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GLNG project sanctioned

Final investment decision on US\$16 billion 2-train 7.8 mtpa project

Santos today announced that the GLNG partners have taken the final investment decision approving development of the US\$16 billion, 7.8 mtpa GLNG project in Queensland.

Development approval triggers major works for upstream field development, pipeline and LNG plant facilities at Gladstone. Orders will now be placed for long lead items such as line pipe, compressors and LNG plant components.

GLNG will create 5,000 jobs in construction in addition to 1,000 permanent jobs in production. It is expected that 1,500 jobs will be created in the first half of 2011.

Santos Chief Executive David Knox acknowledged approval of the project came at a very difficult time for the state of Queensland, which is currently confronting the human and economic cost of severe flooding across many communities.

Queensland Premier Anna Bligh said the GLNG project would cement Queensland's role as a significant producer of LNG, promised billions of dollars of investment in regional communities and would see the creation of 6,000 jobs.

"Proceeding now with projects like this will be a tremendous boost to the Queensland economy as we recover from the devastating impact of the floods," Ms Bligh said.

GLNG is a joint venture between Santos (30%) and three of the world's largest LNG companies, PETRONAS (27.5%), Total (27.5%) and KOGAS (15%).¹

GLNG includes the development of coal seam gas (CSG) resources in the Bowen and Surat Basins in south-east Queensland, construction of a 420-kilometre gas transmission pipeline from the gas fields to Gladstone, and two LNG trains with a combined nameplate capacity of 7.8 million tonnes per annum (mtpa) on Curtis Island.

First LNG exports are expected to commence in 2015. GLNG has binding LNG sales agreements with PETRONAS and KOGAS for 7 mtpa in aggregate.

¹ Percentage interests reflect each party's interest in GLNG once the sale transactions with Total and KOGAS (announced on 17 December 2010) are completed.

The project has a gross capital cost of US\$16 billion from FID until the end of 2015, when the second train is expected to be ready for start-up. Santos' 30% share of capital expenditure is US\$4.8 billion. The US\$16 billion capital expenditure includes US\$2 billion in contingencies.

Mr Knox said approval of GLNG was a significant milestone in Santos' history.

"Already Australia's largest domestic gas producer, GLNG confirms Santos as a major energy supplier to the growing economies of Asia."

"The commitment we are making today delivers on the strategic vision to transform Santos into a significant exporter of LNG."

"I would like to acknowledge the strong commitment of our partners and the Queensland and Federal governments to make this project a reality," Mr Knox said.

Federal Minister for Resources and Energy, Martin Ferguson AM MP said that the benefits of the Gladstone LNG project will be both immediate and continue over the longer term.

"This project and economic development more generally is important in underpinning the skills, tax revenue, wealth and capacity to respond and re-build in the aftermath of the current flood crisis in Queensland," Minister Ferguson said.

Mr Knox repeated Santos' commitment to maintain the highest environmental and safety standards in developing the GLNG project, and to continue close engagement with local communities during the construction and operation of the venture.

Santos completed a \$500 million institutional placement in December 2010 as the final step in fully funding the equity required for its share of GLNG. Santos expects Standard & Poor's to affirm its BBB+ credit rating.

Santos LNG Portfolio			
Project	Status	Partners	LNG customers
GLNG Australia Capacity 7.8 mtpa Santos 30%	FID 13 January 2011 First LNG due 2015	Santos** PETRONAS Total KOGAS	PETRONAS KOGAS
PNG LNG Papua New Guinea Capacity 6.6 mtpa Santos 13.5%	FID 8 December 2009 Under construction First LNG due 2014	Santos ExxonMobil* Oil Search State of PNG Nippon Oil MRDC	Sinopec TEPCO Osaka Gas CPC
Darwin LNG Australia Capacity 3.6 mtpa Santos 11.5%	In production since 2006 Capacity expanded to 3.6 mtpa during 2010	Santos ConocoPhillips* ENI INPEX TEPCO	TEPCO Tokyo Gas
Bonaparte LNG Australia Capacity 2 mtpa Santos 40%	Proposed 2 mtpa floating LNG Commenced pre-FEED Santos carried to FID	Santos GDF SUEZ*	Marketing not yet commenced

* Operator.

** Santos operates the upstream assets. The GLNG pipeline and LNG plant are operated by GLNG Operations Pty Ltd, a company owned by the GLNG partners.

GLNG Project Summary	
Project scope	Integrated 7.8 mtpa nameplate capacity LNG project, including: <ul style="list-style-type: none"> • Upstream development of coal seam gas resources • 420-kilometre gas transmission pipeline • Two-train LNG plant on Curtis Island plus associated infrastructure
Partners in integrated project ¹	Santos 30% PETRONAS 27.5% Total 27.5% KOGAS 15%
LNG customers	PETRONAS 3.5 mtpa for 20 years KOGAS 3.5 mtpa for 20 years ² The combined value of the GLNG off-take agreements is estimated to exceed US\$120 billion at market consensus oil prices.
FID	13 January 2011
First LNG exports	2015
Reserves	5,005 PJ 2P CSG sales gas reserves as at December 2010 9,848 PJ 2P CSG sales gas reserves ultimate maturation estimated by Netherland, Sewell & Associates, Inc.
Capital cost	US\$16 billion gross from FID until the end of 2015, when the second train is expected to be ready for start-up. The US\$16 billion capital cost includes US\$2 billion in contingencies.
Key EPC contractors	Fluor – upstream surface facilities Saipem – gas transmission pipeline Bechtel – two-train LNG plant

¹ Percentage interests reflect each party's interest in GLNG once the sale transactions with Total and KOGAS (announced on 17 December 2010) are completed.

² The KOGAS agreement is binding for 15 years with GLNG having an option to extend the agreement for a further 5 year period.

About GLNG

GLNG is an integrated development that includes coal seam gas production and processing facilities, onshore pipelines and LNG plant facilities. GLNG involves the production of LNG using coal seam gas sourced from the GLNG gas fields in the Bowen and Surat Basins in Queensland. The project includes a two-train LNG plant with a nameplate capacity of 7.8 mtpa.

About Santos

An Australian energy pioneer since 1954, Santos is one of the country's leading gas producers, supplying Australian and Asian customers. Santos has been providing Australia with natural gas for more than 40 years. The company today is the largest producer of natural gas to the Australian domestic market, supplying 17% of the nation's gas needs. Santos has also developed major oil and liquids businesses in Australia and operates in all mainland Australia states and the Northern Territory. From this base, Santos is pursuing a transformational liquefied natural gas (LNG) strategy with interests in four LNG projects. This strategy is led by the cornerstone GLNG project in Queensland – a leading project in converting coal seam gas into LNG. Also in Santos' LNG portfolio are the PNG LNG project, which was formally approved in December 2009, Bonaparte LNG, a proposed floating LNG project in the Timor Sea, and Darwin LNG, Santos' first LNG venture, which began production in 2006. Santos has built a strong and reliable production business in Indonesia and is further developing its Asian business through development projects and exploration investment. Santos has about 2,200 employees working across its operations in Australia and Asia.

About PETRONAS

PETRONAS, short for Petroliam Nasional Berhad, is a leading oil and gas multinational based in Kuala Lumpur, Malaysia. PETRONAS is a fully-integrated oil and gas corporation and is ranked among FORTUNE Global 500's largest corporations in the world. PETRONAS has projects and operations in more than 30 countries worldwide, including several strategic businesses in Australia. PETRONAS is the world's second largest exporter of LNG, and the largest in Asia.

About Total

The fifth largest publicly-traded integrated international oil and gas company and a world-class chemicals manufacturer, Total operates in more than 130 countries and has over 96,000 employees. Total is a leading player in the LNG sector, with solid and diversified positions. Total is active in almost all LNG producing regions and main LNG markets, and continues to develop LNG as a key component of its development strategy. The group produces LNG in Indonesia, Qatar, Yemen, the United Arab Emirates, Oman, Nigeria and Norway. Angola LNG which is currently under construction will complement this portfolio in 2012. For the future, new liquefaction projects are being studied, including Shtokman in Russia in partnership with Gazprom, as well as new projects in Nigeria. Total is a 24% owner of the Ichthys LNG Project, and operates four exploration permits in Australia. Total E&P Australia is also present in six other exploration permits. Total E&P Australia inaugurated its Perth office in 2008, consolidating its presence in Australia, and preparing for future increases in its exploration and development activities.

About KOGAS

KOGAS, an abbreviation for Korea Gas Corporation, was incorporated by the Korean Government in 1983. Since its founding, KOGAS has grown to become the world's largest LNG importer. KOGAS imports LNG from around the world and supplies it to power generation plants, gas-utility companies and city gas companies throughout the Republic of Korea. KOGAS currently operates three LNG import terminals in Korea and a nationwide pipeline network spanning over 2,700 kilometres. KOGAS purchases approximately 26 million tonnes of LNG annually. KOGAS had revenue of KRW 19,391 billion in 2009 and employs over 2,800 people worldwide. KOGAS' other interests in Australia include a 10% stake in Blue Energy Limited and farm-in agreements into two of Blue Energy's permits.

Ends
