

16 May 2019

Santos P'nyang farm-in advances PNG LNG expansion

Santos today announced an important milestone towards expansion of the PNG LNG plant by signing a binding letter of intent to acquire a 14.3% interest (pre-government back-in) in Petroleum Retention Licence 3 (PRL 3), which contains the P'nyang natural gas field in Papua New Guinea.

The PRL 3 participants propose to undertake the development of the P'nyang field in coordination with the participants in the PNG LNG Project to leverage the advantages of existing infrastructure.

Under the binding letter of intent, the parties have agreed for:

- Santos to acquire a 14.3% interest (pre-government back-in) in PRL 3 from the existing PRL 3 participants.
- Santos to pay US\$187 million in total, with approximately US\$120 million payable following the execution of a fully-termed sale and purchase agreement, expected around the end of June 2019, and the remainder in contingent instalments subject to the award of a production development licence to replace PRL 3 and a final investment decision for the construction of an additional LNG train at the PNG LNG plant site for the liquefaction of gas from the P'nyang field.

The execution of a sale and purchase agreement remains subject to agreement between the parties on entry into FEED for PNG LNG plant expansion.

The P'nyang field has a certified gross 2C contingent resource of approximately 4.4 trillion cubic feet¹ (tcf) of natural gas (approximately 0.62 tcf net to Santos pre-government back-in).

Santos Managing Director and Chief Executive Officer Kevin Gallagher said Santos' strategy in PNG is to work with its partners to align interests, and support and participate in backfill and expansion opportunities at PNG LNG.

"The arrangements we announce today mark an important step towards the proposed expansion at the PNG LNG plant via a 2.7 mtpa third LNG train fed by existing Project resources and P'nyang."

"We are very pleased to execute the letter of intent with the PRL 3 participants who are also affiliates of Santos' partners in the PNG LNG Project."

"We look forward to working with the PNG Government, our partners and landowners to make expansion at PNG LNG a reality," Mr Gallagher said.

Santos has a 13.5% interest in the PNG LNG Project which has the capacity to produce more than eight million tonnes of LNG per annum.

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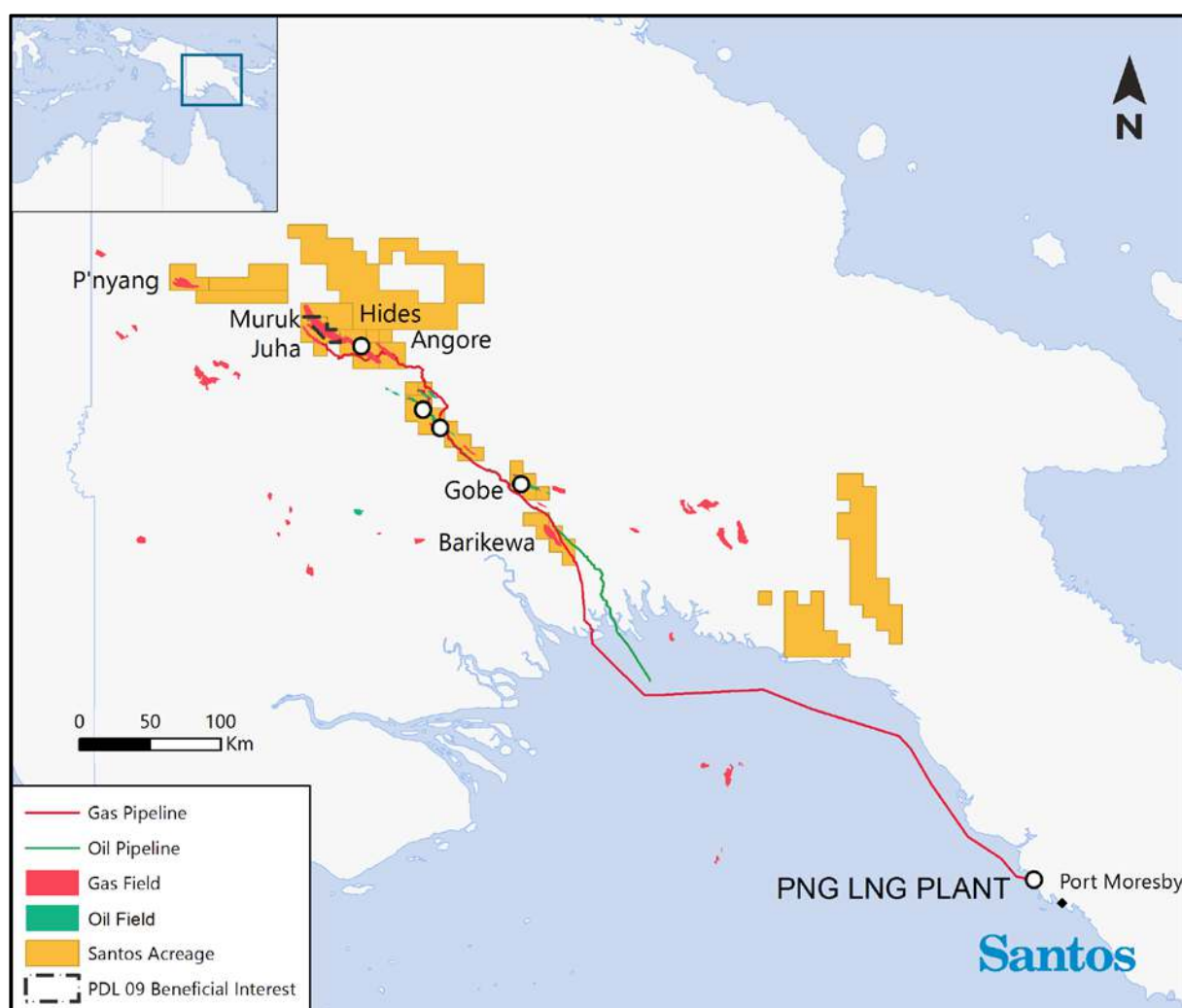
| PRL 3 Participants ² | Pre-Santos farm-in | Post-Santos farm-in |
|---------------------------------------|--------------------|---------------------|
| ExxonMobil affiliates | 48.99% | 36.86% |
| Oil Search affiliates | 38.51% | 36.86% |
| Merlin Petroleum Company ³ | 12.50% | 11.96% |
| Santos | - | 14.32% |
| Total | 100.00% | 100.00% |

¹ Oil Search ASX release dated 12 April 2018.

² Gross interests pre-government back-in and rounded to two decimal places.

³ JX Nippon affiliate.

Santos acreage¹, Papua New Guinea



¹ P'nyang (PRL 3) farm-in subject to the execution of a sale and purchase agreement.

Ends.