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**GLNG brings forward US\$2.5 billion of upstream capital expenditure
GLNG capex is US\$18.5 billion
Project is on track for first LNG in 2015**

Santos today announced that US\$2.5 billion of GLNG upstream capital expenditure will be brought forward from the post-2015 period. The revised estimated capital cost is US\$18.5 billion to the end of 2015. Santos' net 30% share of the estimated increase is US\$750 million.

This brought forward capital will fund upstream field development in the Fairview and Roma areas previously planned for post-2015. This is consistent with the strategy to optimise the project's gas supply portfolio and will result in the drilling of an estimated 300 additional wells before the end of 2015.

Santos Chief Executive Officer David Knox said that GLNG is on track for first LNG in 2015, and that while the company was not immune from industry cost pressures, today's announcement was not about significant overruns or changes to the scope of works approved at FID.

"The decisions we have taken today allow GLNG to optimise gas delivery into the two LNG trains."

"The key challenge facing the CSG to LNG projects is upstream field deliverability in the early stages of project ramp-up. Our strategy to address this challenge is unchanged: to execute the most efficient gas supply for the project, including the development of the dedicated CSG fields, gas from underground storage, supply from our own Santos portfolio and supply from third parties."

"Today's announcement reinforces our commitment to that strategy through accelerating capital which we previously expected to spend later in the project life, and in doing so bringing forward some upstream field development," Mr Knox said.

Funding

Santos has balance sheet flexibility to fund its net share of the increased GLNG capital costs. The company's base business continues to generate strong cashflows and existing funding capacity of approximately A\$7.3 billion, including cash of A\$3.1 billion, provides adequate liquidity.

Santos has no need or intention to raise additional equity or debt capital to fund its share of capital costs for GLNG and the other sanctioned projects in its portfolio.

Foreign Exchange Impacts

The revised project capital cost of \$18.5 billion is based on foreign exchange rates which are consistent with the assumptions used at FID. In particular, this assumes a weighted average A\$/US\$ rate of 0.87 through to the end of 2015.

With approximately 70% of the project capital costs denominated in A\$, the strong A\$ since FID has increased the headline US\$ capital cost to date. However, Santos' A\$ denominated balance sheet, cash balances and revenues provide an effective hedge against this appreciation. In A\$ terms, the effective capital expenditure to date since FID is approximately A\$160 million lower than budget.

Santos' existing guidance for 2012 capital expenditure of A\$3.75 billion (excluding capitalised interest) is unchanged.

Ends.