ASX/Media Release

Santos

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PNG LNG Project Clears Final Conditions to Proceed

Santos today announced that the PNG LNG project is proceeding with full project execution, with the completion of sales and purchase agreements with LNG buyers and financing arrangements with lenders.

PNG LNG will see Santos and its partners build gas production, processing, transportation and liquefaction facilities capable of producing 6.6 million tonnes of LNG per annum. The project will cost an estimated US$15 billion to construct. Santos' share of the estimated capital cost is US$2 billion.

Funding for the project will come from a joint financing at market rates led on behalf of the co-venturers by ExxonMobil with export credit agencies and commercial sources together with contributions by each of the co-venturers.

All of the PNG LNG project's production capacity has been committed on a long-term basis with four major customers in the Asia Pacific region: CPC Corporation, Taiwan; Osaka Gas Company Limited; The Tokyo Electric Power Company Inc.; and Unipec Asia Company Limited, a subsidiary of China Petroleum and Chemical Corporation (Sinopec). First LNG deliveries are scheduled to begin in 2014.

Santos Chief Executive Officer, David Knox said completion of financial close leading to full project execution at PNG LNG is a significant step forward in the company's LNG growth strategy.

"PNG LNG will provide Santos with long-term production and cash flows – our share of project production is expected to be approximately 9 million barrels of oil equivalent per annum at plateau including LNG and associated liquids."

"I appreciate the strong commitment of the Government of Papua New Guinea, the PNG landowners, our operator ExxonMobil, our project lenders and our customers to make this project a reality."

About PNG LNG

The PNG LNG Project is an integrated development that includes gas production and processing facilities, onshore and offshore pipelines and LNG plant facilities with a capacity of 6.6 million tonnes per annum. Santos has a 13.5% interest in PNG LNG. Other participants are entities of ExxonMobil (33.2% and operator), Oil Search (29%), Independent Public Business Corporation (PNG Government, 16.6%), Nippon Oil Exploration (4.7%), Mineral Resources Development Company (PNG landowners, 2.8%) and Petromin PNG Holdings Limited (0.2%).

Ends.

ExxonMobil

Media Release

Papua New Guinea LNG Project Clears Final Conditions to Proceed
Co-Venturers Complete Sales Agreements and Financing Arrangements

Port Moresby, Papua New Guinea, March 13th, 2010

Esso Highlands Limited, a subsidiary of Exxon Mobil Corporation and operator of the PNG LNG Project, today announced that sales and purchase agreements with LNG buyers and financing arrangements with lenders are now complete and that the project is proceeding with full execution.

The integrated development includes gas production and processing facilities in the Southern Highlands and Western Provinces of PNG; liquefaction and storage facilities with capacity of 6.6 million tons per year, located northwest of Port Moresby on the Gulf of Papua; and over 700 kilometers (450 miles) of pipelines connecting the facilities.

Participating interests include affiliates of ExxonMobil, including Esso Highlands Limited as operator, (33.2 percent), Oil Search Limited (29.0 percent), Independent Public Business Corporation (PNG government, 16.6. percent), Santos Limited (13.5 percent), Nippon Oil Exploration (4.7 percent), Mineral Resources Development Company (PNG landowners, 2.8 percent) and Petromin PNG Holdings Limited (0.2 percent).

The investment for the initial phase of the project, excluding shipping costs, is estimated at US$15 billion. Over its 30-year life, PNG LNG is expected to produce over 9 trillion cubic feet of gas. First LNG deliveries are scheduled to begin in 2014, following a construction period of about four years.

Peter Graham, managing director of Esso Highlands, said, “The project will be developed in compliance with the highest standards for health, safety, environmental and social safeguards and will support the PNG government’s objective to strengthen its economy and infrastructure base for the benefit of its people. The comprehensive national content plan focuses on development of the local workforce, expansion of supplier capability, and strategic community investment.”

He added, “Funding for the PNG LNG project will come from the co-venturers and through market-rate loans arranged with export credit agencies and commercial sources. The project team successfully negotiated this complex transaction for the project in a very difficult financial market.”

In May 2009, the Independent State of Papua New Guinea, representatives of project area landowners, and four provincial and 10 local-level governments approved the PNG LNG Umbrella Benefits Sharing Agreement, confirming support from landowners and all levels of PNG government. The overarching agreement outlines the sharing of revenue streams from royalties, development taxes and equity dividends totaling some 15-20 billion kina (US$5.6 -7.5 billion) over the project life.

The government of Papua New Guinea, through its Department of Environment and Conservation, approved the project's environmental impact statement that reviewed factors such as community needs, sensitive environmental habitats, and biodiversity.

The project will supply four major LNG customers in the Asia region through long-term sales, including: CPC Corporation, Taiwan; Osaka Gas Company Limited; The Tokyo Electric Power Company Inc.; and Unipec Asia Company Limited, a subsidiary of China Petroleum and Chemical Corporation (Sinopec).

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