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TO:	ASX Market Announcements
FROM:	Company Secretary
DATE:	4 May 2017
SUBJECT:	**2017 Annual General Meeting**

Please find attached the Chairman’s and Managing Director and Chief Executive Officer’s addresses to the 2017 Annual General Meeting held in Adelaide today.

David Lim
Company Secretary

Chairman's Address

Good morning Ladies and Gentlemen, fellow shareholders, welcome to the 2017 Annual General Meeting of Santos Limited.

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

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

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

I trust that our latest video update on some of the company's operations and projects shows some of the progress that we have made over the last twelve months and the support that we enjoy amongst the communities where we are working.

While it has been a tough twelve months in many respects, we did want to share with you some insights from our operations that is difficult for shareholders to otherwise see and understand.

Let me now commence our business for today with some introductions.

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

The other independent, non-executive directors from my far left are Peter Hearl, Yasmin Allen and Roy Franklin. Seated immediately to my left is the Managing Director and Chief Executive Officer, Kevin Gallagher.

Also present today is Russell Curtin, representing our auditor Ernst & Young.

The Notice of Meeting has been distributed to shareholders. I will commence our business today with my report to you. It covers the challenges we faced in 2016 and our actions to deal with them.

Ladies and Gentlemen, on behalf of all directors, the first thing I want to do today is to acknowledge the impact on shareholders of our decision not to pay a dividend during 2016.

Many of you have written to me expressing your concern and disappointment about this point in particular.

It was the first time in 38 years that the company has not paid a dividend. However, given the environment that existed through 2016, it was absolutely the right thing to do.

It was a critical step in strengthening the balance sheet against the dramatic changes in global energy markets that have played out over the last two years.

Global oil prices determine our revenue and affect every aspect of our operations.

As you know, oil prices dropped dramatically from in excess of US$100 per barrel in late 2014 to around US$50 a year later, and to below US$30 in early 2016.

We are not alone in being materially impacted by such dramatic declines in prices.

As this chart from the Wall Street Journal shows, even the world's largest global oil companies have struggled to maintain free cash flow in this low oil price environment.

I show this chart to demonstrate the extent of the challenges the industry has faced. I am extremely disappointed with the fact that we had to disrupt dividend flow to shareholders, just as I am with the performance of the company's share price, especially since the capital raising in December.

But I am absolutely certain that the Board and management have done everything we could do to manage through very challenging circumstances.

When Santos committed to its LNG strategy, and by LNG strategy I mean our strategy to build an LNG project portfolio including Papua New Guinea, Darwin and Gladstone, we based that strategy and the individual project investment decisions on a range of downside scenarios and assumptions. The fact is, just like everyone else in the industry, our downside assumptions did not envisage such an extreme collapse in oil prices and the flow-on impacts in terms of capital constraints in particular.

Faced with that unexpected reality, the Board recognised that major change was needed.

During 2015, on average, Santos needed almost US$50 oil to generate free cash flow. In fact, our legacy business, the Cooper Basin, needed US$75 oil.

We instituted a strategic review of operations in mid-2015. This identified opportunities to reduce costs and improve capital efficiency.

At the same time, we conducted a search for a new CEO. We wanted a fresh set of eyes to focus on driving this business to become a low-cost operation in every aspect of what we do.

The Board knew we needed a proven executive prepared to challenge every aspect of the way the company operated. The brief was clear - maximise efficiency and minimise costs.

Kevin Gallagher was appointed with a clear mandate to make Santos a leaner, more agile company able to operate profitably in a low oil price environment.

I want to summarise what has been achieved in the fourteen months since he was appointed.

- We now have a much lower cost structure with average free cash flow break even down to US$34 a barrel.   The Cooper Basin has also returned to being free cash flow positive at today's prices.

- In a difficult market, we have sold non-core assets for above book value.

- And the balance sheet is now in a much stronger position.

It is a credit to management that whilst those fundamental changes have been delivered, operating performance has not been neglected. Production has increased and we have delivered exploration success.

I congratulate Kevin and his team on these early achievements, but as he and the team know very well, the continued tough outlook for oil prices means we must continue to drive for further efficiencies and improvements in all aspects of operations.

I want to address in more detail our decision to further strengthen the balance sheet in December last year.

The A$1.24 billion in fresh capital raised has allowed the Board and management to address three key objectives:

First, to ensure the sustainability of the Company's operations at a US$40 to $60 dollar oil price.

Secondly, to give Santos added flexibility to exploit growth opportunities, particularly in PNG and Northern Australia.

And thirdly, to enhance our financial flexibility to manage debt maturities.

I particularly want to acknowledge our retail shareholders who participated in the share purchase plan. Thank you for your support. It has been critical to repositioning the company.

While I am not going to forecast the timing of a return to dividend payments today, the Board is confident the foundations for the payment of a regular dividend, have been laid. This is a fundamental objective for us. We will review the position again in August, at the time of the 2017 half-year results.

I now want to turn to a topic that has attracted a great deal of media coverage and comment over recent weeks: the outlook for tightening supply of gas and its rising costs for the domestic market on the Eastern seaboard has indeed driven wide and varied claims and counter claims.

Santos has been singled out as almost the sole cause of this situation. It's time for some simple facts to be acknowledged.

Access to low cost conventional gas reserves for the east coast market, particularly from the Cooper, has been declining for some time. There are physical limits in terms of pipeline and hub capacity that limit access to Bass Strait reserves for NSW and Queensland.

In short, Governments and regulators need to understand that the reliability and availability of adequate gas reserves for the east coast market into the future depends absolutely on increased access to new unconventional gas reserves.

I was heartened to see recent comments by Boral CEO, Mike Kaine, that the only reliable long-term solution to adequacy of east coast gas supply is for governments to encourage and support, rather than delay as they have done, new onshore, unconventional gas exploration and development along the east coast.

I want to make it clear that not one of the three Queensland LNG projects could have been sanctioned on the basis of domestic demand and pricing alone. Without access to the export opportunity, there was no viable commercial case for any of the Queensland CSG fields or pipelines to be developed.

In simple terms, without the LNG projects, the gas would still be sitting in the ground, unavailable to the domestic market - at any viable price for its users.

But their development, particularly our GLNG project, provided the basis in terms of scale, experience and capability for ongoing development of an unconventional gas industry which could underpin security of east coast gas supply for decades to come.

There is no shortage of gas, but there is an absolute shortage of uniform government recognition, commitment and support for ongoing orderly development of adequate supply to the east coast market.

We haven't got a gas crisis, we have a policy crisis.

Santos in particular has been making presentations to governments and the market since 2013 about the need to open up further supply to help meet potential domestic demand peaks, but public policy in relation to new supply has remained at best, ambivalent.

As the industry has noted, the Government's export control intervention as detailed so far poses many more questions than answers.

I can assure shareholders that we are actively and constructively involved in discussions with the Government about both a proper assessment of the supply outlook and then a range of immediate and longer-term remedies.

Any short term intervention must be implemented with fair and equitable contributions from all operators, not just one or two.

Ladies and Gentlemen, with Santos now well and truly back on the path to improving performance for shareholders, I want to address one more topic and that is the Board renewal process.

Progressive renewal of the Board membership must be designed and timed to ensure a continuing balance of first-hand experience and fresh expertise and thinking.

In that regard, four new directors have been appointed since 2014.

This brings me to the subject of Chairman succession.

The process of identifying my successor is already underway. While I am seeking your support for re-election today, I want to make it clear that it is my intention to step down from the Board as soon as a smooth transition to a new Chair is completed over the coming months.

Thank you again for your support and patience as we have repositioned Santos.

The company's strengthened balance sheet and lower-cost operating model are key to the new operating strategy that Kevin is implementing.

I will now hand over to Kevin to give you his review of operations and to provide further detail around that strategy.

Thank you.

Managing Director and CEO's Address

Thank you Peter and good morning everyone.

2016 was a challenging year for Santos and the energy sector.

Low oil prices, market volatility, supply concerns and geopolitical uncertainty all contributed to a very difficult operating environment.

At our AGM last year, just three months after I started as CEO, I told you that my immediate priorities were to stabilise the business, reduce debt and put the right framework in place to become a low cost, reliable and high performance business.

Our aim was to be free cash flow break even at between US$35 to $40 per barrel on a portfolio basis.

Significant progress has been made and the business is starting to turn around.

A new executive team was put in place and the organisation was restructured to create an asset focused business with strong technical capabilities around exploration, development and production.

Operating cash flow was increased through disciplined cost reduction and improvements in efficiency and productivity.

Debt was reduced and the balance sheet was strengthened through the sale of non-core assets and the institutional capital raising referred to by Peter.

These initiatives were necessary to ensure that Santos continued to be a credible and reliable partner who is able to manage its balance sheet and participate in future growth projects alongside our joint venture partners.

In our recent first quarter results, I announced that the 2017 forecast free cash flow breakeven is now at US$34 per barrel - a 28% reduction from US$47 per barrel at the beginning of 2016.

That in itself is a remarkable achievement, but we still have more to do to increase operational efficiency.

At the end of 2016 I announced a three phase strategy to “Transform, Build and Grow” our business to drive shareholder value.

Under the Transform phase we have focused the business on five core, long life natural gas assets in PNG, Northern Australia, Western Australia, GLNG and Cooper Basin.

Our focus is clear - simplify the business, drive down costs and maximise operating cash flow to reduce our debt. We are targeting a reduction of US$1.5 billion in net debt by 2019.

During the Build phase we will aim to create a portfolio of exploration and development opportunities around our core assets, and drill more wells to maximise production and increase gas supply.

The Growth phase will see us focus on opportunities to increase production from our core assets and execute an exploration strategy to identify new high value gas opportunities. Our aim is to build Santos into a low cost, reliable and high performance business that delivers sustainable shareholder value.

Before reviewing our financial and operational highlights I would like to start with the 2016 safety performance.

During the year Santos recorded a 3-year rolling lost time injury frequency rate of 0.4 incidents per million hours worked - our lowest injury frequency rate on record.

We are very proud of this performance. It is testament to our employees’ commitment to operating safely, even during periods of substantial change.

In 2016, Santos incurred a net loss of just over US$1 billion following the after tax GLNG impairment at half year of US$1.05 billion.

Underlying profit improved to US$63 million after excluding impairments and other significant items.

Production was up 7% to a record 61.6 million barrels of oil equivalent due to the start-up of GLNG and strong production from our other core assets.

Sales revenue increased by 6% to US$2.6 billion due to higher sales volume, whilst EBITDAX was down by 18% to US$1.2 billion due to lower oil and oil-linked LNG prices.

Excellent progress was made in achieving sustainable cost reductions. Upstream unit production costs were reduced by 18% to US$8.45 per barrel due to cost savings and efficiency gains in GLNG, Cooper basin and PNG LNG.

Santos generated US$635 million in free cash flow before funding, including US$429 million net proceeds from asset sales. Free cash flow breakeven was reduced to US$36.50 per barrel at year end, reducing further to US$34 per barrel at the end of the first quarter as already mentioned.

Net debt was reduced by US$1.2 billion to US$3.5 billion via a combination of asset sales, an increase in free cash flow and the successful capital raising.

In order to mitigate oil price risk, Santos hedged approximately 11 million barrels for 2017 using zero cost three-way collars.

I'll now take you through a review of our assets, starting with PNG LNG.

PNG LNG continued to deliver excellent operating results. At the end of 2016 annualised production was at 8.3 million tonnes per annum compared to nameplate capacity of 6.9 million tonnes per annum.

Our strategy in PNG is to strengthen our position by working with partners to align interests. The institutional capital raising last year has increased confidence with our partners that Santos has the balance sheet to participate in opportunities such as the Muruk prospect. We subsequently drilled a very exciting discovery well at Muruk which we are still appraising.

Going forward, we will seek to participate in backfill opportunities including Muruk and also P'nyang. We will collaborate to facilitate the potential expansion of the project to include further trains. Our aim is to be a partner of choice in PNG.

I would like to acknowledge the outstanding contribution of ExxonMobil as operator and Oil Search as our key partner in PNG.

Darwin LNG also continued to produce strong results. We are working with our partners to extend the life of Bayu Undan and to evaluate Barossa Caldita (in which we have a 25% interest) as the lead candidate for backfill for Darwin LNG.

I would also like to take this opportunity to acknowledge ConocoPhillips on their outstanding operatorship of our Darwin LNG facilities.

Santos also continues to appraise the McArthur Basin as a significant source of future gas.

In Western Australia, production and sales were slightly lower in 2016 due to lower customer nominations. However, the Western Australian business continues to be a very strong cash flow positive business.

Santos will continue to seek to grow production and market share in the Western Australian domestic gas market.

Our legacy assets in the Cooper Basin generated cash of 100 million US dollars in 2016.

Efficiency and productivity gains continue to be made delivering improvements to both well and plant availability and reliability.

Our aim is to continue to focus on well costs and well deliverability to arrest field decline and rebuild production by drilling more wells, and continuing to reduce development and efficiency costs. We will do this by implementing a very disciplined operating model that provides sustainable cash flows throughout the oil price cycle.

GLNG operated in ramp-up phase with upstream production costs continuing to fall due to greater efficiency. Fairview production continues to build and well availability has been high. Roma production has also improved and is ramping up ahead of schedule.

GLNG will continue to increase production from indigenous gas reserves and look for new sources of gas to increase overall supply.

In 2016, we decided to run the Asian and West Australian oil assets under a separate management team to allow Santos to focus on its core assets without distraction.

The Narrabri project is also being run separately to allow for further appraisal and to secure necessary approvals. A final investment decision will then be made regarding development, however any significant capital expenditure will only occur when the project has the necessary approvals in place to facilitate development.

Meeting future energy demand will require the balancing of a number of challenges. Natural gas has a key role to play in providing energy for a low carbon future and the provision of base-load power.

Much has been said about the move to renewables for power generation in the future. However for decades to come natural gas will provide a complementary source of energy for renewables.

In 2016, Santos established an Energy Solutions business to look at opportunities for Santos regarding the transition to a low carbon environment. We have since announced a partnership with ZEN Energy to provide clean, affordable energy to South Australia by integrating solar and battery storage with natural gas based generation. I expect this partnership to develop further in 2017.

I also want to address the announcement by the Prime Minister to restrict the export of LNG to increase domestic supply.

No one doubts that reliable and affordable domestic gas supply is essential for Australian households and businesses. A successful LNG export industry is also important to Australia and its emerging position as a regional gas producer.

Australia enjoys abundant natural gas resources that are an important and economic source of clean energy.

The current domestic supply issue is not the fault of the LNG projects at Gladstone. It is the result of a complete failure of regulation in the wholesale gas market and actions by State and Territory governments to ban or restrict exploration and production.

Had Santos been able to develop the Narrabri project, amongst others, there would be no debate today about an East Coast gas shortage.

It is disappointing that the proposed measures discriminate against Santos and GLNG rather than restricting exports from all LNG projects.

Santos is acutely aware of its social licence obligations.

We are proudly a South Australian company founded more than 60 years ago with almost 150,000 Australian shareholders. Santos has been supplying domestic gas to Australians at affordable prices for almost half a century.

We have over 3000 direct employees and contractors and paid over A$600 million in wages in 2016. Over and above the royalties we pay, we have contributed over A$200 million to community projects over the past 10 years.

Santos also has the privilege of working with over 1,300 landholders. We develop strong and enduring relationships with farmers who are critical to the success of our business. In that respect I would like to acknowledge the South Australian government for their recent initiative that offers farmers a direct share of the royalties generated by gas operations on their land. This is a game changer for gas development in South Australia, and helps farmers rightfully share in the success of our industry. These royalties will help South

Australian farmers drought proof farms, invest in their operations and become more financially secure.

Today we are a leading supplier of natural gas to the Australian domestic gas market. We have 32 direct supply contracts with customers across Australia, including major manufacturers and resources companies, supporting thousands of jobs.

We continue to explore and develop more gas reserves. Over the next 3 years we will spend A$2.5 billion in Australia, including drilling over 800 wells.

Let me be clear - Santos is part of the solution to increasing domestic gas supply. However All LNG exporters have a role to play.

Any solution must be fair to all Australians - including Santos and its shareholders.

Santos will continue to work constructively with the Government to ensure that any new export licencing regime is workable and that there are no adverse consequences for domestic users - particularly manufacturers who require long term supply at affordable prices.

So, in summary, while there is still some way to go in our turnaround journey, the changes made during 2016 have built the foundations for future growth.

I remain confident that Santos is well positioned to deliver significant value to shareholders through improvement in the share price and the resumption of dividends over time. I continue to be excited by the opportunities before us and I look forward to reporting on our progress and success.

Thank you for your continued support and belief in Santos.

I’ll now hand back to Peter.

Ends.

The formal business of the meeting was then conducted.