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The Santos logo is displayed in a blue, sans-serif font.

TO: ASX Market Announcements
FROM: Company Secretary
DATE: 3 May 2018
SUBJECT: 2018 Annual General Meeting

Please find attached the Chairman's and Managing Director and Chief Executive Officer's addresses to the 2018 Annual General Meeting held in Adelaide today.

Christian Paech
Company Secretary

Chairman's Address

Good morning ladies and gentlemen, fellow shareholders.

Welcome to the 2018 Annual General Meeting of Santos Limited.

My name is Keith Spence.

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 begin by acknowledging that we are meeting on the traditional country of the Kurna people of the Adelaide Plains and I pay my respects to elders past and present.

Santos operates across the ancestral lands of many different Aboriginal peoples and I also acknowledge those many Aboriginal groups and their involvement in our industry.

I hope you enjoyed our video that shows the high regard in which Santos is held by our people and our local communities.

While we are always working to advance the financial interests of shareholders, our business depends on coexistence with a wide range of neighbours and land uses in the communities where we operate.

We set a high standard for social and environmental performance because we understand the importance of strong and trusted community relationships.

It's critical to communicate the science, safety and benefits of our industry, and improve our social licence to operate.

This ensures we maintain access to the resources we need to sustain and grow the company, and will be a focus of the Board over the coming year.

Let me commence our business for today with some introductions.

Firstly, a little about myself.

I have been privileged to work in the oil and gas industry for more than 40 years, commencing my career with Woodside Petroleum in 1977 as a geologist and geophysicist.

I have since enjoyed the opportunity to work across most aspects of the oil and gas business from exploration and appraisal to development and construction, to operations and oil and gas marketing.

More recently I have served on listed and government boards in areas as diverse as education and training, electricity generation and retail, geothermal energy, offshore oil and gas regulation, and carbon capture and storage.

I am delighted to be attending my first AGM of Santos and I'm looking forward to serving you to the best of my ability.

Members of the Santos Board joining us here today are, from my far right, non-executive directors Vanessa Guthrie, Peter Hearl and Hock Goh.

Next to me is Christian Paech, our Company Secretary.

From my far left are non-executive directors Eugene Shi, Guy Cowan and Yasmin Allen.

Vanessa and Eugene were appointed to the Santos Board mid-last year, and are attending their first Santos Annual General Meeting.

These appointments, and my own, complete a substantial Board renewal with 75 percent of directors appointed in the last two and a half years.

One of those is seated immediately to my left, our 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 our results in 2017 as well as some of the challenges we overcame.

I will also discuss the outlook and our priorities for 2018.

Note that values referred to are US dollars unless otherwise stated.

On behalf of all directors, the first thing I want to do is address the unsolicited, non-binding, indicative proposal received on 28 March 2018 from Harbour Energy to buy Santos.

As announced on 3 April, given the indicative offer price of US\$4.98 per share, which was equivalent to A\$6.50 at the time, the Board decided to grant due diligence and engage further with Harbour Energy about the proposal.

There is no certainty at this time that the Harbour proposal will result in a binding offer for Santos that is capable of being recommended by the Board for consideration by shareholders.

I expect the due diligence and engagement process will be concluded within a few weeks.

Regardless of the outcome of our engagement with Harbour, the Board and management team will maintain a laser focus on the core business of the company – continuing to operate safely and deliver a strong performance in 2018.

Santos is in great shape with enough cash coming in to not only pay down debt, but to focus more on returning value to shareholders, and building and growing the business.

We have a diverse, high quality natural gas portfolio with very exciting growth opportunities that we are progressing, particularly in Northern Australia and PNG.

Over the last two and a half years, Kevin and his team have done an excellent job of transforming Santos into a low cost, reliable, high performance business.

There is still more to do and they continue to work towards completion of this task.

The second thing I want to do is acknowledge the impact on shareholders of the Board's decision not to pay a dividend in 2017.

The Board's priority throughout 2017 was to continue to strengthen the company's balance sheet by paying down debt.

At the same time, there was a continued focus on increasing operating cash flow to ensure that Santos is a strong and sustainable business throughout the oil price cycle.

Specifically – that Santos can generate free cash at oil prices of \$40 a barrel or less.

This was achieved – our free cash flow breakeven for 2017 was \$32/bbl.

As a result, the balance sheet has been strengthened and cash flows are strong.

This means we can now look to get the balance right between sustainable returns to shareholders and using retained earnings to fund growth.

The company has a target to reduce net debt to \$2 billion by the end of 2019.

We look set to achieve that target more than a year ahead of plan early in the second half of 2018.

Kevin will talk more about that shortly.

If the performance of the business continues on this trend and current oil price levels are sustained, the Board will look to restore dividends based on 2018 financial results.

Our view is that the dividend policy most suitable to Santos' capital structure is to return to a base sustainable dividend that will be relatively stable over time.

Special dividends or other returns to shareholders can then be made from time to time as conditions permit.

In this way the company can use its strong cash flows to fund debt reduction, sustaining capital, growth and exploration projects, as well as returns to shareholders, without needing to raise money.

This is a strong position for Santos to be in.

Looking back at 2017, I congratulate every employee at Santos for the role they have played in transforming our cost base, cash flow and balance sheet while delivering a strong operating performance and generating a robust portfolio of growth opportunities.

They have exceeded expectations:

- Significantly strengthening the balance sheet by reducing net debt to \$2.7 billion.
- Simplifying and creating a core portfolio of long-life natural gas assets that are forecast to be free cash flow breakeven at around \$36 a barrel this year.
- Divesting non-core assets and running smaller, shorter-life assets efficiently and under a lower cost structure.
- Transforming the cost base to become Australia's lowest cost onshore operator.
- Generating a solid robust portfolio of growth opportunities around our core assets.

And, as a result of all these efforts, delivering a strong operating performance and underlying profit.

These results were achieved in the face of some significant challenges.

Increased market and commodity price volatility was a constant feature of the past year.

In particular, the Board was pleased with how Santos worked with the federal government in response to the Australian Domestic Gas Security Mechanism (ADGSM).

The ADGSM could have put our LNG export contracts at some risk of fulfilment.

However, the Heads of Agreement reached between the Queensland LNG producers and the federal government delivered a much better and much fairer outcome for Santos and our GLNG partners.

One that means we will offer uncontracted gas to the domestic market before it is offered to the international market.

And that sufficient gas will be made available to the domestic market to cover any expected shortfall on the east coast in 2018 and 2019.

With our current gas sales agreements, Santos is on track to supply about 11 percent of the ACCC's expected east coast gas demand this year.

At the same time our LNG export contracts can, and will, be honoured.

Santos has also played a significant role in improving domestic gas outcomes by offering – on fair and reasonable commercial terms – access to other suppliers to utilise our existing infrastructure positions so they too can sell more gas into the southern markets.

A great example of this is our gas swap agreement with Shell which enabled it to sell (at least) an extra 18 PJs of gas per annum into southern markets over 3 years.

This outcome was a good demonstration of the corporate sector working in partnership with government to solve a public policy problem without the need for market intervention.

Importantly, it mitigated the risk not only to Santos' reputation, but to the long-standing reputation of Australia as a reliable global LNG trading and investment partner.

Which brings me to the year ahead.

There is much to be excited about.

We have just entered FEED for our Barossa project which has firmed as the backfill gas source for Darwin LNG.

Kevin will talk more about this, but this project would more than double our Northern Australia production.

We continue to advance our P'nyang farm-in discussions to increase upstream alignment in PNG and we will be part of the PNG LNG expansion.

Together with our GLNG partners, we're investing a total of A\$900 million in the Queensland upstream this year alone and we are on track for 6 million tonnes of LNG sales by the end of 2019.

We have arrested production decline in the Cooper Basin and production has actually started to grow again.

We're now at an advanced stage of our Narrabri Gas Project approvals process.

We've released our inaugural Climate Change Report.

And next year, we can look forward to getting back to exploration and appraisal of the Northern Territory's onshore shale gas province.

Our free cash position is strong, oil prices are strong, LNG demand in Asia is strong, particularly driven by China.

We can fund debt reduction, sustaining capital, growth projects and exploration, and returns to shareholders from our free cash flow.

Santos is in an excellent position to drive increased value for shareholders going forward.

Of course, this year will undoubtedly have its fair share of challenges too.

Opening up new sources of gas supply as Australia's existing production areas mature and decline is one of those.

While the Northern Territory's decision to lift its moratorium has started to reverse the patchwork of restrictions preventing access to natural gas resources across Australia – both onshore and offshore – there is much more to be done.

For example, New South Wales draws 95 percent of its gas from other jurisdictions.

This is also where our Narrabri Gas Project could be developed to support the 300,000 manufacturing jobs, 1 million households and 33,000 businesses in New South Wales that rely on affordable, reliable supplies of natural gas.

Our key priorities remain to continue to strengthen the balance sheet and improve our cash flow position through the low-cost operating model that Kevin is implementing.

And with the turnaround well ahead of plan we will now focus more on building and growing the company around our core asset regions, and returning value to shareholders.

I'd like to thank my predecessor, Peter Coates, for his work on behalf of Santos over the last nine years.

And most importantly, thank you to our shareholders for your support and patience as we have restored Santos to the point where our vision to be Australia's leading energy company by 2025 is well within our reach.

I look forward to serving the Santos Board as the company evolves and grows over the coming years.

I will now hand over to Kevin to give you his review of operations and more details around the strategy for the coming year.

Managing Director and Chief Executive Officer's address

Thank you Keith.

Good morning everyone.

This is my third AGM presentation as Managing Director and CEO of Santos.

I'm delighted to report that the company is now in a really strong position with a very bright future.

As Keith stated earlier, while we are continuing to engage with Harbour, there is no certainty that a transaction will proceed.

Accordingly, my priority is making sure that we stay focused on running the business efficiently, delivering on our targets and moving forward with our growth agenda.

Regardless of the outcome of our engagement with Harbour Energy, Santos is very well positioned for the future.

The turnaround of our business has been delivered well ahead of plan.

Our strong free cash flows, sustainable low cost operating model, stable production from our core assets, and our diverse natural gas portfolio provides a solid base to drive increased value for shareholders going forward.

We are making great progress with our key growth projects in Northern Australia and PNG, and we have good opportunities around our existing infrastructure and core assets.

Our new low cost operating model has unlocked significant shareholder value from our assets and we will continue to reduce costs and improve efficiency going forward.

We delivered what we said we would do, meaning that we can now focus on building and growing our business.

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

A safe business is the sign of a disciplined business and we are continuously working to improve our performance in that regard.

The downward trend we have seen in lost time injury frequency has been very positive over time, but I'm disappointed we did not do better in 2017 on the personal safety front.

However, our process safety performance – reflecting our ongoing attention to plant and pipeline integrity – has seen significant improvement.

This year we are introducing our new Santos Safe strategy with the aim of improving personal safety and personal accountability.

Last year, there was a huge effort across the organisation to simplify our management systems and our risk management framework to make them robust and fit for purpose.

This is really important to lock discipline into the organisation so that we understand the major risks and we're ready for them.

Turning to our financial performance and strategic objectives.

We said we were going to strengthen our balance sheet by reducing debt.

We've achieved that.

In 2016 we set a target to reduce our net debt to \$2 billion by the end of 2019.

With the current levels of cash flow generation from our core asset portfolio and if current oil price conditions continue we will achieve our net debt target more than a year early.

The proceeds of our Asian asset sales, which I announced this morning, will further accelerate our debt repayment.

The journey to repair our balance sheet will therefore be complete in a matter of months and hence we can declare our balance sheet as fixed – and turn our attention to growth.

We also promised to simplify the business and deliver a core portfolio that would be free cash flow positive through the oil price cycle over the long term.

We've not only done that, but by focusing on our free cash flow breakeven price we have been able to now structure our business to operate sustainably throughout the oil price cycle.

Our long-life natural gas asset portfolio is forecast to be free cash flow breakeven at around \$36 per barrel this year.

That's despite increased capex and planned maintenance shutdowns across our core assets.

We said we'd transform our cost base and drive operational efficiency.

Connected well costs in our Roma field are now \$900,000 per well, and in the Cooper Basin, our completed well costs are averaging \$2.8 million per well.

That's a reduction of 72 per cent and 42 per cent respectively since the end of 2015.

We are now drilling more wells in the Cooper Basin than when our free cash flow breakeven oil price was \$72 as well as a record number of wells at our GLNG project.

I'm proud to say that we are now Australia's lowest cost onshore operator, which I believe is a real point of differentiation that will not be easy for our peers to replicate.

Our disciplined operating model ensures that we operate our business on a portfolio basis and that every core asset in that portfolio has to be free cash flow breakeven over the oil price cycle at \$40 a barrel or less.

This positions our business so that every \$10 increment in oil price above our free cash flow breakeven will generate around \$250-\$300 million in free cash flow per year.

In 2017 we delivered a strong operating performance, reflecting increased productivity from this lower cost structure.

Significantly, highlights for 2017 include:

- Free cash flow of \$618 million excluding the additional cash generated from the sale of non-core assets, an increase of 200% on the previous year.
- Our free cash flow breakeven improved by 12% on the previous year to \$32 per barrel.
- Net debt was down 22% to \$2.7 billion, ahead of plan.
- Underlying profit was up 433% to \$336 million after tax – a fantastic result.
- And upstream unit production costs continue to improve, down 4% to \$8.07 per boe.

As promised, we maintained a disciplined approach to capital management:

- Prioritising debt repayment.
- Funding exploration activity across our core assets.
- And funding growth projects that meet our disciplined investment criteria.

Our 2017 results are evidence that our new low cost operating model is delivering a reliable and high performance business with strong financial capacity, including the potential to restore dividends to shareholders within the next year.

Our core assets continue to perform well.

Let me start with our PNG assets.

The earthquake in late February was devastating for more than 30,000 villagers in the Highlands region and I was pleased that we were able to assist in the relief effort.

Our PNG assets were designed to withstand major earthquakes which are a feature of the region and stood up well in the circumstances.

The temporary outage of the PNG LNG project is expected to reduce 2018 full-year production and sales volumes by approximately 2 mboe.

Oil Search and Exxon, as the operators in PNG, have done a fantastic job of recovery following the earthquake, delivering first LNG almost a month ahead of schedule in mid-April.

Prior to the earthquake, PNG LNG continued to deliver new performance records, achieving a maximum day rate of 8.9 million tonnes per annum – a huge 30 per cent above nameplate capacity.

We have been very focused on aligning our upstream interests in PNG with our PNG LNG joint venture partners.

Discussions with our partners in relation to a potential farm-in to P'nyang are progressing well.

We've taken prospective exploration acreage positions adjacent to key Project fields in the western Highlands.

And we will follow up our very significant 2016 Muruk discovery with a second Muruk well expected to spud in Q4 this year.

In offshore Northern Australia, the successful completion of the two-well appraisal campaign over Barossa and its entry into FEED has confirmed its position as the lead candidate to backfill Darwin LNG.

In March, Australia's offshore petroleum regulator, NOPSEMA, accepted the Barossa-Caldita Offshore Project Proposal, a major step in the development approval process.

With our higher upstream equity in Barossa compared with Bayu-Undan, this will significantly increase our northern Australia production.

We have also commenced a development study on the Petrel-Tern fields and secured retention leases over the Crown-Lasseter fields in the Browse Basin.

These assets are well positioned for backfill or expansion of existing infrastructure in northern Australia.

Darwin LNG also continued its strong operating performance last year and throughout the first quarter of 2018.

Onshore in the Cooper Basin and Queensland, we are drilling more wells and extracting more production for less money.

We'll be drilling 80 wells in the Cooper this year and around 300 GLNG wells, including the first of our sanctioned 480-well expansion program at Roma East.

Renewed exploration and appraisal focus on underexplored areas and even beneath older fields like Moomba has allowed us to build a really strong opportunity set in the Cooper Basin and also take advantage of proximity to the Moomba Plant and our extensive infrastructure holdings.

When we introduced our disciplined low cost operating model focused on free cash generation, there was concern in the market that this would stifle investment and production growth.

On the contrary, we've not only halted production decline in the Cooper Basin, production is growing again.

GLNG continued to ramp up production with good performances from our Roma, Fairview and Scotia fields.

GLNG production reached 5.2 million tonnes last year and is on track for 6 million tonnes of LNG sales per annum by the end of 2019.

Going forward, we will focus more on leveraging our strategic infrastructure position on the east coast.

We've already enabled gas swaps for other Queensland producers so they can sell more gas into southern domestic markets.

Moomba is a key hub for the east coast gas market and ideally placed to connect future Beetaloo production in the Northern Territory into the eastern and southern markets.

With the lifting of the moratorium in the Northern Territory, I hope we can get back on the ground there with exploration and appraisal activities as early as the dry season in 2019.

We've also brought Narrabri back to the core portfolio and it is proceeding through NSW and federal government approvals processes.

In parallel we are also looking at a very innovative appraisal and phased development program for Narrabri.

Our Western Australian gas business continued to deliver really solid performance for us in 2017 and we are building an inventory of near field drilling opportunities for future tie-back and production replacement.

These assets continue to be low cost, high margin assets that generate strong free cash flow – the kind of assets we like in our portfolio.

Finally, while running our non-core Asian assets separately and for value was a huge success in 2017, we are very pleased to announce the sale of these assets to Ophir Energy today.

This \$221 million sale has realised excellent value which will assist to further reduce our net debt.

The asset sale is consistent with Santos' strategy to realise value from its late-life non-core assets and will result in Santos making country exits from Vietnam, Indonesia, Malaysia and Bangladesh.

Now I'd like to make some comments on the outlook for the gas market.

In 2017 we saw a phenomenal 48% rise in China's LNG imports.

I am confident that this trend will continue, driven by the need to clean up air pollution.

Last year the Chinese government demonstrated its commitment to cleaner air by directing heavy manufacturers in 2 provinces and 26 cities to switch from coal to gas.

Extreme air pollution is a problem right across Asia, including India, which is likely to overtake China as the world's most populous nation by 2025.

Between now and 2040, natural gas is expected to grow more than any other energy type, to a market share of more than a quarter of all global energy demand.

There is no doubt this is a great business to be in.

Population growth and rapid urbanisation right across the Asian region will also drive demand for LNG.

And as a lower carbon alternative to coal, natural gas also plays a key role in the pathway to lower CO2 emissions.

As Keith said, in February this year we published our inaugural climate change report showing that our business is resilient even under a "below 2 degrees" scenario.

This is because gas has a very strong future and has a major role to play in supplying reliable, affordable and cleaner energy to improve the lives of people in both Australia and Asia.

Here at home in Australia it is the natural complement to renewables because it's the only clean and reliable source of energy capable of being switched up and down quickly to deal with peaking demand and the intermittency of wind and solar.

If all of Australia's LNG exports in 2020 were used to replace coal-fired power generation in Asia the emissions saving would be 300 million tonnes a year.

That's three times the size of Australia's 2030 emissions reduction target under the Paris Agreement.

And closer to home, if gas replaced all of Australia's coal-fired power generation, 90 per cent of Australia's Paris emissions reduction target would be met with this single measure.

There is no doubt that demand for LNG across Asia is going to continue to grow, and globally, gas will grow its share of the energy mix for at least the next 2 to 3 decades.

Within our business we're also focussed on reducing our own greenhouse gas emissions and looking at clean energy business opportunities that complement our existing gas business.

That's why in 2017 we established an Energy Solutions team to actively look for opportunities to reduce Santos' carbon footprint and prepare our business for a lower-carbon future.

I'm really excited about some of the projects we are doing in the Cooper Basin where our own energy use is equivalent to just under 5 per cent of east coast domestic gas demand.

If we can make even half that gas available to the market by capturing energy efficiency opportunities, it would be an excellent outcome for our carbon footprint, our production revenue and domestic gas supply.

The natural gas business is clearly a great business to be in – both here in Australia and in our Asian markets.

Santos has an outstanding portfolio of long-life, producing natural gas assets, significant development opportunities and a strong exploration inventory to maintain and grow production.

Although I am pleased with our achievements in 2017, I can assure shareholders we are not standing still.

In the first quarter of 2018 we've already:

- Generated \$246 million in free cash flow.
- Reduced our net debt by \$200 million to \$2.5 billion.
- Sold our non-core, late-life Asian assets to realise value of \$221 million.
- Successfully started up our Scotia CF1 project for GLNG in Queensland.
- Commenced drilling at the recently sanctioned 480-well Roma East expansion project for GLNG.
- Taken a FEED decision on our Barossa project to put it in the prime position to backfill Darwin LNG.
- And submitted our response to submissions on the Narrabri Gas Project EIS, taking it a step closer to final government approvals.

The value of Santos is clear.

This is an exciting time in our journey and shareholders can be confident that Santos is now in a position to deliver superior value.

Thank you.

I'll now hand back to Keith.

The formal business of the meeting was then conducted.