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TO: Company Announcements Office
ASX Limited

FROM: Company Secretary

DATE: 23 September 2010

SUBJECT: **SEAAOC 2010 South East Asia Australia Offshore Conference**

Please find attached the presentation by David Knox at the SEAAOC 2010 South East Asia Australia Offshore Conference held in Darwin today.

David Lim
Company Secretary



Address to SEAAOC
David Knox, CEO & Managing Director
23 September 2010



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Ladies and gentlemen.

It's great to be here in Darwin, a city which has long had a prominent role in strengthening connections between Australia and Asia.

It is that interaction that has underpinned Australia's economic prosperity for decades and which now lies at the heart of the abundant opportunities emerging in Australia's natural gas industry.

Santos has a strong portfolio of Asian business interests – with established and prospective businesses in six countries throughout the region as well as an expanding suite of LNG projects focussed on meeting the region's growing energy demand.

I will speak later about Asian energy demand. First I'd like to demonstrate how the expansion of our LNG interests – targeted at supplying Asia's growing economies – is driving the transformation of Santos.

Santos' Transformation Started in Darwin



That transformation started here in Darwin.

The Darwin LNG plant at Wickham Point, operated by ConocoPhillips, is the foundation stone of our expanding portfolio of LNG interests.

Darwin LNG, in which we have an 11.5% stake, involves the transportation of gas from the Bayu-Undan fields in the Timor Sea, via a 500 kilometre pipeline.

Earlier this year, ConocoPhillips completed a shutdown during which the LNG production capacity was upgraded to 3.6 mtpa. The successful shutdown again demonstrated what an excellent operator we have in ConocoPhillips.

This has been a very important investment for Santos, making a strong contribution to our production and profit since coming online in 2006.

I'm pleased to say Darwin LNG has also made a strong contribution to the Territory . This year's shutdown alone saw \$160 million in operational and capital expenditure and provided work for 1,300 people.

Building a Unique LNG Portfolio

Darwin
Conventional Gas Supply



PNG
First Gas Exports



Gladstone
CSG to LNG



Bonaparte
Floating LNG



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From this beginning in Darwin we have built an LNG project portfolio that is unique for a company of our size – not only representing a geographic spread of interests, but also exposure to different supply sources and liquefaction technologies.

- Darwin LNG is supplied by conventional offshore production with an onshore LNG terminal.
- In PNG, we are supplying the liquefaction facilities from conventional onshore gas production. Two trains were sanctioned in December last year, and production is due to commence in 2014.
- Our GLNG project in Queensland of course involves converting coal seam gas to LNG. It is also on track for first gas shipments in 2014.
- And, Bonaparte LNG, a joint venture with GDF SUEZ, is set to become one of the world's pioneering floating liquefaction projects.

Bonaparte LNG

Innovative LNG project to unlock dormant gas

- Required the right partner
- GDF SUEZ expertise in floating regasification
- Minimal levels of gas liquids and CO₂ are desirable
- Petrel, Tern and Frigate gas field preferred for floating LNG in a GDF SUEZ world review



Santos
We have the energy.

Like Darwin LNG, Bonaparte LNG will be a significant investment for the Northern Territory.

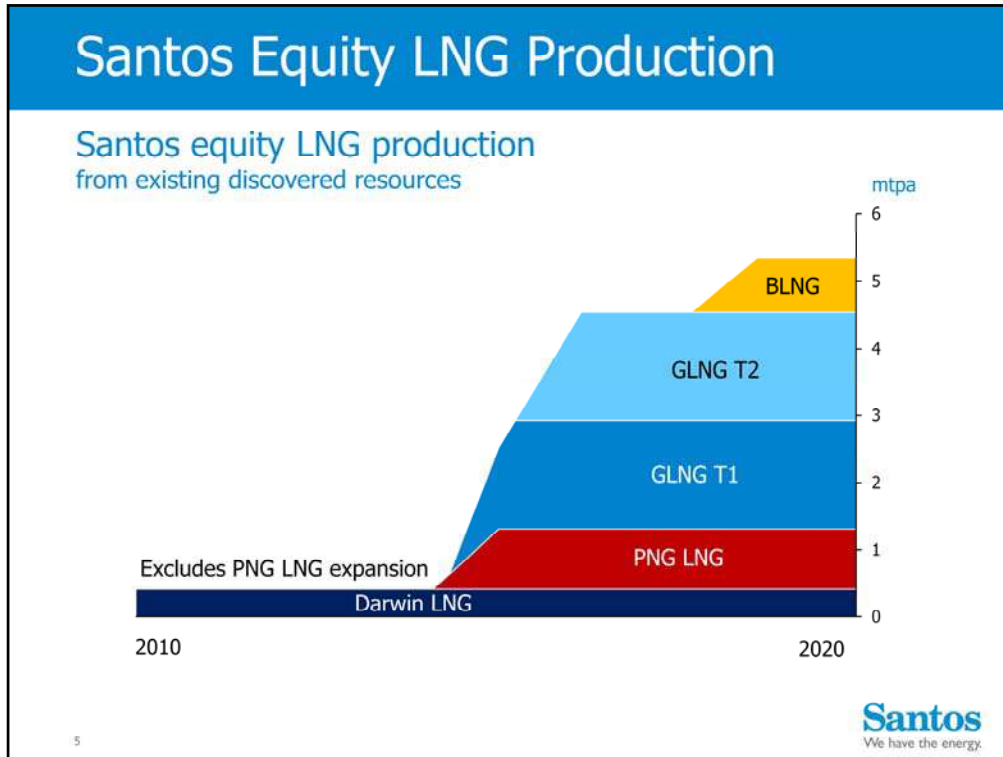
In August last year Santos announced a strategic partnership with GDF SUEZ to develop the Petrel, Tern and Frigate gas fields in the Bonaparte Basin via a 2 million tonne floating LNG facility. Santos sold a 60% interest in these fields to GDF SUEZ for US\$200 million.

As part of this deal, GDF SUEZ will also carry Santos' share of pre-FEED and FEED costs and make an additional payment of US\$170 million upon sanction of the project.

We are thrilled to have GDF SUEZ as a partner. They will lead the development of Bonaparte LNG and the marketing of the gas.

The project is expected to be sanctioned in 2014, with the logistics for the floating liquefaction plant to be run out of Darwin.

This partnership with GDF SUEZ is an excellent example of the commercially innovative solutions Santos is applying to develop our store cupboard of gas resources.



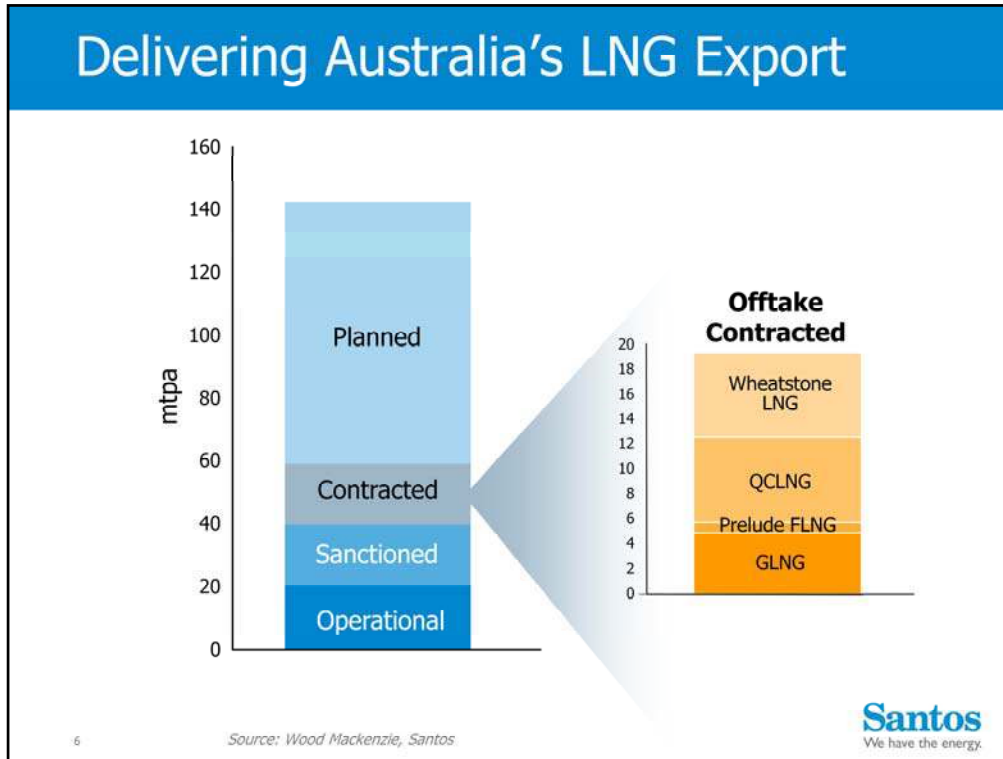
Our portfolio of LNG projects has the potential to deliver over 5 million tonnes of Santos equity LNG production by the end of the decade.

What is unique about the Santos portfolio is that this LNG growth is delivered from existing discovered resources. Our growth does not rely on exploration success.

Let me make a few comments on this chart. First, it reflects the deal we announced two weeks ago to bring Total, the world's fifth largest publicly traded oil and gas company, into our partnership with Malaysia's PETRONAS. That took Santos equity in GLNG to 45%.

Second, we have included the foundation PNG LNG project of two trains only. Any expansion would be incremental to this profile.

What this chart demonstrates is the truly transformational power of our LNG strategy.



Of course Santos is not alone in proposing significant additional investments in the Australian LNG sector.

As things stand at the moment, Australia has annual production of around 20 million tonnes from the operational plants of North West Shelf and here in Darwin.

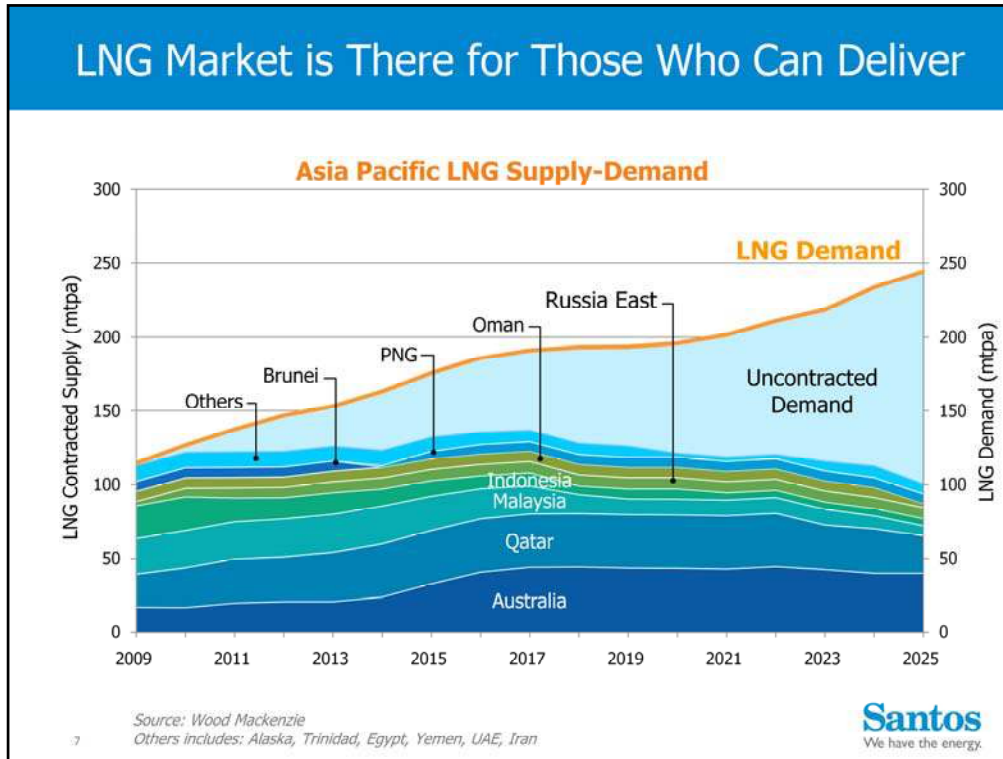
Another 20 million tonnes will be produced by sanctioned projects now under construction, Gorgon and Pluto.

Remarkably a further 100 million tonnes is planned from various greenfield or expansion projects in various stages of consideration, construction or operation.

But it is worth highlighting that only four of these projects have binding offtake agreements in place.

This includes GLNG – which has sold 5 million tonnes per annum of the total 7.2 mtpa from the two-train plant.

Growing Asian gas demand presents a great opportunity for those Australian suppliers who can bring these planned projects to reality.



Asia is the engine for global energy growth. We all know this, but it is startling when you look at the figures.

Between now and 2035 Asia is expected to account for 48% of global population growth but a remarkable 64% of growth in primary energy consumption.

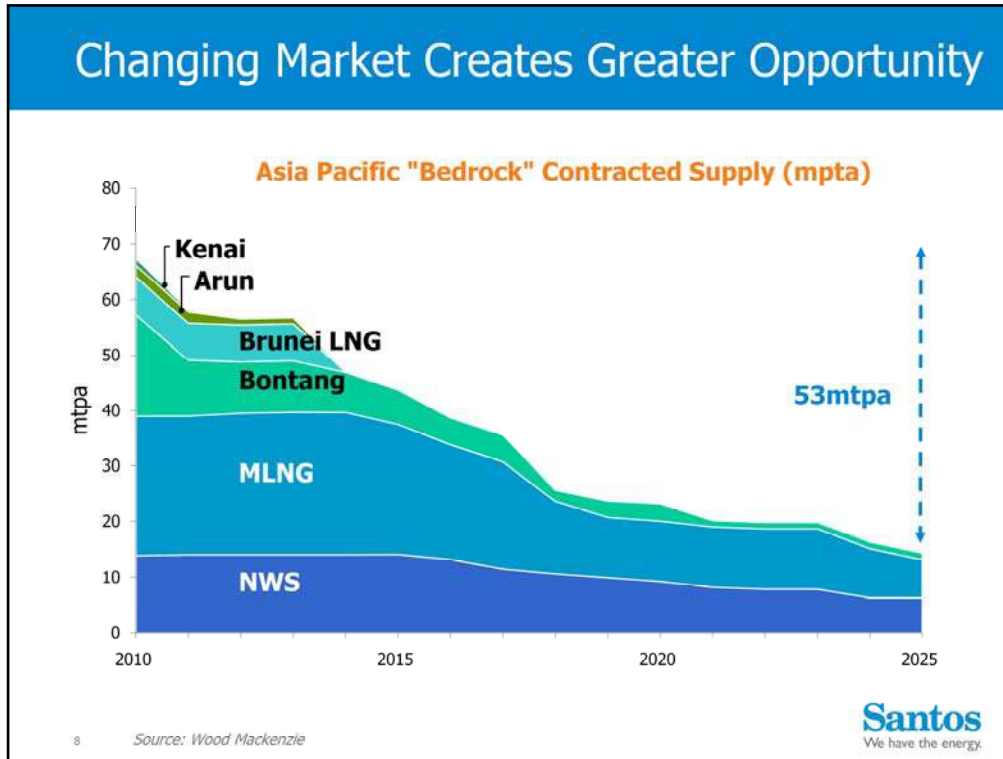
Growing populations will seek better standards of living, and of course achieving economic growth requires more energy – even as we use energy more efficiently.

Two economies – China and India – are capturing a lot of attention. But it is not just China and India where energy demand is expanding. The established markets of Japan and South Korea, and the emerging markets of ASEAN are set for sustained periods of growing demand.

This chart highlights that forecast LNG demand in the region substantially outstrips contracted supplies.

Asian LNG demand is forecast to more than double from current levels of just over 100 million tonnes per annum to around 250 million tonnes per annum in the next 15 years.

The gap in the market between that contracted supply and forecast demand is the contestable market for those who can genuinely deliver.



Looked at solely from the supply side we see a similar story – one of opportunity.

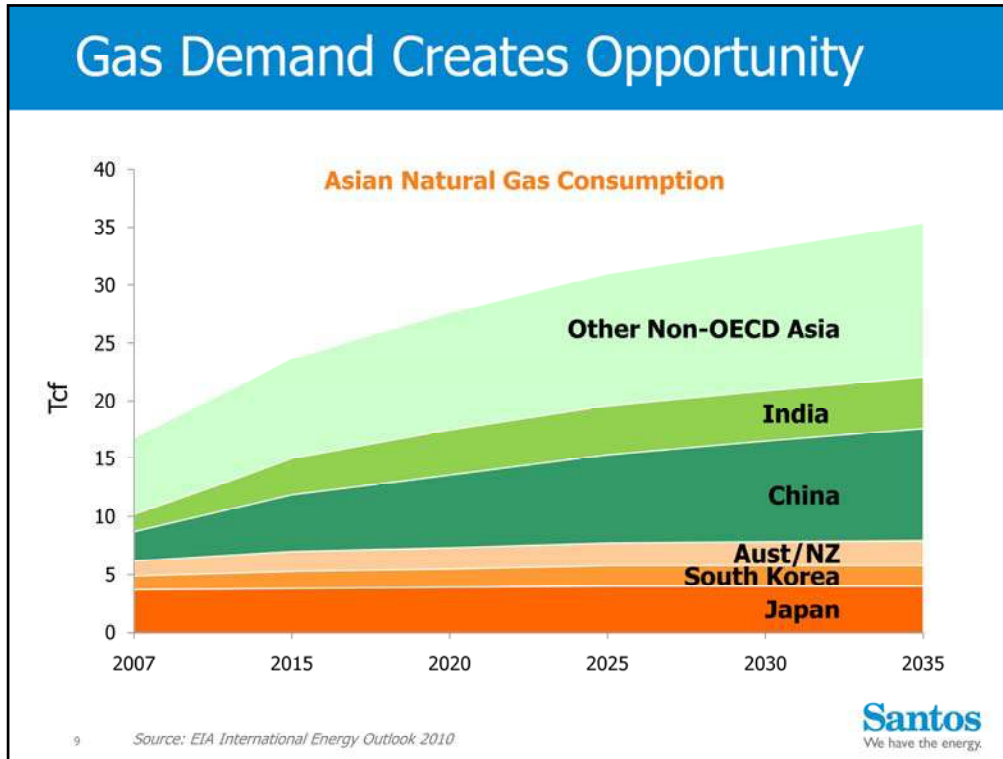
What we have shown here is the rate of decline in contracted LNG supply from traditional “bedrock” Asian suppliers. The former giants of LNG in Asia are facing huge declines in contracted volumes, totalling in excess of 50mtpa by 2025.

Asia’s traditional “bedrock” suppliers of LNG are also challenged by upstream supply issues and their governments prioritising domestic gas use over exports.

For example, Bontang, an eight-train liquefaction plant in Indonesia, faces serious challenges not only from the supply side, but importantly from an Indonesian government that wishes to prioritise domestic gas use over exports.

For energy importers like Japan this is a dramatic development.

About 40 million tonnes of the 53 million tonnes which rolls off contract over the next 15 years is bound for Japanese customers.



Looking at Asian gas demand we see several sources of growth.

The EIA forecasts overall Asian gas growth will be a strong 2.7% a year.

Notwithstanding the growth of China and India, as this chart highlights, it is the emerging markets in “other Non-OECD Asia” – countries like Singapore, Thailand, Indonesia and Malaysia – that will be the biggest drivers in Asian gas consumption over the next 25 years.

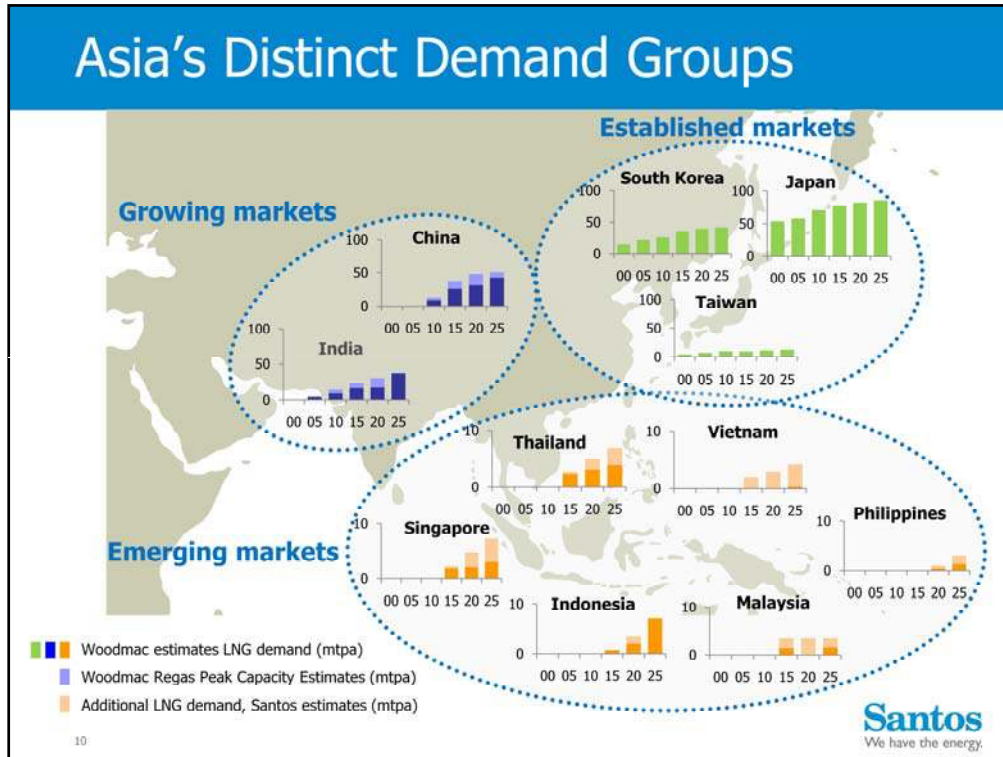
These forecasts assume gas only enjoys a small increase in its share of the overall energy mix – which continues to be dominated by coal.

In fact more broadly in Asia, coal will continue to be the dominant fuel accounting for almost 50% of the fuel mix in 2035, with gas at only 11%.

We would argue that’s an under-representation of the role natural gas can play as a cleaner burning fuel. Any policy shift towards cutting carbon emissions is likely to sharply accelerate the growth outlook for natural gas.

To put this potential policy impact in perspective, every 1% increase in gas’ share in the fuel mix in Asia equates to 62 mtpa of LNG imports in 2035.

In an Australian context, that’s four Gorgons in the West, or more than 15 trains at Gladstone in the East!



The Asian LNG marketplace can now be seen in three distinct demand groups. The first group is the established LNG markets of Japan, South Korea and Taiwan.

These countries are seeking security of supply and diversification by fuel type. They have effectively locked in LNG demand, growing at steady incremental rates of between 1% and 3% a year.

The second group is the growing mega-markets of China and India.

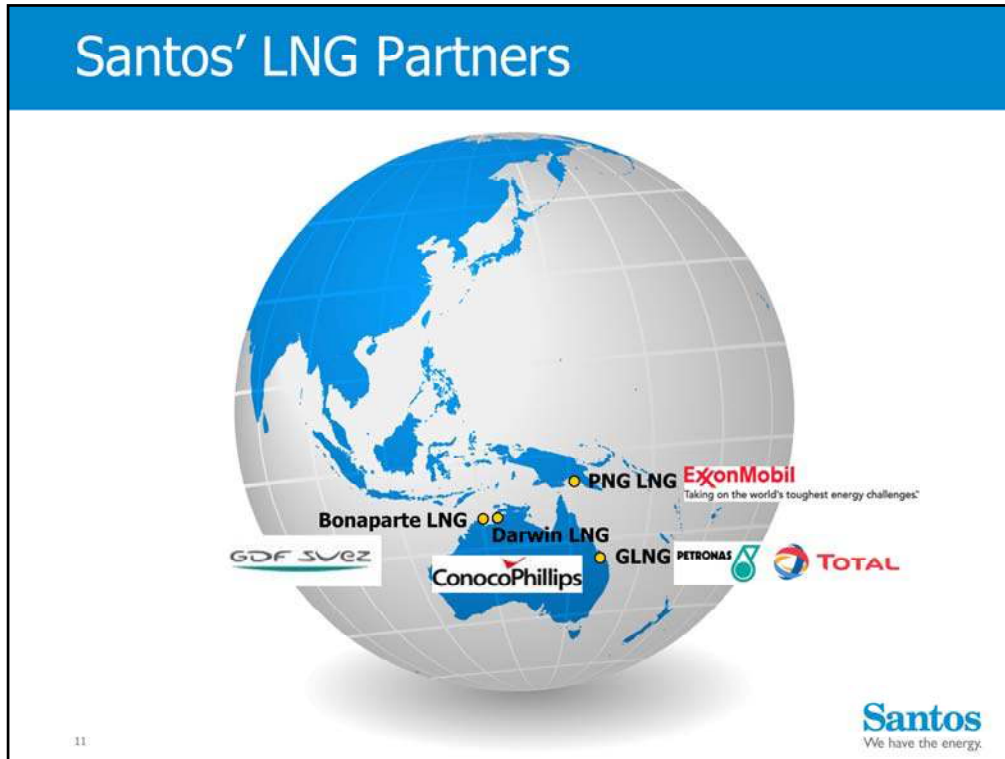
These are markets which just five years ago weren't really talked about that much, but are forecast to grow at 10% per annum, and could soon be as significant as the current established markets.

The third group is emerging markets of South-East Asia: Singapore, Thailand, Malaysia, Indonesia, Vietnam and the Philippines.

These are part of the Non-OECD countries I discussed earlier where the rate of gas usage is set to double by 2035.

As I've already highlighted this demand has the dual effect of reducing export volumes and, as is the case with GLNG's 3.5 mtpa contract with PETRONAS, providing export opportunities for others.

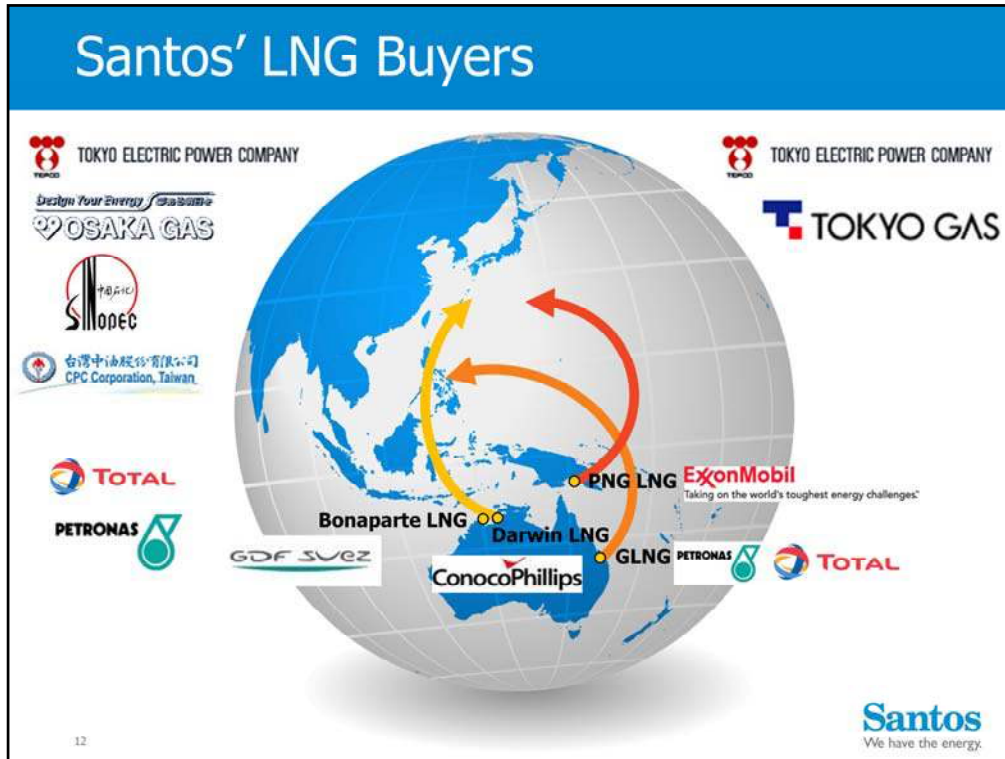
Santos' LNG Partners



Santos is in the fortunate position of having opened supply channels to all these market segments.

Part of this has been achieved by joining with the right partners at the right time.

Together with ConocoPhillips and our joint-venture partners in Darwin, ExxonMobil and others in PNG, PETRONAS and Total at Gladstone and GDF SUEZ in the Bonaparte Basin – we have strong marketing partnerships all over Asia.



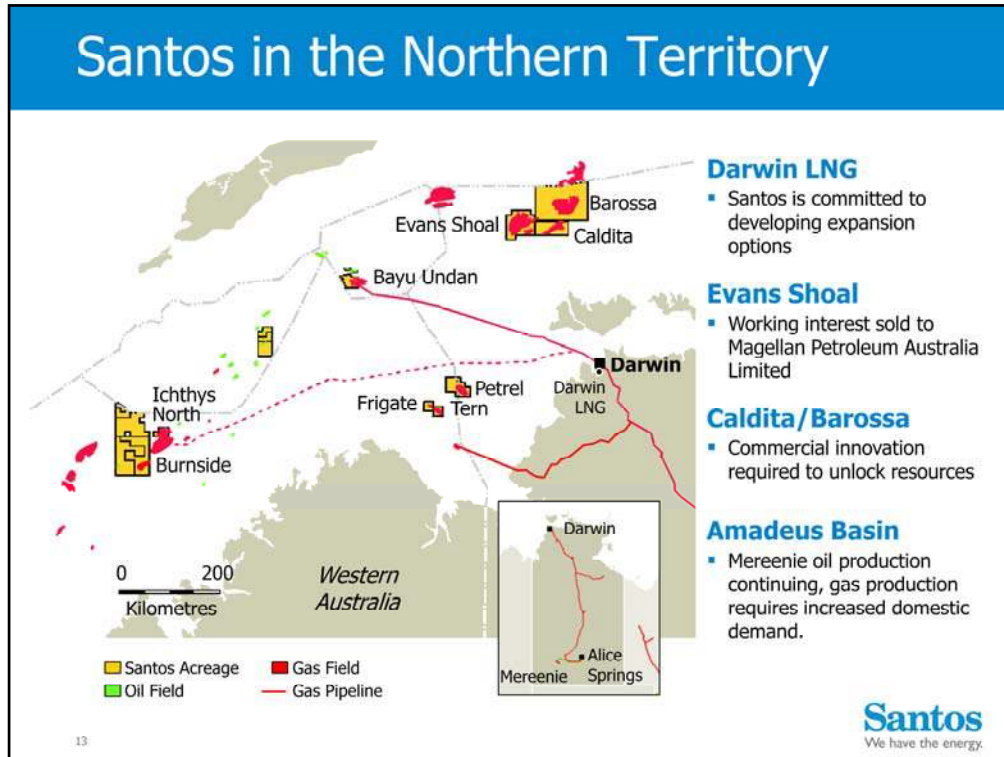
Darwin's output is sold under long-term contracts to Tokyo Electric and Tokyo Gas.

PNG LNG has signed similar long-term agreements with Tokyo Electric, Osaka Gas, Sinopec and CPC in Taiwan.

And GLNG has signed binding offtake agreements for 5 million tonnes per annum with PETRONAS and Total.

This means Santos has strong relationships with seven major LNG buyers.

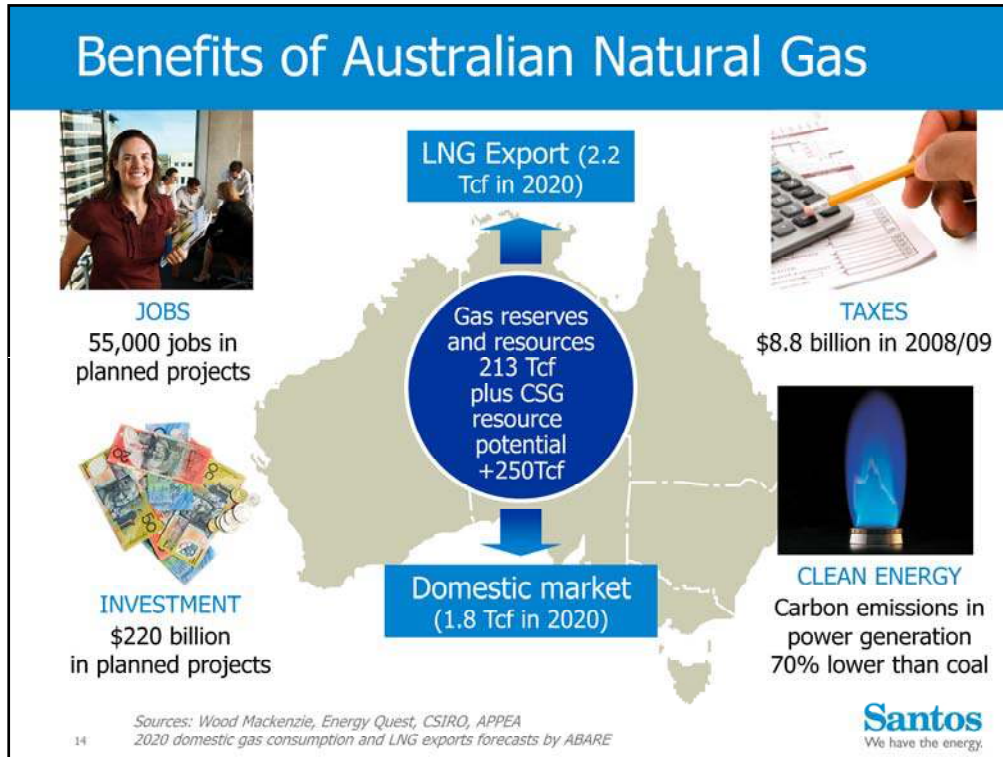
These customers will play a fundamental role in the transformation of Santos from an E&P company focused on the Cooper Basin to a leading natural gas producer providing energy to Australia and Asia.



Coming back to where this transformation started, I'd now like to take a moment to talk a bit more about our interests in the Territory ... where reserves discovered in the 1970s are now on a path to development.

I've already spoken about Darwin LNG.

- Santos is committed to working with ConocoPhillips and the other venture partners on expanding this venture. Frankly it is disappointing that we haven't got a second train up already.
- As part of our drive to commercialise our store cupboard of gas resources, in March this year, Santos announced the sale of its interest in Evans Shoal in the Bonaparte Basin to Magellan Petroleum Australia for up to \$200 million.
- At this stage Santos is not locked into any specific commercialisation plan for the Caldita/Barossa fields. However, as shown with our transaction with GDF SUEZ on Petrel, Tern and Frigate, we are willing to be commercially innovative in order to develop these NT resources.
- The Mereenie field forms part of the Amadeus Basin to the west of Alice Springs and has supplied gas to Darwin for over 20 years. Unfortunately that gas production from the Mereenie field is currently shut in. Oil production from the field continues, but we hope increased domestic gas demand in the NT, could bring these reserves back to market for the next 20 years.



I have mapped out an encouraging outlook for the Australian natural gas sector, and one which promises significant benefits for Australia.

The rewards of getting it right are enormous: Australia will benefit from the jobs, investment and tax revenue the LNG industry will provide, while our Asian customers will benefit from the energy security and environmental benefits of natural gas.

We welcome the support of the Australian government in delivering the benefits of natural gas, and in particular we acknowledge the strong support of the NT government in making these projects a reality here in Darwin.

Thank you.

Disclaimer & Important Notice

This presentation contains forward looking statements that are subject to risk factors associated with the oil and gas industry. It is believed that the expectations reflected in these statements are reasonable, but they may be affected by a range of variables which could cause actual results or trends to differ materially, including but not limited to: price fluctuations, actual demand, currency fluctuations, geotechnical factors, drilling and production results, gas commercialisation, development progress, operating results, engineering estimates, reserve estimates, loss of market, industry competition, environmental risks, physical risks, legislative, fiscal and regulatory developments, economic and financial markets conditions in various countries, approvals and cost estimates.

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