

**ANNUAL GENERAL MEETING  
OF SANTOS LIMITED**

**CHAIRMAN'S ADDRESS**

**AND**

**CEO'S ADDRESS**

**6 MAY 2010**

## Chairman's Address

Good morning ladies and gentlemen.

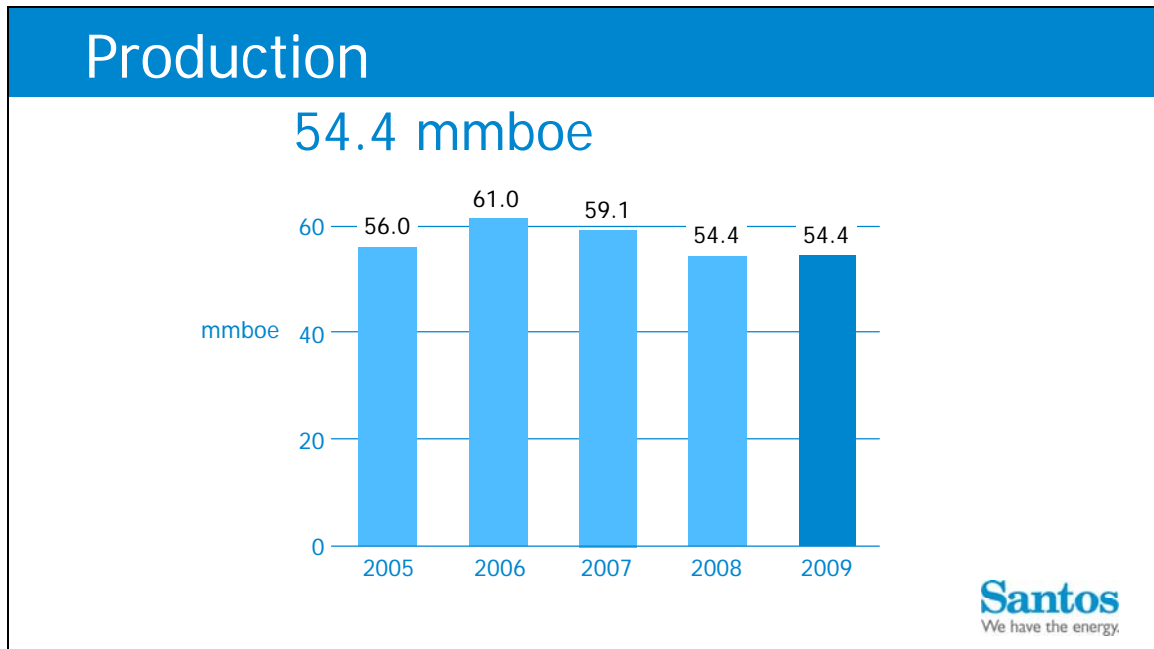
I am your Chairman, Peter Coates and I am pleased to welcome you to this Annual General Meeting of Santos Limited.

I would also like to inform you that today's meeting will be recorded and made available as a live webcast, which will also be available for viewing again on the company's website from later today.

This is my first meeting as Chairman and I am very pleased to be here today to chair this meeting where we review our progress during 2009 and describe our vision for the future of your company.

2009 was a successful year in which Santos made great progress in delivering its growth strategy. Whilst our growth strategy remains our key focus, we have not forgotten the importance of our base business which performed well during 2009 with consistent production, an improved cost performance and excellent project delivery. This, together with the commercialisation of our contingent resources, the growth in reserves and the strengthening of our balance sheet, has enabled Santos to be in a strong financial position to fund future growth.

Firstly, let's look at our 2009 performance.

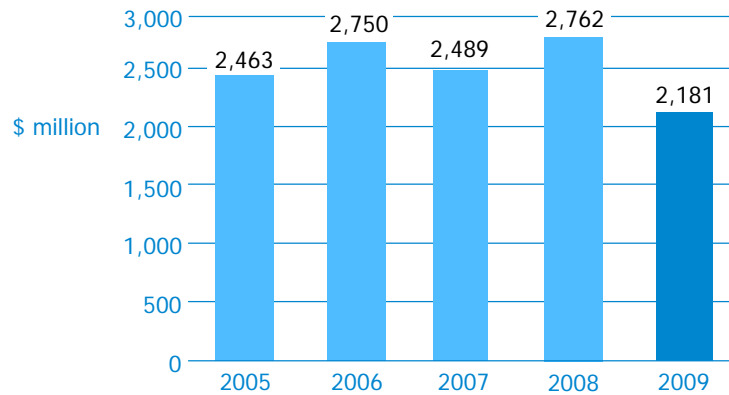


Strong gas production in Western Australia and Indonesia, combined with new production from Indonesia offset the natural field decline in mature assets.

Our production of 54.4 million barrels of oil equivalent was the same as the previous year and in the middle of the company's guidance range.

## Sales Revenue

\$2,181 million

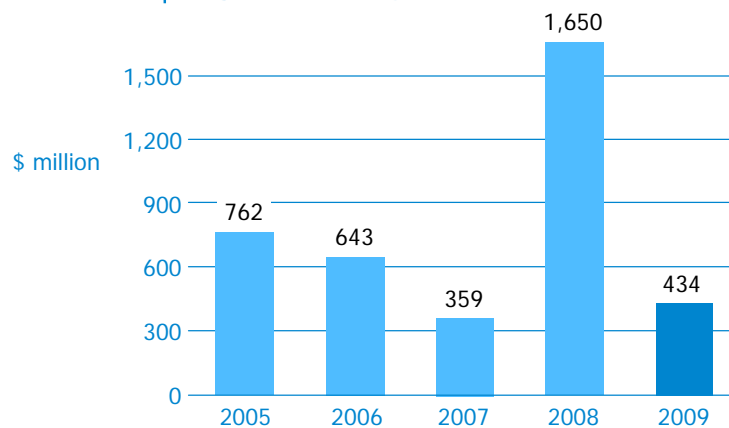


**Santos**  
We have the energy.

Despite our best endeavours, we were not immune from the effects of the economic downturn. Although production was consistent with 2008 and sales volumes were up by 8% to 60.1 million barrels, lower selling prices meant that revenue was down \$581 million compared with 2008.

## Net Profit After Tax

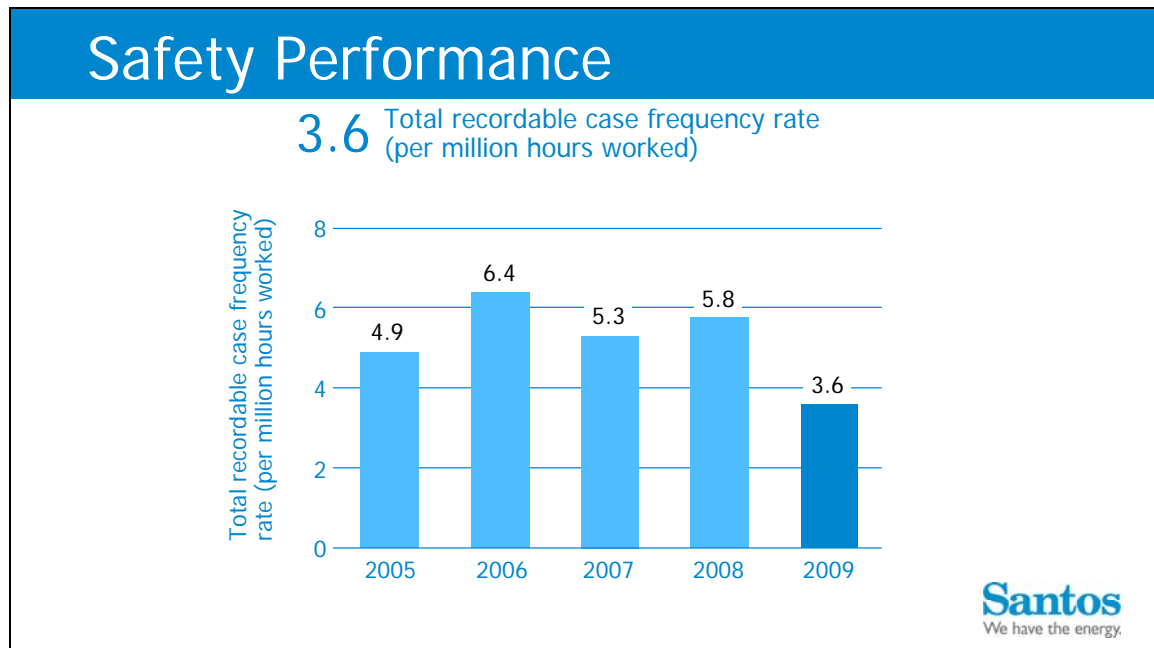
\$434 million



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However a reduction in production costs resulted in a lesser profit impact and the underlying profit fell \$291 million compared to the prior year.

Of course, you must remember that the total profit of \$1.7 billion reported for 2008 was boosted by a \$1.2 billion profit from the sale of a 40% interest in our Gladstone LNG project to PETRONAS.



Safety continued to be a major focus in 2009 and overall we achieved the lowest injury rate in the company's history. Whilst this is a good outcome, tragically, in August a contractor was killed during a drilling rig move in our eastern Queensland fields.

Despite this tragic event, the Board acknowledges that there is a high level of visible safety commitment from the Chief Executive Officer and the Senior Leadership Team and we are confident that we have the right programs and procedures in place to move towards our goal of an injury and incident free business.

David will provide you with more detail on some of our achievements for 2009 in a moment.



At a time when many companies were cutting or eliminating their dividends, we maintained the Santos dividend at 42 cents per share fully franked.

This dividend was paid on the expanded capital base following the equity raising and continues our unbroken 19-year record of maintaining or increasing the dividend.

At the beginning of my address, I mentioned that our growth strategy remains our key focus as we transform ourselves from a Cooper Basin based oil and gas company to a major exporter of LNG.

But let's not forget the role that the Cooper Basin has played and will continue to play in the development of Santos.



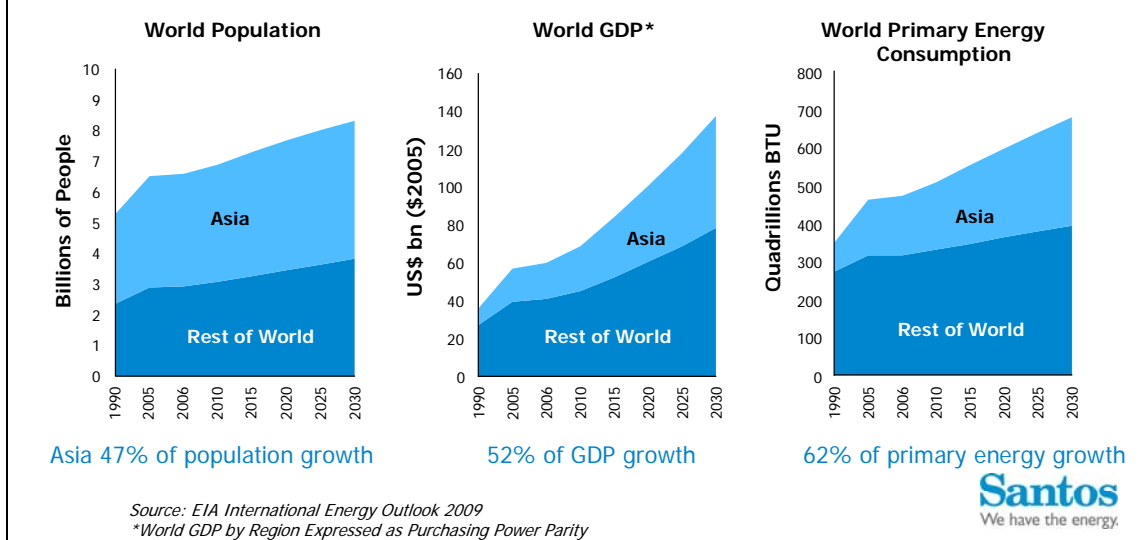
At this point it is appropriate for me to remind you that on 10 November 2009, Santos commemorated the 40<sup>th</sup> anniversary of natural gas delivery from Moomba with a series of events in Adelaide and throughout the Cooper Basin.

In 1969, the first molecules of natural gas arrived in Adelaide via the 755-kilometre pipeline. Santos and our joint venture partners have since delivered six trillion cubic feet of gas to customers throughout eastern and southern Australia.

South Australia uses this abundant and local natural gas supply for over half of its electricity generation, and consequently has the cleanest power supply of all Australian mainland states.

Moving back to our growth strategy, I would like to now spend a few minutes discussing the key drivers behind this strategy – the global economy, energy markets and what that means for Australia and Santos as we enter the second decade of the 21<sup>st</sup> century.

# Asia is the Engine of Energy Growth



Asia is the engine of global energy growth. Looking at the figures is just startling:

- Asia is expected to account for 47% of global population growth to 2030;
- 52% of global GDP growth;
- And a remarkable 62% of growth in global primary energy consumption.

Australia really is the lucky country when it comes to fuelling this Asian economic growth. Our geographic proximity, political stability, abundant resources and track record of delivery put us in an unrivalled position to provide Asia with the energy security and the consequent economic growth required to support its growing populations.

These factors explain why Australia has been an attractive investment option for international oil and gas companies.

But this should not be taken for granted.

Our stable fiscal regime has been important but is now threatened by the Government's response to the Henry Tax Review.

Australian resources companies already face heavy taxation rates by international standards. In 2009, Santos paid 44% of its pre-tax profits in tax and would face an even higher burden under the resources tax regime proposed by the Federal Government.

The Government's proposals have already had a marked effect on our share price. It is difficult to regard the tax proposals as anything other than bad news for the resources sector and the thousands of Australians who work in it.

The magnitude of the investment required for LNG projects is large and there is competition between projects around the world for funding. Projects proposed for

the coal seam gas sector in Queensland alone represent investments of over \$50 billion and promise the creation of 20,000 jobs.

Santos will work constructively with the Government to improve the new tax proposals and will take time to look at the detail, including tax rates.

However, it is risky and unnecessary to introduce new taxes at a time when the Australian resources industry is set to underpin Australia's prosperity for decades to come.

Moving on to the issue of executive remuneration.

You will have the opportunity to consider and vote on the company's Remuneration Report later in today's meeting, and I will then make a few comments on Santos' approach to executive remuneration.

Suffice to say Santos supports restraint in this area. The board, through the remuneration committee, has worked hard to ensure that the remuneration principles we have adopted are conservative yet competitive.

The ongoing process of Board renewal has continued, with the retirement of a long standing director and two new appointments.

Jane Hemstrich and Greg Martin have joined the Board and are making significant contributions.

As you are aware, Stephen Gerlach retired from the Board in December after 20 years of service as a director and the last eight years as Chairman.

Stephen oversaw the transformation of Santos from a Cooper Basin focussed domestic business to one with a clear vision of becoming a major energy supplier to Australia and Asia. On behalf of the Board and shareholders, I thank Stephen for his 20 years of service to the company.

Looking forward, Santos is well placed to capitalise on growing demand for energy from Asia and Australia, provided taxation policy does not interfere with our investment plans.

Our solid base business in Australia and Indonesia will continue to support the ongoing transformation of the company. Our assets in Eastern Australia, the Cooper Basin and Western Australia provide excellent further opportunities, and our Asian acreage presents scope for growth.

And, we are well positioned to take advantage of future growth in demand for LNG with four world-class projects in our portfolio: Darwin LNG, PNG LNG, GLNG and Bonaparte LNG.

Before I hand over to our CEO, David Knox to address the specific project and operational aspects of our performance, I would like to acknowledge the excellent performance of all of our Santos employees who have been well led by David and the management team.



Since he became CEO, David has led a transformation of the company's perception by the investment community. This of course, benefits all shareholders.

I would also like to thank my fellow directors for their support, guidance and sometimes tolerance during my first few months of Chairmanship.

And finally, on behalf of the board, I would also like to thank shareholders for their support and stress that we, your board, are fully focussed on actively growing shareholder value.

With that, I will ask David to address the meeting.

### **CEO's Address**

Thank you Peter, and good morning.

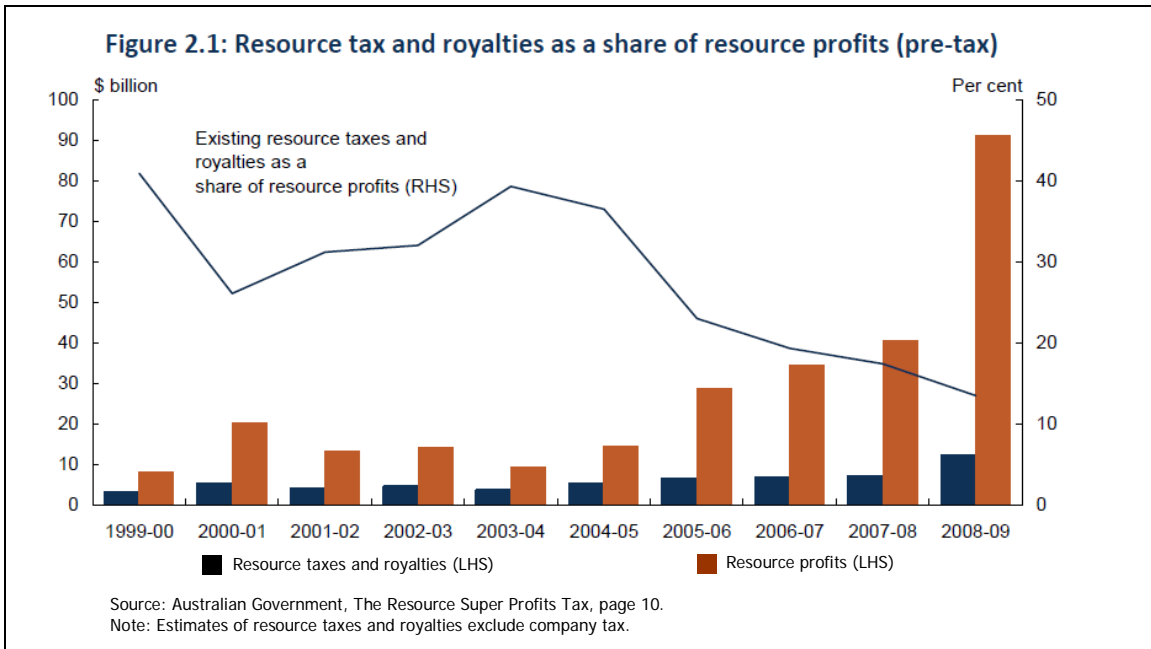
As Peter said, our vision is to be a leading energy company in Australia and Asia. We will achieve this through driving performance throughout the base business, delivering our suite of LNG projects, and through focused growth in Asia.

Santos is a gas company, with 95% of our reserves being gas or gas liquids. Gas in Australia is abundant, available and affordable. There is sufficient gas to supply both domestic needs (as Santos has done for the past 40 years) and export as LNG to Asia.

We are already an active participant in Asia's LNG business through our ownership of Darwin LNG. Our sanctioned LNG project in Papua New Guinea along with our proposed LNG projects at Gladstone in Queensland and in the Bonaparte Basin, will further cement Santos' emerging status as an Asian LNG player.

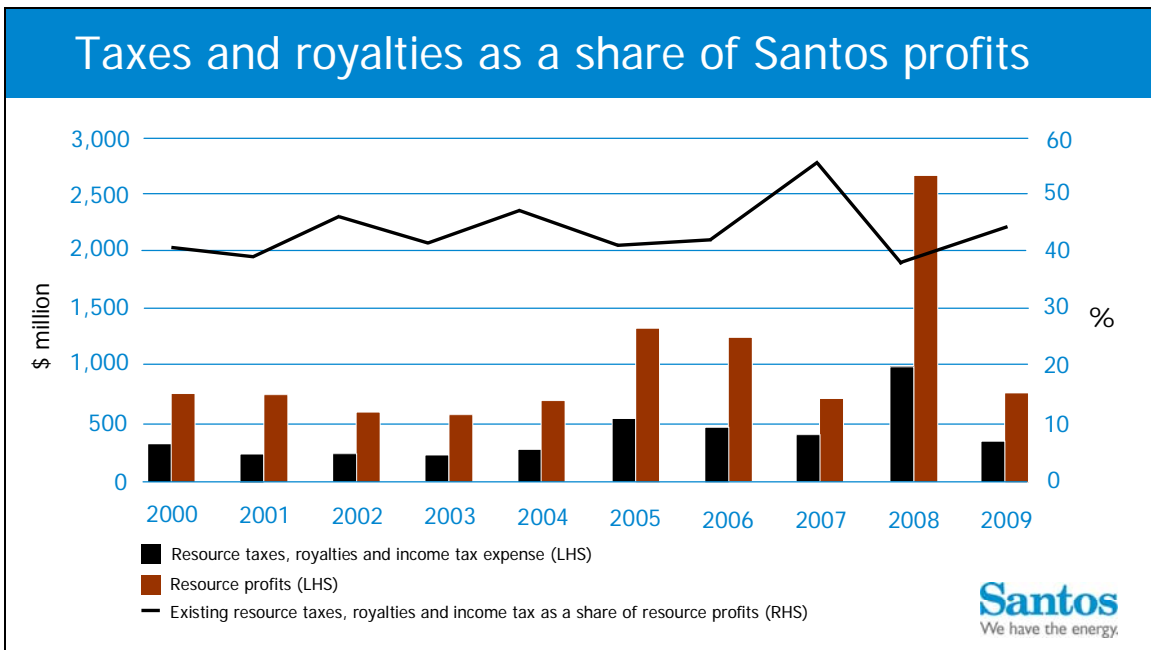
As the Chairman has mentioned, there is no doubt that the Federal Government's proposal to increase income tax on the resources sector announced on Sunday has had a dramatic effect on our share price. At the close of market yesterday, the value of your shares had been reduced by about \$800 million.

We are currently reviewing the tax proposals and their impact on our business.



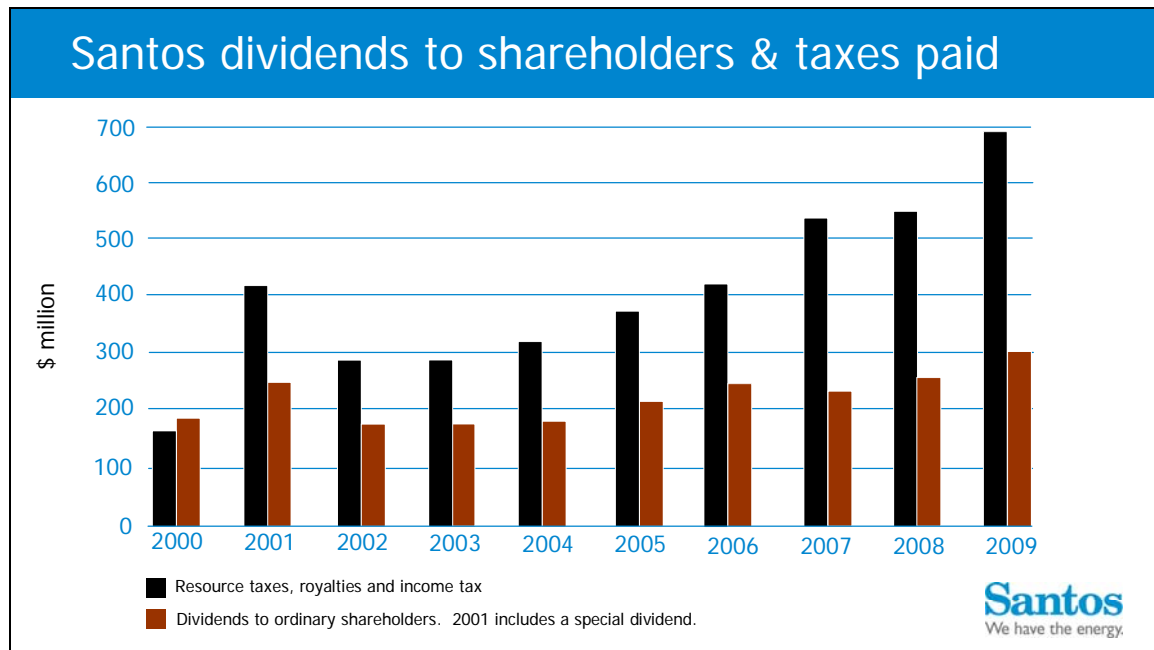
The Government has relied heavily on this chart showing royalties paid by resources companies have declined over the past decade and currently stand at 13% of pre-tax profits. This is of course only a fraction of the tax actually paid as it excludes company tax.

When you include company tax, you get a very different picture.



This chart shows that Santos has consistently paid between 40% and 50% of its pre-tax profits in royalties and taxes over the past decade.

In fact, government taxes and royalties have been increasing at a faster rate than dividends to shareholders, as shown on this next chart.



In 2009, Santos paid almost \$700 million in resource taxes, royalties and income tax, compared to \$300 million in dividends to shareholders. Over the past five years, Santos has paid over \$2.5 billion in taxes and royalties to government.

On behalf of shareholders, we will therefore be arguing vigorously against both the rationale and the fairness of the Government's proposals.

Now, I would like to talk about our strategic delivery in 2009 through the three lenses of performance from the base, LNG delivery and focused growth in Asia.

Our base businesses in Australia and Indonesia performed soundly in 2009, delivering our production guidance for the year of 149,000 barrels of oil equivalent per day.

We have a pipeline of base business projects that will grow production in the near term before our LNG ventures deliver a step change in production and earnings from 2014.

In Indonesia, the Santos operated Oyong gas project delivered first gas in October 2009 on schedule, on budget and with an excellent safety record.

In Australia, we completed the upgrade of the Patricia-Baleen onshore gas plant in Victoria. This upgrade has allowed the existing plant to process gas and condensate from the Longtom field located offshore in Bass Strait.

Also in Victoria, work progressed on the Henry and Kipper gas projects. The Santos operated Henry project provides another source of domestic gas for Victoria produced through our existing Casino hub. First gas was delivered on plan in March this year.

Development work also progressed on the ExxonMobil operated Kipper project in Bass Strait. First gas has been delayed to the second half of next year due to riser design issues on the host platform.

Construction continued on the Apache operated Reindeer gas project in Western Australia. Reindeer will provide Western Australia with a new source of domestic gas when it comes on line in the second half of 2011, further cementing Santos' position as a leading natural gas supplier to the state.

We also approved the Chim Sao project in Vietnam. The project will produce approximately 25,000 barrels of oil per day gross at plateau when it comes on line in the second half of 2011.



Santos' LNG growth portfolio is unique for a company of our size. We now have a significant involvement in four LNG projects.

Demand for LNG in Asia is expected to double from just over 100 million tonnes per annum to well over 200 million tonnes per annum in the next 15 years. This demand growth substantially outstrips contracted supply.

The gap between contracted supply and forecast demand creates significant opportunities for us to build a material LNG portfolio. Let me update you on how we doing just that.

We have made substantial progress on our flagship GLNG project. GLNG is a two-train LNG project that will take coal seam gas from eastern Queensland, liquefy it at a plant at Gladstone and export to Asian customers.

GLNG has all the ingredients for success: an ideal site at Gladstone, high quality reserves, a binding sales contract and the experience and expertise of our partner PETRONAS, the largest LNG supplier in Asia.

Progress on GLNG has been substantial and we remain on target for first LNG deliveries in 2014. We will make a final investment decision this year.

This will allow us to use the next few months to carefully consider the Government's tax changes announced on the weekend, including seeking clarity from the Government regarding important details not included in Sunday's announcement.

I want to outline today why I am confident we will take a final investment decision this year.

We have made excellent progress on our design studies. Upstream engineering design is complete and we will shortly make an announcement on the successful upstream contractor.

Bids have been received for the midstream pipeline and are currently being assessed.

Downstream engineering design for the two-train project is complete.

Another key milestone for an FID decision is environmental approval. The EIS is with the Queensland Government for final consideration. Following this, we will seek Federal Government approval.

On the marketing front, we have a binding offtake agreement to sell two million tonnes per annum of LNG to PETRONAS, with an option for a further one million tonnes per annum at GLNG's sole option. This agreement underpins our first LNG train.

We are in detailed and advanced discussions with a number of LNG buyers for train one and train two offtake, and for equity in the project. I am confident of being able to make an announcement on this shortly.

We are building our project team with over 500 people now dedicated to GLNG.

Our cultural heritage management plans are well advanced and we have six of seven Indigenous Land Use Agreements already agreed.

Our water management activities are approved and in place with over one million trees planted.

PETRONAS have proved to be an outstanding partner and we are both committed to deliver the project on schedule.

In short, GLNG is progressing towards a final investment decision this year and first LNG in 2014.





The Papua New Guinea LNG project made fantastic progress in 2009, culminating in a final investment decision in December. This project alone will transform Santos' production and earnings profile when it comes on line in 2014 and create a legacy asset for decades to come.

PNG LNG has signed binding sale and purchase agreements with four Asian LNG buyers for the full project capacity: Tokyo Gas, Sinopec, Osaka Gas, and CPC Taiwan. Financial close was achieved in March this year and construction in PNG has commenced.



The existing Darwin LNG asset, our first LNG investment, delivered another excellent year of production in 2009.

During a planned shutdown which is currently underway, the capacity of the Darwin plant will be increased to 3.6 million tonnes per annum.



Finally, in 2009 we added our fourth LNG project, Bonaparte LNG, in partnership with GDF SUEZ. This project exposes Santos to floating LNG technology. GDF SUEZ is hoping to bring the project to a final investment decision in 2013.

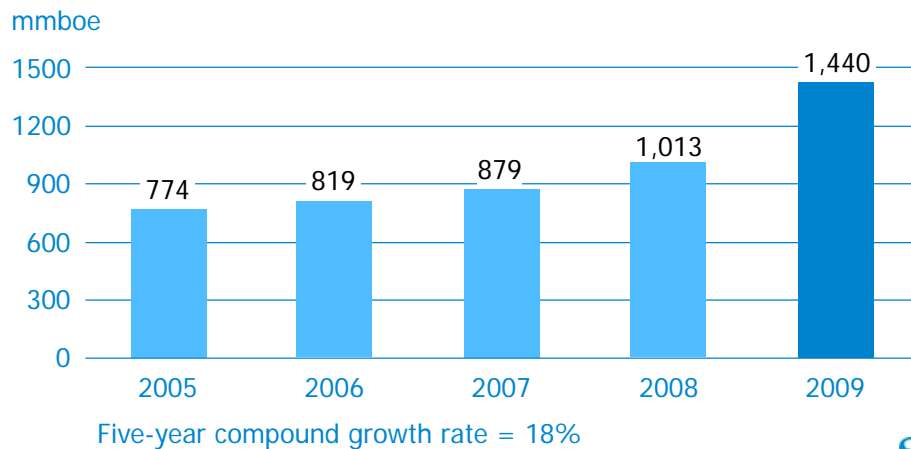
Another highlight of our LNG portfolio is the company we keep – our partners in our LNG projects include PETRONAS, ExxonMobil, ConocoPhillips and GDF SUEZ. All are major players in the global gas industry.

Our strategy in Asia, outside of our base Indonesian business, is exploration led and we are active in a number of basins.

In our offshore acreage in the Bay of Bengal, an extensive 3D seismic program began in 2009 and is largely complete. We are targeting gas which would be sold into the domestic Indian market. Interpretation of seismic results is ongoing.

In Bangladesh, a well optimization program is extending the life of the Sangu field. Sangu has onshore gas processing facilities with significant available capacity, positioning us to bring more gas to market if our exploration program is successful. A 3D seismic program on our assets is currently underway.

## 2P Reserves



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We have the energy.

Let's talk a little bit more about track record, particularly on reserves. This is obviously a key measure of the success for any oil and gas company.

Over the past six years, we have a compound growth rate of 18% on 2P reserves and now have over 1.4 billion barrels of proved and probable reserves.

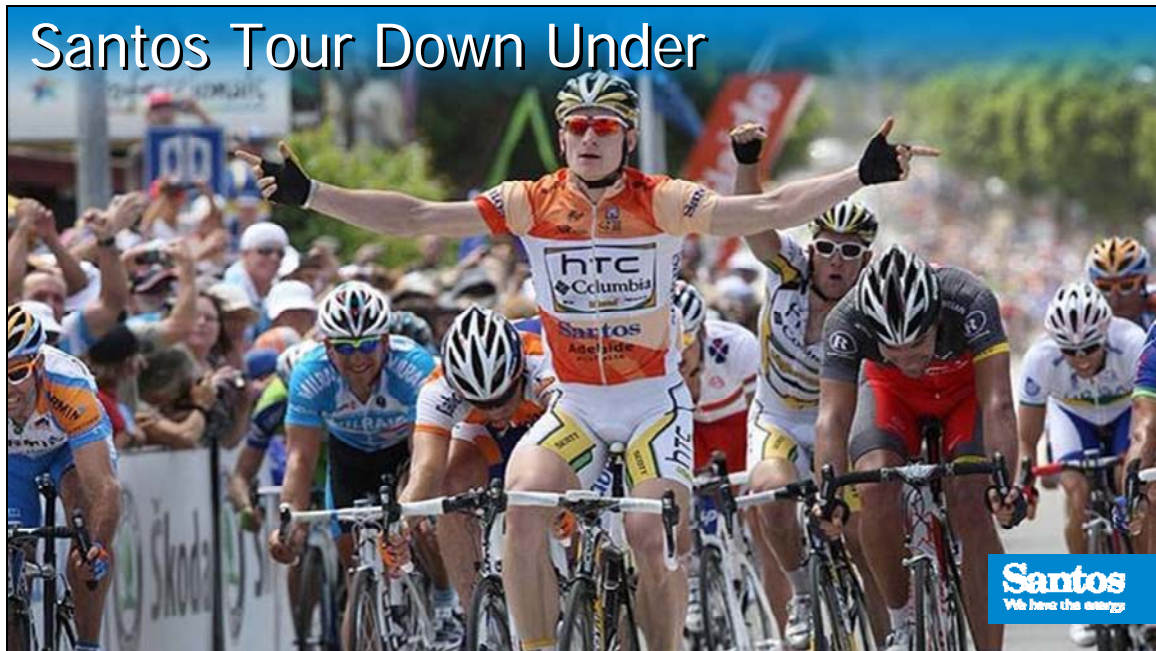
Importantly, almost 50% of our reserves are now pointed at LNG through the GLNG, PNG and Darwin projects. That is absolutely transformational for our company.

As I have said a number of times, our store cupboard is very strong, and furthermore, we have been successful in taking resources out of the store cupboard and converting them into real reserves.

Great companies are safe companies. Overall in 2009, we achieved the lowest injury rate in the company's history. This result was built on strong safety systems and a series of initiatives that were implemented to improve our focus on safety.

However, as the Chairman has mentioned, we suffered a tragic incident in our operations while unloading a flat bed truck. This is a sobering reminder of the need to always be conscious of the risks in everything we do.





Great companies are also sustainable companies.

Santos has reduced its carbon footprint by 1.5 million tonnes of carbon dioxide equivalent over the past five years. I encourage you to read our Sustainability Report and find out more about what sustainability means to Santos and what we are doing to achieve it.

The quality of Santos' sustainability practices has been recognised with the company's inclusion in the Dow Jones Asia Pacific Sustainability Index and the Australian Sustainability Index. Only companies ranked in the top 20% of sustainable businesses are included in the index.

We also recognise the importance of making meaningful contributions to the communities in which we operate.

Santos announced more than six million dollars of new community initiatives in 2009, including support for:

- The Adelaide Zoo;
- The Botanic Gardens of Adelaide;
- The Queensland Art Gallery;
- The Great Bike Ride in Perth;
- The Starlight Children's Foundation;
- The Special Olympics; and
- Independence Day celebrations in Indonesia.

These initiatives go hand in hand with our support for the Adelaide Symphony Orchestra, the School of Petroleum at the University of Adelaide, the Royal

Institution of Australia and the new University College London School of Energy and Resources.

Our partnership with the Santos Tour Down Under here in Adelaide in January was a highlight of our sponsorship program. The event attracted worldwide attention and was watched by 750,000 spectators over its six days.

The energy of cyclists like the Tour's winner Andre Greipel was truly inspiring. Rest assured that like Andre, we have the energy to succeed.

Our world-class projects have already attracted many talented professionals. Santos is an exciting and challenging place to work, and will continue to attract the highest calibre people from the oil and gas industry.

Our workforce has the ability and commitment to fulfill our growth strategy and achieve success. I thank our employees, whose excellence and drive have put us in an outstanding position for the years to come.

In the short term, 2010 production is expected to be in the range of 49 to 52 million barrels of oil equivalent. This is slightly below our original forecast for the year due to the floods in central Australia and Queensland impacting our Cooper Basin activities.

We continue to make substantial progress on GLNG – it is a transformational project.

This is an exceptional company with an excellent portfolio of current and future projects. We will continue to be a proudly Australian company delivering energy for Australia and Asia.

We are committed to doing that safely and sustainably to deliver maximum value for our shareholders.

Thank you and I will now hand back to Peter.