Santos

Shareholder Review 2017

# Transform Build Grow

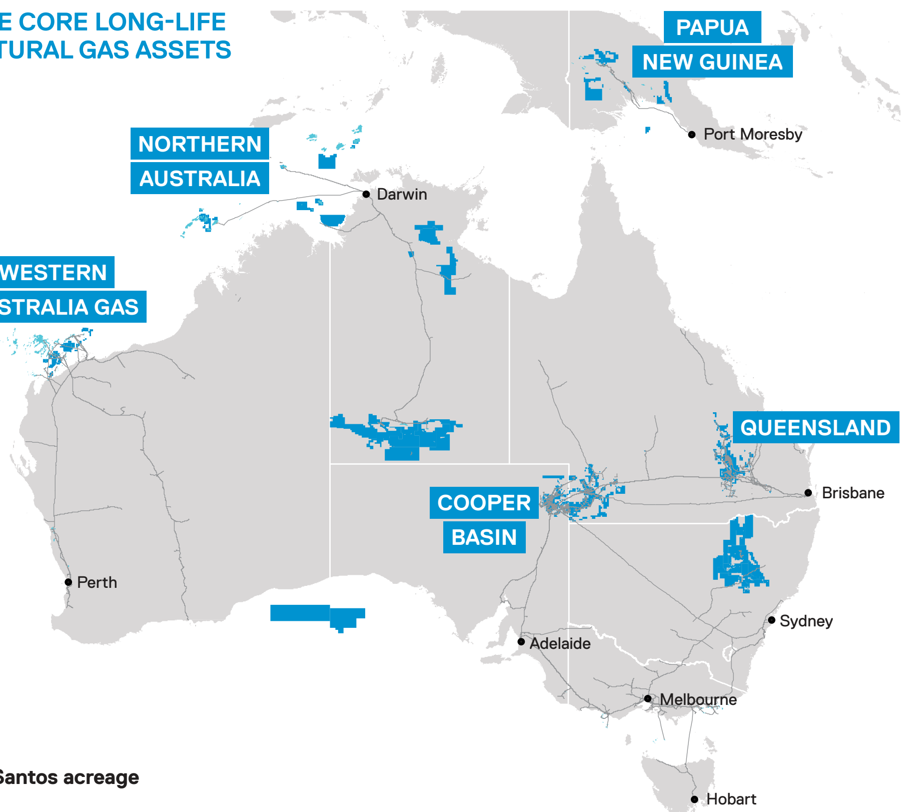
## Inside



# An Australian Energy Pioneer

Santos is an Australian natural gas company. Established in 1954, the company's purpose is to provide sustainable returns for our shareholders by supplying reliable, affordable and cleaner energy to improve the lives of people in Australia and Asia.

FIVE CORE LONG-LIFE NATURAL GAS ASSETS




Santos acreage

Five core long-life natural gas assets sit at the heart of a three phase strategy to Transform, Build and Grow the business: Northern Australia, Papua New Guinea, Western Australia Gas, Queensland and the Cooper Basin. Each of our core assets provide stable production, long-term revenue streams and significant upside opportunities.

With one of the largest exploration and production acreages in Australia, a significant and growing footprint in Papua New Guinea, and a strategic infrastructure position, Santos is well positioned to benefit from the growing global demand for energy.

To deliver our vision to be Australia's leading energy company by 2025, we will aspire to:

+ Reduce emissions and improve air quality across Asia and Australia by displacing coal with natural gas, and support the economic development of combined gas and renewable energy solutions
+ Be the leading national supplier of domestic gas in Australia
+ Be a leading regional LNG supplier by increasing LNG sales to our Asian customers to over 4.5 million tonnes per annum
+ Be recognised as the safest and lowest cost onshore gas developer in Australia
+ Become the market leader in running the safest and lowest cost facilities and infrastructure operations
+ Contribute positively to the communities in which we operate by providing jobs, energy supply and local partnerships
+ Develop our people and culture to deliver our vision

Santos is now a stronger, more resilient organisation with the capacity to execute and bring on-line growth opportunities across the core asset portfolio. As a low-cost, reliable and high performance business, we are proud to deliver the economic and environmental benefits of natural gas to homes and businesses throughout Australia and Asia.

# Message from the Chairman and Managing Director and Chief Executive Officer

Dear Shareholder,

In 2017 our strategy to Transform, Build and Grow delivered ahead of expectations. Whilst there is still more to be done, the business has been re-set. Santos is now a stronger, more resilient company with the capacity to execute and bring on-line growth opportunities across our core asset portfolio.

Keith Spence, Chairman

Kevin Gallagher, Managing Director & Chief Executive Officer

Over the course of 2017 we:

+ Reduced our free cash flow breakeven to US$32 per barrel oil price
+ Generated $618 million in free cash flow, before asset sales
+ Reduced net debt by $761 million to $2.7 billion, and
+ Reported an underlying net profit after tax of $336 million

A strong operating performance across our core assets resulted in sales volumes of 83.4 million barrels of oil equivalent (mmboe) exceeding the top end of guidance, and production of 59.5 mmboe. LNG sales volumes were up 10% to a record 3.1 million tonnes following continued strong performance from PNG LNG and the ramp-up of GLNG. LNG sales revenues were up 33% to a record US$1.2 billion.

At our half-year results we announced a change in the asset and macro assumptions that determine the carrying value of our assets. This triggered a non-cash net impairment charge of $689 million after tax. The impairment reflected a write-down of our GLNG asset and the undeveloped Ande Ande Lumut oil field in Indonesia, predominantly due to lower oil price assumptions. This was offset by a positive net write-back on our Cooper Basin asset due to higher assumed development activity and production supported by significant improvements in costs, particularly across our drilling operations. Additional impairment charges of $14 million after tax were recorded against other assets in the second half, resulting in a full-year net loss after tax of $360 million.

## CAPITAL MANAGEMENT

In 2017 we made strong progress to strengthen the balance sheet. By year end net debt was $2.7 billion, down from $3.5 billion twelve months prior. Debt repayment continues to be a key priority for the company as we target $2 billion in net debt by the end of 2019.

Given the current focus on debt reduction, the Board did not declare a final dividend. While this decision will be disappointing for some shareholders, we are confident that prioritising debt repayment is the right course of action at this time and will position the company to fund growth opportunities from a position of strength and generate sustainable shareholder returns.

In light of the substantial turnaround in the underlying business, should market conditions remain supportive and the company achieves its debt reduction target ahead of plan, the Board will consider capital management strategies to return value to shareholders.

## TRANSFORMING OUR OPERATIONS

Core to the transformation of Santos has been the turnaround in our onshore "drill–complete–connect" operations across the Cooper Basin and GLNG acreage. Running our onshore upstream operations as a separate business has provided the focus and discipline required to adopt innovative, lean principles and drive quick-cycle learnings.

As a result of these efforts, Santos is now Australia's lowest-cost onshore operator, a significant point of differentiation that is not easy to replicate. To leverage these capabilities, we are working hard to be the "go-to" upstream operator of choice as we seek to enter new plays and capture incremental value for shareholders.

In addition to the significant cost-out and efficiency gains across our onshore operations, our high-margin conventional assets continued to perform strongly in 2017.

PNG LNG operated 20% above nameplate capacity to produce 8.3 million tonnes (gross) of LNG in 2017, shipping a total of 110 cargoes. Our core asset position was strengthened with the Muruk exploration well drilling program in the Southern Highlands confirming the discovery of a potentially significant new gas field. Muruk is situated only 21 kilometres from the existing PNG LNG Hides gas conditioning plant and an appraisal well is due to be drilled in the first half of 2018. We also announced two new farm-in agreements. We are excited about our growth prospects in PNG, and will continue to explore and develop opportunities that further align partner interests over the coming year.

In Northern Australia, Darwin LNG consistently demonstrated excellent reliability and availability, delivering its 600th cargo since start-up in 2006. A two-well appraisal campaign in the Barossa field resulted in a significant increase in 2C resources and positioned the field as the lead candidate for backfill to Darwin LNG. Good progress is being made on the proposed development and we expect to approve Front End Engineering and Design ("FEED") in the second quarter of 2018 with a Final Investment Decision ("FID") currently scheduled for the third quarter of 2019.

In Western Australia we signed two new domestic supply agreements. Our low-cost operations are well positioned with the capacity and reserves to meet short- and long-term demand in the region.

## DISCIPLINED OPERATING MODEL

In 2017 we continued to evolve and implement our operating model to ensure Santos remains focused on maximising free cash flow through the oil price cycle. Portfolio rules have now been ingrained in our day-to-day operations. At the heart of this model is the requirement for each of our core assets to generate positive free cash flow at ≤US$40 per barrel oil price, pre major-growth spend. Budgets across our Exploration, Development, Production and Marketing activities will only be approved if this criteria is met. This approach ensures we remain disciplined in a rising oil price environment and positioned to benefit from higher margins to pay down debt, fund exploration, grow the business and deliver shareholder returns.

## RELIABLE, AFFORDABLE AND SUSTAINABLE ENERGY SUPPLY

In 2017 Santos delivered on its commitment to meet domestic gas demand while also honouring our long-term LNG contractual obligations. We worked closely with our joint-venture partners and industry to support the Federal Government in bringing more supply into the domestic market to help mitigate gas supply concerns. Over the course of the year we signed agreements to facilitate the delivery of more than 140 PJ of gas into the east coast domestic market.

In Eastern Queensland we signed transport agreements to unlock significant gas reserves that sit outside the GLNG project. This allows Santos to meet contractual obligations to supply gas to GLNG while freeing up Cooper Basin gas for domestic east coast markets. We are also using our Moomba infrastructure and pipeline capacity positions to assist in the delivery of gas to the east coast.

Santos will continue to proactively pursue transactions that capture value for our shareholders and extend our long and proud history of delivering competitive wholesale gas supply to east coast domestic gas market end users.

In February 2017 we lodged the Environmental Impact Statement ("EIS") for the Narrabri Gas Project and in November announced that the project would re-enter the core portfolio. The project will be managed under our onshore upstream business, where we will apply our low cost "drill–complete–connect" model to improve the commercial outlook for the project. We believe that the east coast of Australia requires more gas and that Narrabri could play a significant role in meeting this demand outlook. Any significant capital expenditure will only occur when the project has the necessary approvals in place to facilitate development.

Our natural gas portfolio strategically aligns with the global transition to a low-carbon economy. Offering both reliability and lower emissions, gas is a natural complement to renewables that can be quickly turned up and down to deal with the intermittency of solar and wind. When used for power generation, natural gas is also 50% less emissions intensive than coal.

Global greenhouse gas emissions are around 50 billion tonnes per year, about half of which come from Asia. A large portion of this is from coal-fired power generation. This makes natural gas a clear choice for the Asian region. Gas demand in Asia is forecast to double by 2040, and Santos is well positioned to take advantage of this growth.

In 2017 Santos set up an Energy Solutions team to actively assess opportunities to reduce Santos' footprint and prepare for a lower-carbon future and in early 2018 we released our inaugural Climate Change Report. This report is aligned with the recommendations of the G20's Task Force on Climate-Related Financial Disclosures ("TCFD") and is available on our website at www.santos.com/sustainability

## BOARD RENEWAL

Progressive renewal of the Board continued in 2017 as we acknowledged the services of Roy Franklin OBE, Greg Martin and Scott Sheffield following their retirements and welcomed Eugene Shi and Dr Vanessa Guthrie. In February 2018, Peter Coates stepped down as Chairman and also retired from the Board.

We would like to thank Peter and the retiring Board members for their valuable counsel and guidance. Their support for our new senior executive team and three phase strategy to Transform, Build and Grow the business has set the strong foundations required to create long-term shareholder value.

## LOOKING AHEAD

In 2017 we re-structured the business to focus on five, core long-life natural gas assets, and embedded our lean, disciplined operating model. Through operational efficiency we dramatically decreased costs, improved free cash flow and reduced debt. We also invested in improving our systems and governance processes with a focus on safety and operational integrity.

2018 will be an exciting year for Santos. We are at an inflection point, poised to start our journey to growth. We will increase our capital investment across our core Australian assets and increase exploration and appraisal activities in Queensland and the Cooper Basin as well as drill more production wells. We will continue to work through the approvals process on our Narrabri Gas Project in New South Wales, with a view to leveraging our low-cost operating model to make this project a reality. We also expect to start Front End Engineering and Design on the Barossa offshore gas project which is the lead candidate for backfilling the Darwin LNG Project. In PNG we will be drilling the Muruk 2 appraisal well and potentially the Karoma exploration prospect. And we will look to the future with our new Energy Solutions business for ways to develop integrated gas, solar and energy storage projects.

We enter 2018 from a position of strength and would like to thank you, our shareholders, for your continued support.

Yours sincerely

**KEITH SPENCE**
Chairman

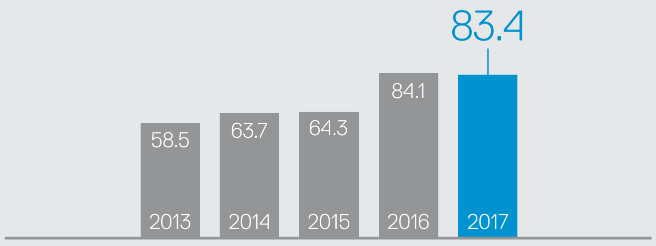
K. T. Gallagher

**KEVIN GALLAGHER**
Managing Director and Chief Executive Officer

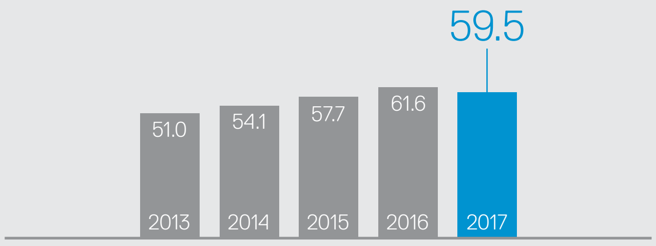
# Financial overview

## STRONG OPERATING PERFORMANCE

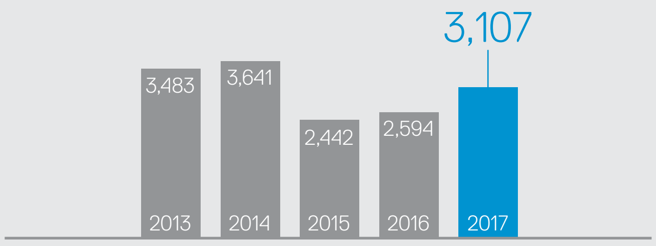
**Sales volume**
mmboe




**Production**
mmboe

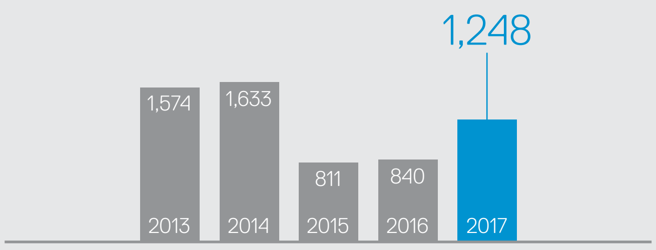



**Sales revenue**
US$million

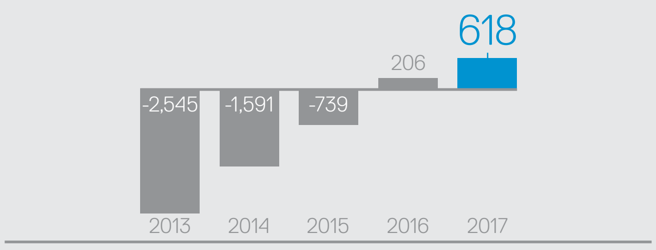



## CASH FLOW TRANSFORMED AND UNDERLYING PROFIT INCREASING

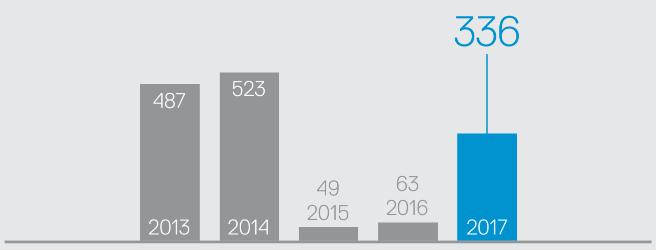
**Operating cash flow**
US$million




**Free cash flow**
US$million

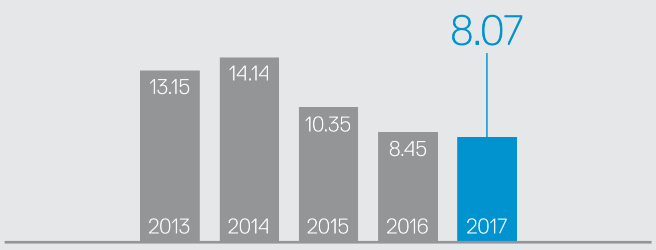



**Underlying net profit after tax**
US$million

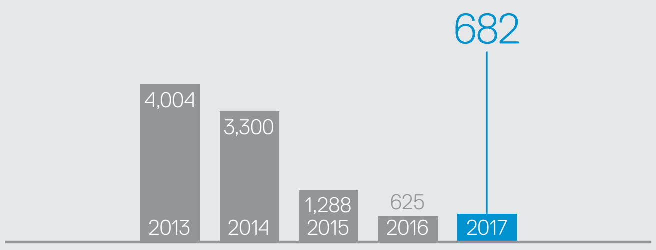



## COSTS REDUCED AND BALANCE SHEET STRENGTHENED

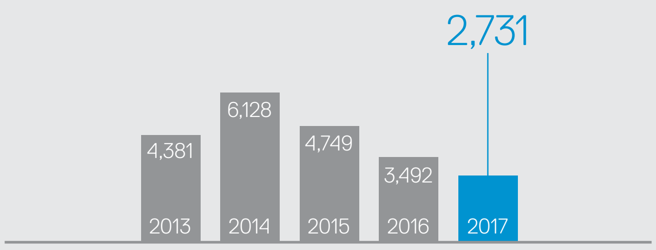
**Unit production costs**
US$ per boe



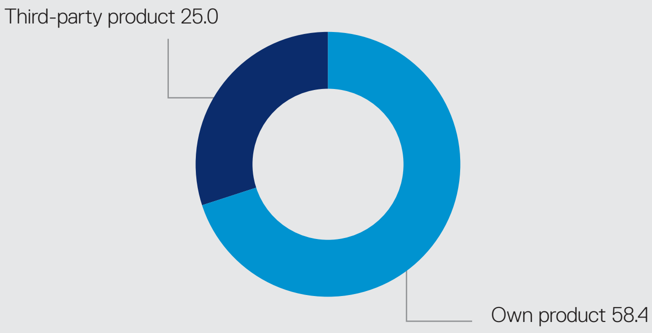

**Capital expenditure**
US$million



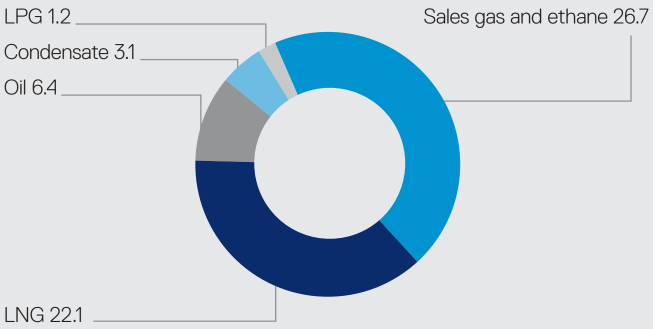

**Net debt**
US$million



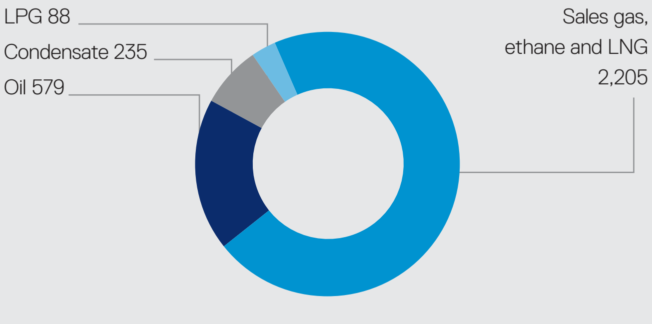

**2017 Sales volumes**
mmboe




**2017 Production**
mmboe



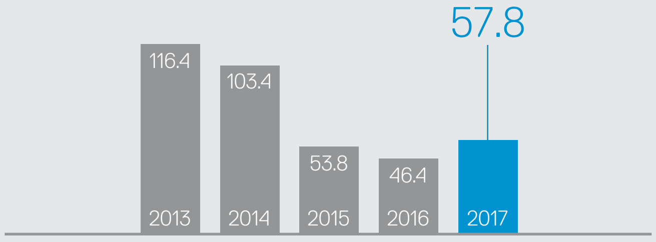

**2017 Sales revenue**
US$million




# 2017 Results

| | | 2013 | 2014 | 2015 | 2016 | 2017 |
|---|---|---|---|---|---|---|
| Sales volume | mmboe | 58.5 | 63.7 | 64.3 | 84.1 | **83.4** |
| Production | mmboe | 51.0 | 54.1 | 57.7 | 61.6 | **59.5** |
| Average realised oil price | US$/bbl | 116.4 | 103.4 | 53.8 | 46.4 | **57.8** |
| Net profit after tax | US$million | 499 | -630 | -1,953 | -1,047 | **-360** |
| Underlying net profit after tax | US$million | 487 | 523 | 49 | 63 | **336** |
| Sales revenue | US$million | 3,483 | 3,641 | 2,442 | 2,594 | **3,107** |
| Operating cash flow | US$million | 1,574 | 1,633 | 811 | 840 | **1,248** |
| EBITDAX[1] | US$million | 1,926 | 2,076 | 1,454 | 1,199 | **1,428** |
| Total assets | US$million | 18,407 | 18,281 | 15,949 | 15,262 | **13,706** |
| Earnings per share | US cents | 51.6 | -64.4 | -169.5 | -58.2 | **-17.3** |
| Dividends declared | AUD cents | 30 | 35 | 20 | - | **-** |
| Number of employees | | 3,502 | 3,636 | 2,946 | 2,366 | **2,080** |

**Average realised oil price**
US$ per barrel




1 EBITDAX (earnings before interest, tax, depreciation, depletion, exploration, evaluation and impairment), EBIT (earnings before interest and tax) and underlying profit are non-IFRS measures that are presented to provide an understanding of the performance of Santos' operations. Underlying profit excludes the impacts of asset acquisitions, disposals and impairments, as well as items that are subject to significant variability from one period to the next including the effects of fair value adjustments and fluctuations in exchange rates. The non-IFRS financial information is unaudited, however, the numbers have been extracted from the audited financial statements.

# Asset performance

## Five core long-life natural gas assets

### Cooper Basin

Spanning the borders of north-east South Australia and south-west Queensland, the Cooper and Eromanga Basins house Australia's largest onshore oil and gas field development. Santos discovered the first commercial natural gas resource here in 1963 and first oil in 1970.

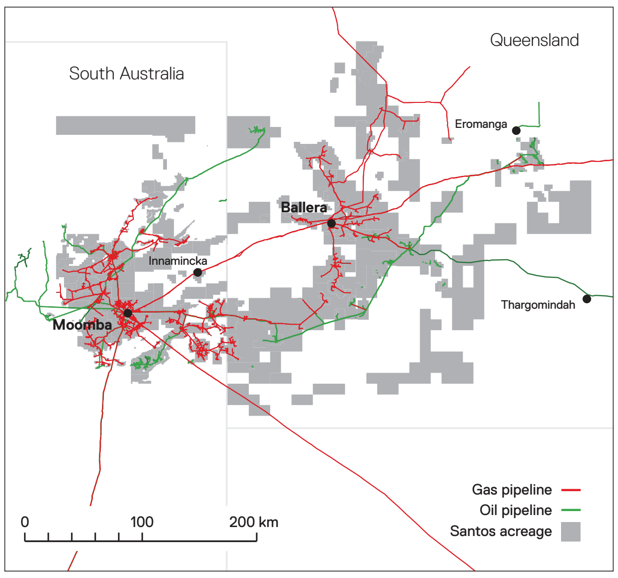
Santos now produces sales gas, ethane, crude oil and gas liquids from these basins.

The Cooper Basin asset is strategically important, housing key processing infrastructure at Moomba integral to the processing and transportation of gas around the east coast of Australia, supported by substantial underground storage facilities.

Santos is committed to building production, investing in new technology and increasing the utilisation of our infrastructure to drive efficiencies and continue to deliver a low-cost, cash flow positive business.

| Asset KPIs | 2017 | 2016 |
|---|---|---|
| Production (mmboe) | **14.4** | 15.1 |
| Sales volume (mmboe) | **21.0** | 23.5 |
| Revenue (US$m) | **833** | 768 |
| Production cost (US$/boe) | **9.32** | 10.71 |
| EBITDAX (US$m) | **328** | 258 |
| Capex (US$m) | **199** | 173 |

- + EBITDAX 27% higher due to lower cost operations, improved productivity and higher oil prices
- + Improved drilling cycle times have led to embedded and sustainable cost reductions
  - Drill-stimulate-complete gas well costs down 33% to $2.8 million
  - Unit production costs down 13% to US$9.32/boe
- + Lower costs and renewed exploration focus expected to lead to reserves additions over time
  - 5 mmboe increase in 2P reserves before production in 2017
- + Expect to drill 70–80 wells in 2018, up from 61 in 2017




### Queensland

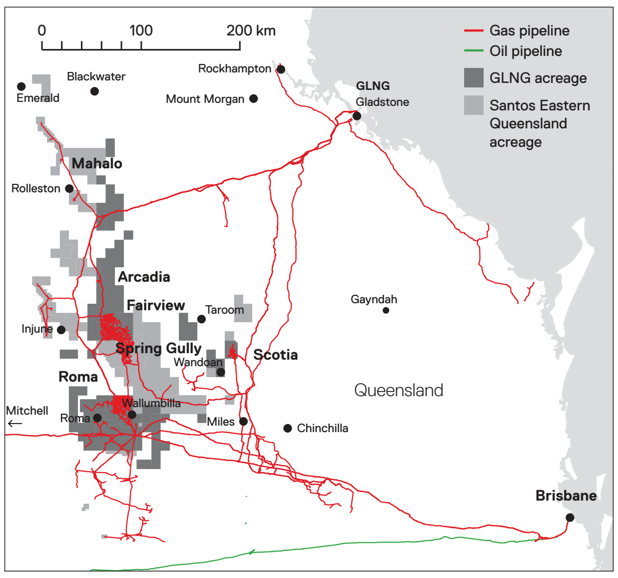
GLNG incorporates the development of natural gas resources in the Surat and Bowen Basins in south-east Queensland, a 420 kilometre underground gas transmission pipeline and a two-train liquefaction and storage facility on Curtis Island. The first cargo was shipped in October 2015 and the plant is expected to ramp-up LNG sales to 6 mtpa by the end of 2019.

As operator, Santos is focussed on building gas supply by drilling more wells to increase production, seeking opportunities to extract value from our infrastructure and driving efficiencies to operate at lowest cost.

In addition to the GLNG acreage, Santos holds large uncontracted gas reserves in the Surat and Bowen Basins supportive of medium-term growth opportunities.

| Asset KPIs | 2017 | 2016 |
|---|---|---|
| Production (mmboe) | **11.5** | 9.5 |
| Sales volume (mmboe) | **22.7** | 19.2 |
| Revenue (US$m) | **764** | 540 |
| Production cost (US$/boe) | **5.92** | 6.44 |
| EBITDAX (US$m) | **329** | 191 |
| Capex (US$m) | **178** | 228 |

- + EBITDAX 72% higher due to increased upstream production, higher third-party volumes, lower cost operations and higher LNG prices
- + 89 LNG cargoes shipped
- + Lowest cost operator in Queensland
  - Roma drill-complete-connect well costs down 44% to $0.9 million
  - Unit production costs down 8% to $5.92/boe
- + Agreements executed to evacuate uncontracted Eastern Queensland gas
- + Expect to drill 250 GLNG wells in 2018, up from 172 in 2017




### Papua New Guinea

The PNG LNG project is an integrated development that includes gas production and processing facilities that extend from the Hela, Southern Highlands, Western and Gulf provinces to Port Moresby in Central Province. The facilities are connected by over 700 kilometres of onshore and offshore pipeline and include a gas conditioning plant at Hides and a liquefaction and storage facility near Port Moresby.

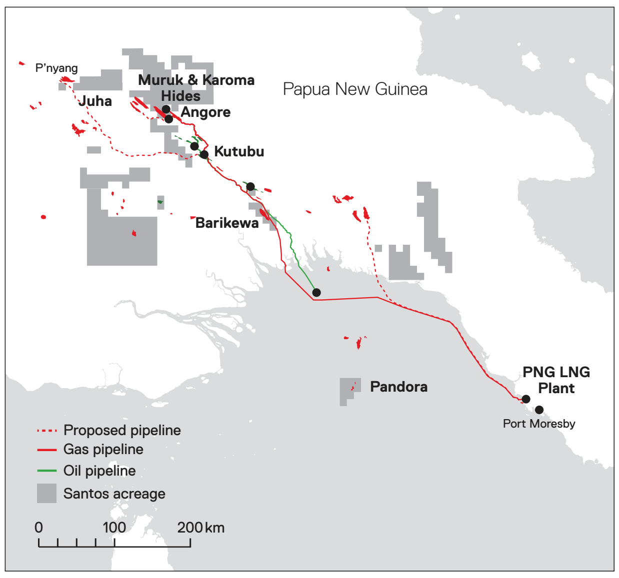
Liquefied Natural Gas (LNG) production began in April 2014.

Santos continues to strengthen its position in PNG by working with our partners to align interests to support and participate in backfill and expansion opportunities at PNG LNG.

The Muruk 2 appraisal well, 21 kilometres from the Hides gas conditioning plant, and the adjacent Karoma exploration prospect are expected to be drilled in 2018.

| Asset KPIs | 2017 | 2016 |
|---|---|---|
| Production (mmboe) | **12.6** | 12.2 |
| Sales volume (mmboe) | **12.0** | 11.8 |
| Revenue (US$m) | **532** | 444 |
| Production cost (US$/boe) | **4.37** | 4.59 |
| EBITDAX (US$m) | **430** | 350 |
| Capex (US$m) | **18** | 8 |

- + EBITDAX 23% higher due to higher LNG prices, strong operating performance and lower unit costs
- + PNG LNG maximum day-rate of 8.9 mtpa achieved, 30% above nameplate capacity
- + 110 LNG cargoes shipped
- + PNG LNG reserves upgrade due to continued strong Hides field performance and improved LNG plant performance
- + Western area and Aure Fold Belt farm-ins announced, further aligning Santos' interests in PNG with its joint-venture partners
- + Muruk exploration well drilling program confirmed the discovery of a potential new gas field



# Other

## Northern Australia

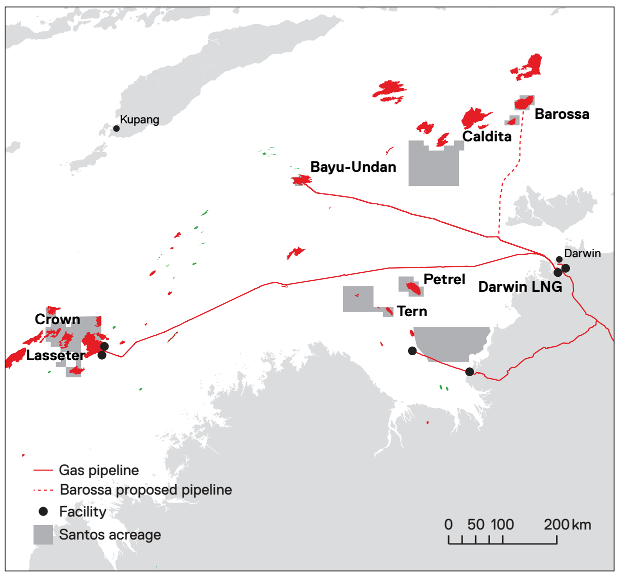
Located at Wickham Point, the Darwin LNG plant is a single train liquefaction and storage facility that commenced production in 2006. The Bayu-Undan production facility, which supplies gas to the plant via a 26-inch subsea pipeline, is located approximately 500 kilometres north-west of Darwin in the Joint Petroleum Development Area of the Timor Sea.

The opportunity to backfill Darwin LNG is currently being assessed by the partners in the project with the Barossa field in the Bonaparte Basin being progressed as the lead candidate.

Santos' extensive offshore discovered resource positions across Northern Australia include the Crown-Lasseter discoveries in the Browse Basin and the Petrel–Tern discoveries in the Bonaparte Basin. This discovered resource base is well positioned for backfill or expansion of existing infrastructure.

| Asset KPIs | 2017 | 2016 |
|---|---|---|
| Production (mmboe) | **4.0** | 4.2 |
| Sales volume (mmboe) | **4.0** | 4.2 |
| Revenue (US$m) | **153** | 145 |
| Production cost (US$/boe) | **18.95** | 17.58 |
| EBITDAX (US$m) | **87** | 86 |
| Capex (US$m) | **55** | 14 |

+ Darwin LNG continues to achieve excellent reliability and availability
+ 51 LNG cargoes shipped
+ Capital expenditure higher due to a successful two-well appraisal campaign strengthening the Barossa field as lead candidate for Darwin LNG backfill
  - Significant increase in 2C resource
  - Front End Engineering and Design (FEED) targeted for the second quarter of 2018
+ Development study of the Petrel–Tern fields initiated




## Western Australia Gas

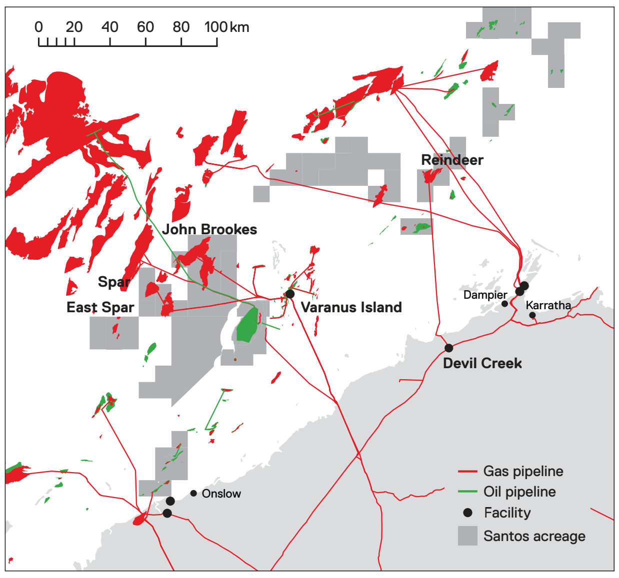
Santos made its first discovery in the Carnarvon Basin in 1984 and today is well-positioned to leverage its established domestic gas hubs and strong portfolio position through uncontracted reserves and capacity to meet short- and long-term demand.

Gas and condensate from the John Brookes and Spar fields is piped to the Varanus Island processing facility where the condensate is removed and the raw gas processed. The sales gas is then transported to mainland Western Australia via two 100-kilometre pipelines and supplied to major mining and industrial customers.

Gas and condensate from the offshore Reindeer field is transported to the onshore Devil Creek processing plant via a 105-kilometre pipeline. Sales gas is then compressed and sent to the Western Australia domestic gas market.

| Asset KPIs | 2017 | 2016 |
|---|---|---|
| Production (mmboe) | **9.2** | 8.9 |
| Sales volume (mmboe) | **9.4** | 8.8 |
| Revenue (US$m) | **262** | 184 |
| Production cost (US$/boe) | **5.82** | 5.11 |
| EBITDAX (US$m) | **201** | 206 |
| Capex (US$m) | **37** | 24 |

+ Higher production, sales volumes and revenues
+ Production costs higher primarily due to statutory shutdowns at Varanus Island and Reindeer
+ Two new gas sales agreements signed with Wesfarmers commencing in 2018
+ Low cost operations with capacity and reserves to meet short- and long-term demand




## Asia, New South Wales and Western Australia Oil

Santos' Asian, New South Wales and Western Australia oil assets are run separately as a standalone business.

In Indonesia, gas from offshore East Java is sold for domestic power generation and distribution and oil piped to a Floating Storage and Offloading (FSO) vessel for storage and export.

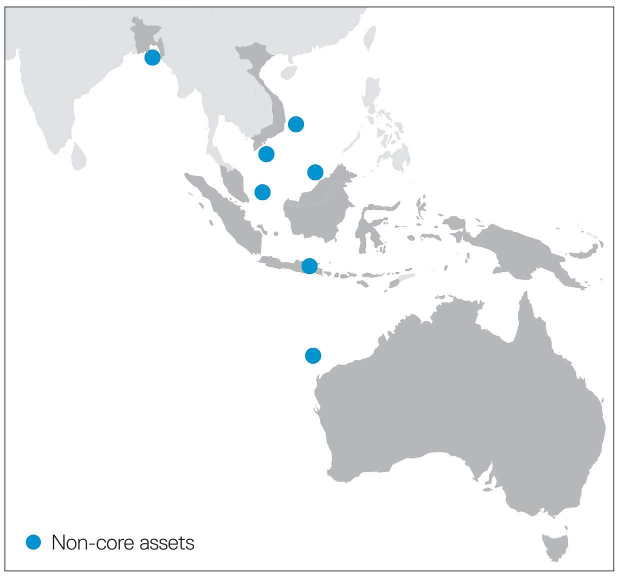
In Vietnam, oil is exported on crude offtake tankers and gas transported via subsea pipelines for power generation to meet domestic demand from the offshore Chim Sáo and Dua fields via a Floating Production Storage & Offloading (FPSO) facility.

In the Carnarvon Basin, offshore Western Australia, Santos produces oil from the Fletcher Finucane / Mutineer-Exeter and Barrow assets.

In February 2017 an Environmental Impact Statement (EIS) was lodged for the Narrabri Gas Project and in November it was announced that the Project would re-enter the core portfolio on the 1 January 2018.

| Asset KPIs | 2017 | 2016 |
|---|---|---|
| Production (mmboe) | **7.7** | 11.8 |
| Sales volume (mmboe) | **7.7** | 11.7 |
| Revenue (US$m) | **346** | 411 |
| Production cost (US$/boe) | **15.91** | 14.06 |
| EBITDAX (US$m) | **223** | 246 |
| Capex (US$m) | **81** | 84 |

+ Production and sales volumes lower primarily due to the sale of our Victorian, Mereenie (NT) and Stag (WA) assets
+ 8 mmboe 2P reserves increase in Asian assets
+ Narrabri Gas Project Environmental Impact Statement submitted February 2017 and approvals process underway
  - Re-entered the core portfolio 1 January 2018
+ Portfolio to be continually optimised to maximise value



Our three-phase strategy to Transform, Build and Grow the business continues to drive improved performance and further productivity gains. We remain committed to this strategy and have been pleased to witness significant progress ahead of plan.

The **Transform** phase focuses the business on five core long-life natural gas assets. Portfolio simplification coupled with a new disciplined operating model has provided the business the platform to focus on maximising production, driving down costs and increasing gas supply. As a result of these initiatives and higher commodity prices, we have already witnessed a substantial turnaround in free cash flow, up 200% in 12 months.

The **Build** phase identifies and develops a portfolio of exploration and development opportunities around our five core assets. In 2017 we continued to strengthen our core asset positions. In PNG we increased our footprint by signing two farm-in agreements; in Northern Australia we successfully completed a two-well appraisal campaign which has positioned the offshore Barossa field as lead-candidate for Darwin LNG backfill; and in Eastern Queensland we executed agreements to evacuate uncontracted gas from our non-GLNG acreage.

The **Grow** phase focuses on opportunities to execute and bring on-line growth opportunities across our core portfolio and explore new high-value targets. In 2017 in Northern Australia we initiated a development study of our offshore Petrel–Tern fields in the Bonaparte Basin; in New South Wales we submitted the Environmental Impact Statement for the Narrabri Gas Project and announced the reintroduction of the asset to the core portfolio; in PNG discussions continued with our joint-venture partners regarding the potential expansion of PNG LNG; and in the Cooper basin in 2018 we intend to drill between 70 and 80 wells with three rigs to grow production and in GLNG, we plan to drill ~250 wells and ramp-up LNG sales to 6 million tonnes by the end of 2019.

# Transform Build Grow

**Grow**

+ Execute and bring on-line growth opportunities across the core portfolio
+ Focused exploration strategy to identify new high-value targets and unlock future core assets
+ Generate new revenue through low-carbon Energy Solutions projects

**Build**

+ Identify and develop growth opportunities across the five core long-life natural gas assets
+ Develop the lowest cost onshore drill-complete-connect business
+ Establish facilities and infrastructure operations strategic capability
+ Maximise margin through Marketing and Trading business

**Transform**

+ Focus on five core, long-life natural gas assets
+ Implement disciplined low-cost operating model to maximise cash flows
+ Maximise production, drive down costs and increase gas supply
+ Implement effective governance and risk management framework to enable new operating model

## The role of natural gas in a lower-carbon future

### LOWERING EMISSIONS AND IMPROVING AIR QUALITY

Santos understands the need to limit emissions. As global energy demand grows, the world must support the twin objectives of limiting climate change and providing affordable energy to a growing and urbanised population.

Santos' purpose is to provide sustainable returns for our shareholders by supplying reliable, affordable and cleaner energy to improve the lives of people in Australia and Asia. We believe that natural gas has a critical role to play in providing energy in a lower-carbon future.

Natural gas is abundant, less emissions intensive than other fossil fuels and can significantly improve air quality in urban centres due to its negligible particulate and Sulphur Oxides (SOX) emissions, and low Nitrogen Oxides (NOX) emissions.

Natural gas provides the flexible, scalable dispatchable energy required to support the integration of renewable power generation.

In addition, natural gas is used as a feedstock for critical industries such as chemicals, fertilisers and plastics, and common household items such as food packaging and plastic bottles. Natural gas can displace higher-emission fuels such as diesel and marine fuels in road and rail transport and shipping.

### MEETING GROWING ENERGY DEMAND

As population grows and urbanisation provides more people with access to electricity, demand for energy will continue to grow. The IEA estimates that there are still 1.1 billion people in the world who do not have access to electricity and 2.8 billion currently without access to clean cooking facilities[1]. Around half of these people are in developing Asia, where LNG (liquefied natural gas) imports from countries including Australia and PNG, will help to increase the supply of reliable, affordable and cleaner energy.

### CLEANER SUPPLY TO MEET DEMAND

Today, around half of the world's 50 billion tonnes of greenhouse gas emissions come from Asia. When used in power generation, natural gas is 50% less carbon intensive than coal.[2]

Australia is one of the world's largest exporters of natural gas via LNG. Assuming all of Australia's forecast 85 million tonnes of LNG exports in 2020 have replaced legacy coal-fired power generation in Asia, then Australian LNG reduces 300 million tonnes of global greenhouse gas emissions every year. To put this in context, this emission reduction is three times the size of Australia's 2030 annual emissions reduction target under the Paris Agreement.

When considering local air pollutants, such as particulates, NOX and SOX, burning of natural gas is significantly cleaner than coal and diesel. Improving air quality is a priority for governments around the world as approximately 6.5 million premature deaths each year can be attributed to air pollution.[3]

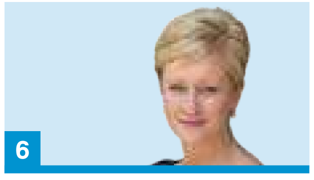
Santos' scale of natural gas operations in Australia, low-cost onshore business model and proximity to Asian markets makes Santos well placed to help meet Asian energy demand while lowering emissions and improving air quality.


To view Santos' inaugural Climate Change Report, please visit our website at **www.santos.com/sustainability**

The Report outlines our approach to climate change and is aligned with the recommendations of the G20's Task Force on Climate-Related Financial Disclosures (TCFD).

1. IEA, Energy Access Outlook 2017.
2. APPEA, How natural gas can minimise greenhouse emissions.
3. IEA, World Energy Outlook Special Report 2016: Energy and Air Pollution.

# Board of Directors




**INTRODUCING**
### 1. KEITH SPENCE
**Chairman**

Keith joined the Santos Board on 1 January 2018 and was appointed Chairman on 19 February 2018.

Keith has over 40 years' experience in managing and governing oil and gas operations in Australia, Papua New Guinea, the Netherlands and Africa.

A geologist and geophysicist by training, Keith commenced his career as an exploration geologist with Woodside Petroleum Limited in 1977. He subsequently joined Shell (Development) Australia, where he worked for 18 years. In 1994 he was seconded to Woodside to lead the North West Shelf Exploration team in making seven consecutive commercial discoveries, including the giant Perseus gas field. In 1998, he left Shell to join Woodside. He retired from Woodside in 2008 after a 14-year tenure in top executive positions in the company, including Chief Operating Officer and Acting Chief Executive Officer. Upon his retirement he took up several board positions, including Clough Limited, where he served as Chairman from 2010-2013 and Oil Search Limited, where he served as a Non-executive director from 2012 to 2017.

Keith has a broad knowledge of the oil and gas industry, having worked across most aspects of the oil and gas business cycle from exploration and appraisal to development and construction, operations and oil and gas marketing. He has experience in the energy sector, having served on Board of Verve and Synergy, which operate in the West Australian energy market. In addition, through his role as Chairman of Geodynamics Limited, he has developed a good knowledge of renewable energy technologies.

Keith was also Chairman of NOPSEMA, the National Offshore Petroleum Safety and Environmental Management regulator, for seven years from 2010-2017.

Keith led the Commonwealth government's Carbon Storage Taskforce reporting to the Minister for Resources, Energy and Tourism. He also chaired the Independent Assessment Panel for the Carbon Capture and Storage Flagships programme.

Keith also has a deep knowledge in workforce development, having served as a member of the Board of Australian Workforce and Productivity Agency, the State Training Board of Western Australia, the Curtin University Council and the Industry Advisory Board of the Australian Centre for Energy and Process Training.

### 2. KEVIN GALLAGHER
**Managing Director & Chief Executive Officer**

Kevin joined Santos as Managing Director & Chief Executive Officer in February 2016.

A turnaround specialist with a track record in transforming underperforming operations, Kevin commenced his career as a drilling engineer with Mobil North Sea, before joining Woodside in 1998. During his 13-year tenure with Woodside, Kevin led the drilling organisation through rapid growth, delivering several Australian and international development projects and exploration campaigns. He also led the Australian Oil Business and was the CEO of the North West Shelf Venture at Woodside, where he was responsible for production on Australia's largest resource project.

Kevin joined Clough Limited as CEO and Managing Director in 2011, and during his 4-year tenure he implemented strategies that transformed the business.

### 3. YASMIN ALLEN

Yasmin has been a Director since October 2014.

Yasmin is a current Director of Cochlear Limited, ASX Limited, the ASX Clearing and Settlement boards, the National Portrait Gallery and is a member of the George Institute for Global Health Board and the Australian Government Takeovers Panel.

Yasmin was former Chair of Macquarie Global Infrastructure Funds and Director of EFIC (Export, Finance and Insurance Corporation), Insurance Australia Group Limited and the Australian Institute of Company Directors.

### 4. GUY COWAN

Guy has been a Director since May 2016.

Guy is currently Chair of Queensland Sugar Limited and former Director of UGL Limited, Coffey International and Ludowici Limited. He was also the Shell appointed alternative director of Woodside between 1992 and 1995.

Guy had a 23-year career with Shell International including CFO and Director of Shell Oil US and CFO of Shell Nigeria. He was also CFO of Fonterra Co-operative Ltd.

### 5. HOCK GOH

Hock has been a Director since October 2012.

Hock is the current Chairman of MEC Resources Ltd and Advent Energy Ltd, and a Director of Stora Enso Oyj, AB SKF, Harbour Energy and Vesuvius PLC. Hock was formerly a Director of BPH Energy Ltd, an Operating Partner of Baird Capital Partners Asia and Director of Xaloy Holding Inc.

Hock has more than 30 years' experience in the global oil and gas industry, having spent 25 years with Schlumberger Limited, including as President of Network and Infrastructure Solutions division in London, President of Asia, and Vice President and General Manager of China.

### 6. DR VANESSA GUTHRIE

Vanessa has been a Director since July 2017.

Vanessa is the current Chair of the Minerals Council of Australia, Deputy Chair of the WACA, a Director of the Australian Broadcasting Corporation and Vimy Resources Limited, and Council member of Curtin University. She is also a member of the Australian Institute of Company Directors and Chief Executive Women, and a Fellow of the Australian Academy of Technological Sciences and Engineering.

Vanessa was the former MD & CEO of Toro Energy Limited and VP Sustainable Development at Woodside Energy.

### 7. PETER HEARL

Peter has been a Director since May 2016.

Peter is a current Director of Telstra Ltd and former Director of Treasury Wine Estates and Goodman Fielder.

Peter had an 18-year career in the oil industry with Exxon in Australia and the USA and was also the global Chief Operating & Development officer for YUM Brands (formerly PepsiCo) based in the USA.

### 8. EUGENE SHI

Eugene has been a Director since June 2017.

Eugene has more than 20 years of professional experience covering Energy, Health Care, Retail and Finance in Europe and the Asia-Pacific. His specialties include capital operation, M&A and restructuring, strategy, value management, and cost optimisation.

Eugene is currently Vice President of ENN Ecological and General Manager of Investment Management Department ENN Group. He is the former Department Head of Business Performance Service with KPMG China and Transformation Service with KPMG Europe.

### COMMITTEES OF THE BOARD

**Audit and Risk Committee**

Mr G Cowan (Chair)
Ms Y Allen
Mr H Goh
Mr E Shi

**Nomination Committee**

Mr K Spence (Chair)
Ms Y Allen
Mr H Goh
Mr P Hearl

**People and Remuneration Committee**

Ms Y Allen (Chair)
Mr P Hearl
Mr E Shi

**Environment, Health, Safety and Sustainability Committee**

Mr P Hearl (Chair)
Mr K Gallagher
Mr H Goh
Dr V Guthrie

# Santos Executive Committee


Full Director and Santos Executive Committee biographies are available on the Santos website:

**www.santos.com**

### 1. KEVIN GALLAGHER
**Managing Director & CEO**

Please see Board of Directors.

### 2. PHILIP BYRNE
**Executive Vice President, Marketing, Trading & Commercial**

Joined Santos in August 2017 and is responsible for the marketing and trading of all Santos gas, LNG and liquid hydrocarbon products as well as the commercial function.

### 3. BRUCE CLEMENT
**Executive Vice President, Conventional Oil & Gas**

Joined Santos in 2016 and is responsible for building and growing Santos conventional assets across Papua New Guinea, Northern Australia, Western Australia and Asia.

### 4. ANGUS JAFFRAY
**Executive Vice President, Strategy & Corporate Services**

Joined Santos in 2016 and is responsible for the delivery of the organisation's long-term strategic plan while maintaining quality corporate support services including human resources and information systems.

### 5. NAOMI JAMES
**Executive Vice President, EHS & Governance**

Joined Santos in 2016 and is responsible for Santos' risk and audit, legal, company secretary, environment and access and safety functions, and Chairs the GLNG Project Operating Committee.

### 6. ANTHONY NEILSON
**Chief Financial Officer**

Joined Santos in 2016 and is responsible for the finance, tax, treasury and investor relations functions.

### 7. BILL OVENDEN
**Executive Vice President, Exploration & New Ventures**

Joined Santos in 2002 and is responsible for developing and executing a targeted exploration and appraisal strategy across Santos' core asset hubs, while identifying new high value exploration targets.

### 8. VINCE SANTOSTEFANO
**Chief Operations Officer, Operations Services**

Joined Santos in 2016 and is responsible for the provision of technical and operational services to increase the scale and strategic value of Santos' assets.

### 9. BRETT WOODS
**Executive Vice President, Onshore Upstream Division**

Joined Santos in 2013 and is responsible for the development and growth of Santos' onshore upstream assets including the Cooper Basin, GLNG and Narrabri.

# Investor information

Santos Limited
ABN 80 007 550 923

### REGISTERED AND HEAD OFFICE

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Website: **www.santos.com**

### SECURITIES EXCHANGE LISTING

STO

### SANTOS WEBSITE

To view news announcements, company reporting and presentations please visit the Investors page at **www.santos.com/investors**

### 2017 ANNUAL REPORT

To view a copy of our 2017 Annual Report please visit our website at www.santos.com or alternatively, printed copies can be requested from the Share Registrar either by email at santos@boardroomlimited.com.au or by telephone 1300 096 259 (within Australia) or + 61 2 8016 2832 (International)

### SHAREHOLDING ENQUIRIES

Boardroom Pty Limited
GPO Box 3993
Sydney NSW 2001

Website: **www.boardroomlimited.com.au**
Shareholder Access: **www.investorserve.com.au**
Telephone: 1300 096 259 (within Australia)
+ 61 2 8016 2832 (International)

### INVESTOR ENQUIRIES

Investor Relations, Santos Ltd
GPO Box 2455
Adelaide SA 5001

Telephone: 08 8116 5000
Email: investor.relations@santos.com
Website: **www.santos.com**

### UPDATE YOUR DETAILS ONLINE

To update your address, payment instructions, dividend reinvestment plan options, tax file number, e-communication preferences, email address and more, please visit **www.investorserve.com.au** or telephone 1300 096 259 (within Australia) or + 61 2 8016 2832 (International)

To download the 2017 Annual Report please visit the Santos website: **www.santos.com**

# Shareholder calendar

| | |
|---|---|
| 2017 Fourth Quarter Activities Report | 24 Jan 2018 |
| 2017 Full-year results | 21 Feb 2018 |
| 2018 First Quarter Activities Report | 19 Apr 2018 |
| Annual General Meeting | 3 May 2018 |
| 2018 Second Quarter Activities Report | 19 Jul 2018 |
| 2018 Half-year results | 23 Aug 2018 |
| 2018 Third Quarter Activities Report | 18 Oct 2018 |

Dates are subject to change

# Glossary

**barrel/bbl**
The standard unit of measurement for all oil and condensate production. One barrel = 159 litres or 35 imperial gallons.

**barrel of oil equivalent/boe**
A unit of energy approximately equal to the energy released by burning one barrel (159 litres) of crude oil.

**condensate**
A natural gas liquid that occurs in association with natural gas and is mainly composed of pentane and heavier hydrocarbon fractions.

**contingent resources (2C)**
Those quantities of hydrocarbons which are estimated, on a given date, to be potentially recoverable from known accumulations, but which are not currently considered to be commercially recoverable. Contingent resources may be of a significant size, but still have constraints to development. These constraints, preventing the booking of reserves, may relate to lack of gas marketing arrangements or to technical, environmental or political barriers.

**crude oil**
A general term for unrefined liquid petroleum or hydrocarbons.

**EBITDAX**
Earnings before interest, tax, depreciation, depletion, exploration and impairment.

**free cash flow**
Cash flow from operating activities less cash flow from investing activities.

**free cash flow breakeven**
The average annual oil price at which cash flow from operating activities (including hedging) equals cash flows from investing activities. Excludes one-off restructuring and redundancy costs, and asset divestitures and acquisitions.

**joules**
Joules are the metric measurement unit for energy. A petajoule (PJ) is equal to 1 joule × $10^{15}$.

**LNG**
Liquefied natural gas. Natural gas that has been liquefied by refrigeration to store or transport it. Generally, LNG comprises mainly methane.

**LPG**
Liquefied petroleum gas. A mixture of light hydrocarbons derived from oil-bearing strata which is gaseous at normal temperatures but which has been liquefied by refrigeration or pressure to store or transport it. Generally, LPG comprises mainly propane and butane.

**proven plus probable reserves (2P)**
Reserves that analysis of geological and engineering data suggests are more likely than not to be recoverable. There is at least a 50% probability that reserves recovered will exceed proven plus probable reserves.

**Sales gas**
Natural gas (methane) that has been processed by gas plant facilities and meets the required specifications under gas sales agreements.

**Train (LNG)**
The infrastructure that purifies and cools natural gas to a liquid state ready for transport.

### CONVERSION FACTORS

| | |
|---|---|
| Sales gas and ethane | 1 PJ = 171.937 boe x $10^3$ |
| Crude oil | 1 barrel = 1 boe |
| Condensate | 1 barrel = 0.935 boe |
| LPG | 1 tonne = 8.458 boe |
| LNG | 1 PJ = 18,040 tonnes |
| LNG | 1 tonne = 52.54 mmBtu |

For a comprehensive online conversion calculator tool, please visit our homepage at **www.santos.com**

Santos

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