transformational growth projects that we are developing over the next three years.

Now, before I address the company's performance in more detail, I would like to comment on some of the important opportunities and issues that we face today.

Fortunately, Australia is blessed with abundant gas resources, because natural gas has a significant role to play in meeting Australia's energy needs and the energy hungry Asian region.

The expanding demand for LNG provides a great opportunity for our country to meet this demand. Santos is well placed to take advantage of this regional scale opportunity.

We are at the forefront of the Australian natural gas industry, with more than 50 years of responsible gas exploration and production across the nation. This includes more than 15 years of coal seam gas operations in Queensland.

We are active in both the domestic and export markets. As a leading domestic producer, we supply natural gas to all states and territories.

We now have a significant involvement in four LNG projects: one in production at Darwin, two more in construction in Queensland and Papua New Guinea, and the fourth is a floating LNG project, which is in the design stage of development.

Gas produced by the first three of these projects over the next 20 or so years is already under firm contracts for sale to a range of customers in Asia.

Another key feature of the energy landscape is the critical role that natural gas is playing in supporting renewable power generation in Australia. As we all know, the sun doesn't always shine nor does the wind always blow. Power generation from natural gas can quickly and reliably be turned up or down to maintain consistent energy supply, as power from wind or solar generation waxes and wanes.

The partnership between wind and gas in South Australia's power generation is a prime example. It shows how significant wind generation capacity can be effectively utilised by relying on complementary gas-fired generating capacity.

Today, 12% of electricity consumed in Australia is supplied through gas powered generation. That is expected to grow significantly as Australia moves to a lower carbon footprint.

Developing new supplies of natural gas will be essential if Australia is to meet this demand, while keeping domestic power price rises to a minimum.

And, this is particularly true for Australia's most populous state, New South Wales. Queensland, Victoria, South Australia and Western Australia all enjoy significant local gas supply and production.

But, New South Wales imports around 95% of the gas it uses today mainly from South Australia and Victoria. Now, New South Wales enjoys abundant gas resources, but its resources need to be developed without delay.

Modelling commissioned by Santos from ACIL Tasman suggests that in the absence of a growing supply of its own rich coal seam gas resource, that State will face potentially significant gas supply shortages from 2017. This creates another great opportunity for Santos.

Following the acquisition of Eastern Star Gas last year we have the largest natural gas position in New South Wales.

While there has been considerable public debate about coal seam gas, particularly in that state, the fact is, CSG can be extracted and produced safely. After all, that is what we have been doing in Queensland for more than 15 years.

Santos is one of the coal seam gas industry's most experienced operators. Our core foundations are built on respectful relationships with landowners, responsible stewardship of the environment and water resources and strong partnerships with local communities.

We are committed to maintaining our 50-year track record of safe, responsible and sustainable gas operations. That is why, following the completion of the Eastern Star Gas acquisition, we undertook a thorough review of all of its facilities and practices.

We are investing an initial \$20 million in upgrading Eastern Star's sites, equipment and processes. This is to ensure its operations in NSW meet our industry leading standards and practices.

Ultimately, it is the responsible approach to the expansion of the Coal Seam Gas industry that will deliver trust with communities, bring new jobs, widespread economic benefits and greater energy security for Australians.

These are the objectives that underpin the Board and management's approach and which will deliver value for shareholders.

Given its scale and quality, we are confident that the Eastern Star Gas resource can deliver great value to Santos, the people of New South Wales and Australia.

I would, however, sound a note of caution about recent calls for the reservation of some domestic gas resources exclusively for Australian industry. As reasonable as this may sound on the surface, such government intervention could prove counter-productive for both Australian industry and the nation.

There are abundant natural gas resources in eastern Australia - particularly in coal seams. There is no shortage of gas.

But, the cost of extraction is increasing, as is the cost of processing and distribution. A gas reservation policy will do nothing to change those realities.

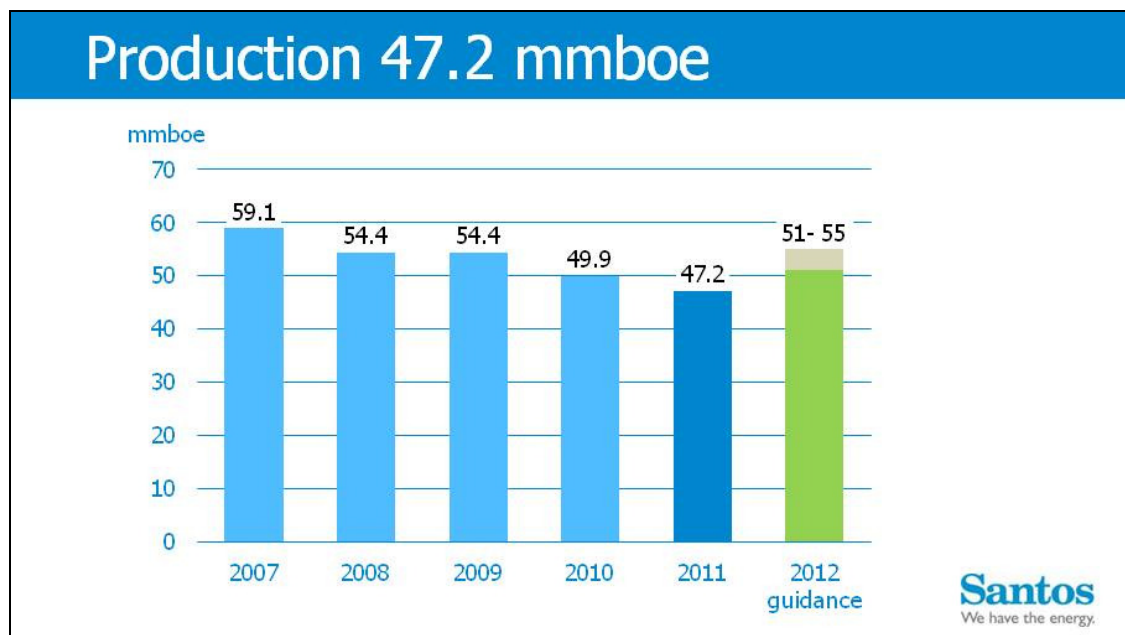
In fact, a gas reservation policy that doesn't recognise the true cost of gas extraction could see gas left in the ground unavailable to anyone.

The reality is that the development of a large scale gas industry, driven at least initially by export opportunities, is the best path. It will ensure that Australia has sufficient gas production capacity to meet all demand, both domestic and export.

So in summary, ladies and gentlemen, Santos is well positioned to unlock the company's significant resources in a rising market for oil and gas demand in our region.

Delivering on our plans – safely, profitably and sustainably, is the Board and management's highest priority.

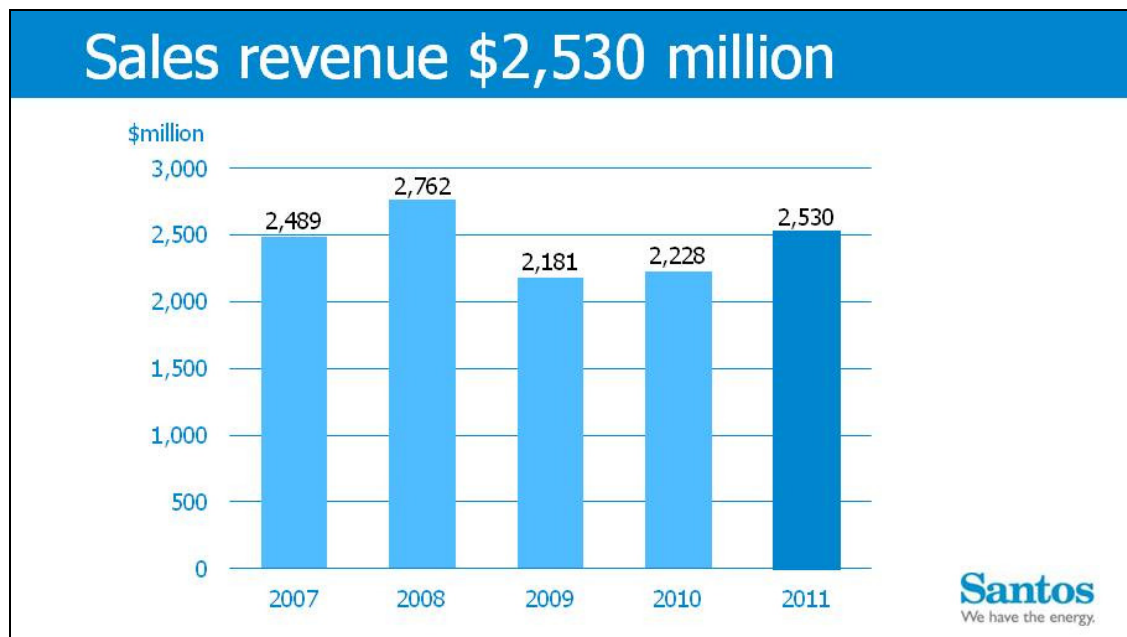
With those overview comments, I'll now address the 2011 result in a little more detail. I'll then hand over to David Knox to give his review of operations.



2011 production was 5% lower than the previous year. This was primarily due to the sale of a 15% interest in the Gladstone project and a lower entitlement to Maleo gas in Indonesia. Excluding these factors, production was within 1% of 2010 despite substantial weather delays and interruptions.

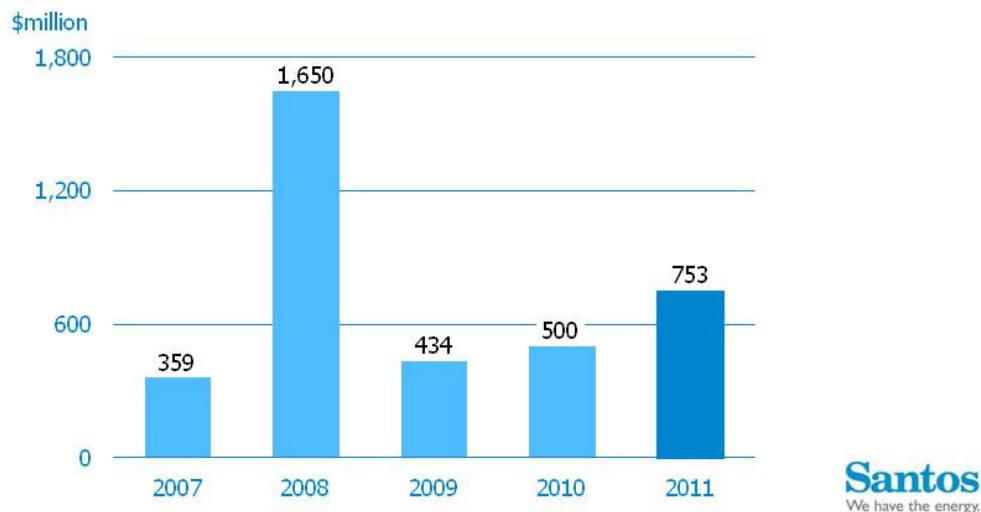
Importantly, projects commissioned in 2011 and early this year will drive our production higher. It is pleasing to report that our March quarter production was up 13%.

Both the PNG and Gladstone projects remain on schedule. So we are off to a good start.



Sales revenue of \$2.5 billion was up 14% in 2011. This was driven by higher oil and gas prices, offsetting both the stronger Australian dollar and lower sales volumes.

Net profit after tax \$753 million



Net profit after tax of \$753 million was up 51%. This includes the gain on sale of a 15% interest in the Gladstone project and our entire stake in the undeveloped Evans Shoal gas field. Excluding these one-off items, underlying net profit was up 20%. Also a very good result.

As I mentioned earlier, we are in a strong position to fund our growth. Santos had \$7.5 billion of cash and available credit facilities at December 2011. Given the scale of the projects we have underway, maintaining a strong balance sheet is essential.

10-year share price performance



Your investment in Santos continues to generate long-term growth. As the chart shows, Santos shares have strongly outperformed the benchmark ASX200 index over the past 10 years.

Notwithstanding the strong share price performance, the Board remains conservative with the level of dividends to be paid in the short term.

We fully recognise how important dividends are to many shareholders. However, we believe greater shareholder value will be achieved by maintaining the current dividend for the time being.

Santos will continue to offer a dividend reinvestment plan. This enables shareholders to increase their shareholding at a 2.5% discount to the market price and without brokerage.

I also want to touch on executive remuneration.

In addition to the 2011 Remuneration Report, we are seeking your approval today for a strategic grant of shares to David Knox. This grant is subject to him meeting substantial performance hurdles over the next four years.

I note that the three leading institutional proxy adviser groups have recommended in favour of the remuneration report and the proposed grant of shares to David.

Appointment and retention of the CEO is one of the Board's most important responsibilities. To attract and retain the very best talent we have to set and maintain a remuneration policy and package that compares fairly with an appropriate peer group.

The Board is very pleased with David's performance. Santos has performed strongly under his leadership. In line with that performance, we have been bringing his remuneration up to parity with his peers.

This is in stark contrast to some highly inaccurate statements in recent press reports which have claimed that David is paid at the same level as the CEO of Woodside. That claim is wrong. It mistakenly compares David's total remuneration for 2011 with the remuneration package of the new Woodside CEO for the seven months that he was CEO during that year. In other words, David's package is significantly lower.

I will have more to say on the remuneration resolutions during formal business.

To conclude my overview to shareholders, I would like to acknowledge the hard work and dedication of all Santos employees again this year. I would also like to thank my fellow directors for their support and guidance.

And finally, on behalf of the Board, I thank shareholders for your support. I trust that our results, and our report to you today, demonstrate that your Board and management, are fully focused on actively growing shareholder value.

I will now ask David Knox to address the meeting.

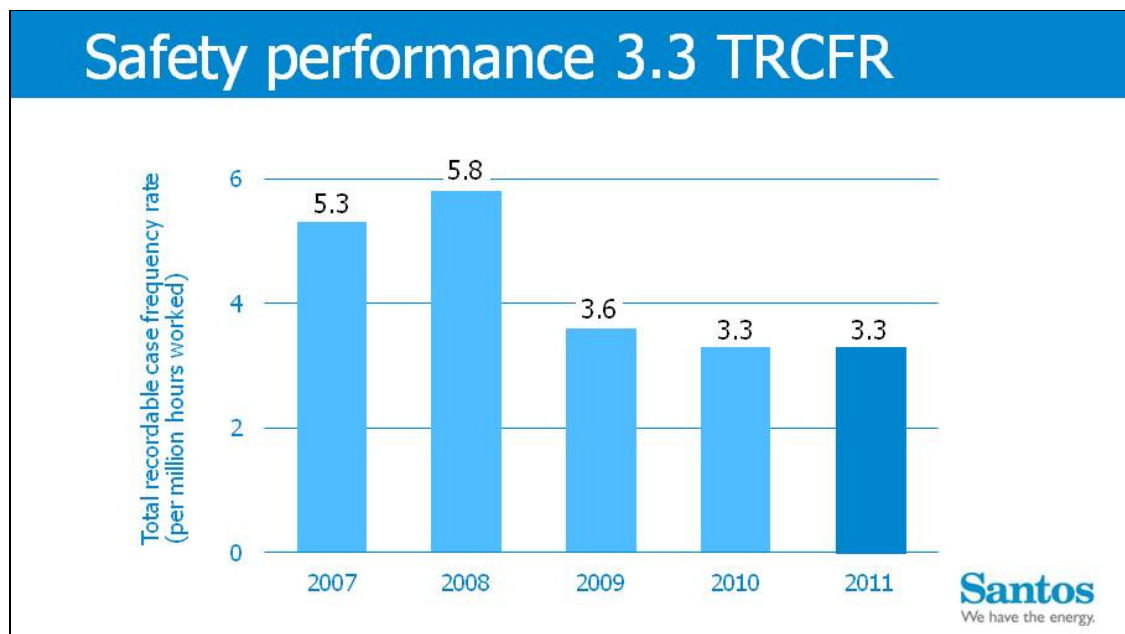
Address by David Knox, CEO & Managing Director

Thank you Peter, and good morning.

As Peter highlighted, 2011 was a significant year in the delivery of our strategic objectives. I want to begin by talking to you about what we are doing, operationally, to deliver on those objectives.

First, let me start with safety. Great companies are safe companies. Operating safely means we are well on the way to operating efficiently.

Our vision is that we all go home from work without injury or illness. This is a constant reminder of the responsibility that all employees and contractors share to look after our workmates and the communities with which we interact.



In 2011, Santos achieved its best ever safety record.

We finished the year with a total recordable case frequency rate of 3.3 injuries per million hours worked, equalling the record low rate achieved in 2010. This sustained performance was achieved despite a 44% increase in employee and contractor work hours in 2011.

While the safety of personnel is critically important, the second key aspect is keeping the liquids and gases in the pipes. This is commonly referred to as process safety.

This focuses on establishing systems, standards and behaviours that will minimise the risk of low-frequency but high-impact incidents, such as fire and explosion. We must maintain our vigilance and continuously challenge ourselves to demonstrate that our kit and practices are both safe and reliable.

Let me now turn to our business performance.

2011, more than anything, was about strong delivery of projects and good operational and financial results. We delivered four new projects in the base business on plan. These projects will drive our production growth in 2012. As Peter mentioned, we are off to a good start with first quarter production up 13% compared to last year.

Let me first address the base business, starting in Western Australia.



During 2011, our Reindeer/Devil Creek and Spar gas projects were completed, on schedule and budget. As well as being major milestones for Santos, these projects are important additions to the state's domestic gas supply.

The photo shows the Devil Creek gas plant which processes gas from our offshore Reindeer field. Devil Creek is the first domestic gas plant development in Western Australia for 15 years, and brings not only new supply capacity but also greater energy security to the state.

Fletcher Finucane project, WA



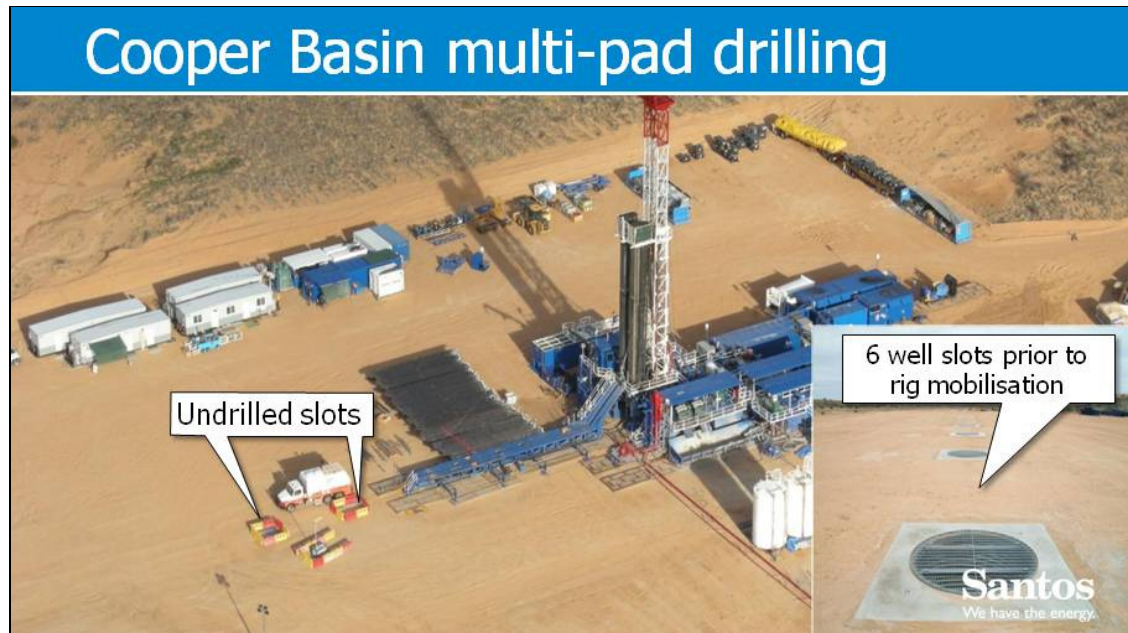
In January this year, we sanctioned our next project in the west, called Fletcher Finucane. This is an oil project developed through a tie-back to the existing Mutineer-Exeter facilities. Production is scheduled to commence in the second half of next year. The project is off to a good start. Major procurement contracts have been placed and engineering is well advanced.

WA drilling campaign



We are also undertaking our largest exploration campaign ever in Western Australia. Starting in the Browse, we'll be drilling the Crown prospect later this year with the Jack Bates deep-water rig. In the Carnarvon, we will undertake appraisal drilling on the Zola

discovery, and the Nan Hai 6, will be drilling the three Fletcher Finucane development wells.



Moving to Eastern Australia, the Cooper Basin has been the heartland of Santos' operations for over 40 years. I am pleased to report there is lots of life left in the Cooper. To unlock the Cooper's true potential, we are applying new technology, particularly in the area of drilling rigs and multi-pad drilling.

Three new drilling rigs commenced operations during 2011 and we have been pleased with their performance to date. The photo shows one of these new rigs drilling the first well on a multi-well pad – two well slots can be seen to the left of the rig with the remaining four slots covered by the rig.

These rigs are breathing new life into the Cooper and enabling infill drilling, which involves drilling new wells at closer spacing to improve gas recovery from existing reservoirs. Initial results from the program have been very successful and contributed to the largest 2P reserve booking in the Cooper Basin in a decade.

Planning is underway for a larger pad by year end, which will include trials of simultaneous drilling and production operations to further improve efficiencies.

Moomba plant, Cooper Basin



There has been a lot of speculation about the potential for shale gas in the Cooper Basin. Santos is a leader in unconventional resources exploration, having booked Australia's first independently certified shale contingent resource back in 2008.

We drilled our first dedicated vertical shale well last year and I am pleased to say that we have successfully placed three fracs into the REM shale formations. These formations are at a depth of up to three kilometres. We are currently running the well completions prior to flow testing the well.

As owner and operator of the Moomba plant, Santos has access to the critical infrastructure needed to develop the Cooper Basin's unconventional resources into the growing markets for gas in eastern Australia.

Chim Sáo, Vietnam



Moving to Asia, Santos has an exploration-led, focused portfolio with operations in six countries.

Over the past year, our producing assets performed well and the Chim Sáo and Wortel projects were delivered.

Starting in Vietnam, the Chim Sáo oil project commenced production in October, on time and under the sanctioned budget. The photo shows the production vessel on location about 350-kilometres offshore southern Vietnam.

The project delivers a significant boost in Santos' oil production at a time of strong oil prices. Oil is currently produced from six wells, with gross production having reached approximately 30,000 barrels per day.

Upside is continuing to unfold on the project. We plan to drill the Chim Sáo North West well this year, which has the potential to add significant resources to the project. We are also in the final stages of approving the Dua project, which will be tied-back to Chim Sáo.

Wortel, Indonesia



In Indonesia, we are continuing to grow our asset portfolio. In January, we commenced gas production from Wortel, our third operated asset in the country.

The photo shows the Wortel well-head platform offshore East Java. Wortel is tied-in to our existing facilities at Oyong and expands the gross gas production from both fields to 85 million cubic feet per day.

Our Asian exploration program is focused in Vietnam, Indonesia and the Bay of Bengal. A recent gas discovery in Bangladesh has been tied-in to our existing Sangu facilities, and we are waiting for Government approval to commence flow.

GLNG plant construction



Turning now to our LNG projects.

Following the final investment decision in January last year, construction of GLNG is progressing well and first LNG is expected in 2015.

The US\$16 billion project involves the development of CSG resources in the Bowen and Surat basins in Queensland, construction of a 420-kilometre underground pipeline from the gas fields to Gladstone and a two-train LNG plant located on Curtis Island.

The photo on the screen shows the LNG site on Curtis Island at Gladstone. Construction of the first LNG train and tank foundations has commenced.

Engineering and procurement for the 420-kilometre underground gas transmission pipeline is more than 80% complete and laying of pipe will commence later this year.

In the upstream, all drilling rigs are in operation following wet weather in the first quarter. Mobilisation is underway to commence construction of the gasfield gathering systems and hub compressor stations.

Market and industry commentators increasingly identify the key challenge facing the CSG to LNG projects as field deliverability into the LNG trains when they are ready for commissioning.

Our strategy is to execute the most efficient gas supply for the project, including the development of the dedicated CSG fields, gas from underground storage, supply from our own Santos portfolio and supply from third parties.

Conceptual studies are underway for additional upstream development options in the GLNG acreage, including optimisation of the existing upstream designs.

For example, initial studies indicate it may be cost effective and energy efficient to electrify the CSG fields and buy electricity from the grid, rather than burning our own gas to generate power.

Another area is third party gas supply. Engineering design is underway for a gas treatment plant at Wallumbilla to enable pipeline spec gas to be utilised as LNG feedstock.

We already have in place an agreement to supply 140 terajoules of gas per day from the Santos portfolio to the project, and yesterday we announced an agreement to buy a further 100 terajoules per day from Origin over 10 years.

The project has also commenced the environmental approval process for the next stage of upstream field development, including development of additional acreage in the Fairview/Arcadia, Roma and Scotia areas.

Overall, I am pleased with the progress made by the GLNG project team and we are on schedule to deliver the first LNG cargo in 2015.

While we often talk about achievements, I wanted to highlight one of our key challenges and our approach.

Coal seam gas, which is natural gas or methane from coal seams, has brought Santos into the farming communities of both NSW and Queensland. I acknowledge the genuine concerns of the communities over the expansion of our industry and I know we will not be successful unless these concerns are fully addressed.

Santos is the largest onshore operator in Australia, and we have been a leader for over 50 years. The foundations of the company are built on respectful relationships with landholders; responsible stewardship of the environment; and enduring partnerships with our host communities. I am confident that we can continue to develop our CSG business to co-exist with agriculture.

We do not take community or government support for granted. Each one of us has to earn community support through our actions every day.



Turning now to the PNG LNG project, which I'm also pleased to say is progressing in-line with its planned start-up in 2014.

Operated by Exxon Mobil, the project includes the development of gas and condensate resources in the Southern Highlands and Western Provinces of PNG, construction of over 700 kilometres of pipeline and construction of a two-train LNG plant near Port Moresby.

The photo shows the LNG plant site at Caution Bay where you can see the LNG plant being built. In the last few weeks, the project completed a significant milestone as the main cryogenic heat exchanger was installed on site.

The project will also commence development drilling in the Hides and Angore fields this year to understand the potential for project expansion beyond the current two-train development.



All of this is not possible without the right people - our people are the key to our success.

The face of Santos is changing, and we now have over 2,800 employees working in seven countries.

Today, 15% of our workforce is from Asia and our Asia Pacific business is being run from our new Singapore office.

Women comprise a quarter of our workforce, and we are striving to increase female representation in leadership roles.

I am deeply committed to providing an inclusive culture that embraces diversity, including a focus on indigenous education and employment and equal opportunity programs and cultural awareness.

Embedded in our culture is a commitment to bringing social and economic benefits to communities, wherever we work.

Santos' community support strategy focuses on health, education, indigenous programs, community wellbeing and the arts.

Santos Tour Down Under



Photo courtesy of Tim Barker.

In 2011, Santos contributed \$15 million in community partnerships across Australia and Asia.

In addition to sponsorships that include the Santos Tour Down Under, Adelaide Symphony Orchestra, Aboriginal Power Cup, Adelaide Botanic Gardens and The Asthma Foundation, our staff are highly engaged as community volunteers and fundraisers, volunteering almost 3000 hours last year.

This is an exceptional company with a valuable portfolio of current and future projects. We remain proudly Australian, delivering high quality energy products, not just for Australia, but also the growing Asian region. We are committed to doing that safely and sustainably to deliver maximum value for our shareholders.