

Media enquiries

Matthew Doman
+61 8 8116 5260 / +61 (0) 421 888 858
matthew.doman@santos.com

Investor enquiries

Andrew Nairn
+61 8 8116 5314 / +61 (0) 437 166 497
andrew.nairn@santos.com

19 October 2009

PNG LNG Update

Santos today announced that it has received new cost and throughput information regarding the PNG LNG Project from the operator ExxonMobil. These estimates remain preliminary as the contract awards have not yet been made.

The revised capital expenditure for Phase 1 of the project is estimated to be approximately US\$15 billion. This is an increase on the US\$12.5 billion pre Front End Engineering and Design (FEED) estimate due principally to the inclusion of pre start-up operating costs and scope changes including acceleration of some works from later phases of the project. At the same time, LNG plant output is expected to increase from 6.3mtpa to 6.6mtpa resulting from greater fuel efficiency.

Overall the PNG LNG Project continues to progress towards an investment decision at the end of 2009 with target first gas remaining at late 2013 / early 2014.

About PNG LNG

The PNG LNG Project proposes to commercialise the undeveloped gas and condensate resources in the Hides, Angore and Juha fields and the associate gas resources in the currently operating oil fields of Kutubu, Agogo, Gobe and Moran in the Southern Highlands and Western Provinces of PNG. The gas will be transported by pipeline to an LNG facility twenty kilometres northwest of Port Moresby on the coast of the Gulf of Papua. The project is operated by ExxonMobil.

The FEED stage of the project is nearing completion. The PNG LNG Project participants have also agreed to commence early works on the Project to enable full-scale construction to commence in early 2010.

Other FEED activities, including environmental studies, marketing and financing activities, continue to progress well. FEED is expected to conclude with the Final Investment Decision (FID) in December 2009 with Financial Close early next year.

The review of the cost estimate for PNG LNG is also nearing completion but is not expected to be finalised until November 2009. On information available to date, the project capital costs for the first phase of construction of the project facilities are estimated at approximately US\$15 billion (nominal) including approximately of US1 billion of FEED and early works costs. The increase from the US\$12.5 billion previously reported is mainly due to:

- Scope changes such as inclusion of additional life extension costs for the associated gas facilities, more housing and office accommodation in Port Moresby and acceleration of drilling;
- Increases in special contingency allowances; and
- Inclusion in the estimate of US\$600M of pre start-up capitalised operating costs.

The cost estimate above does not include financing costs (including capitalised interest and borrowing costs), debt service reserve and start-up cash flow and the estimated cost of LNG tanker ships.

Ends.