

Economic Sustainability

Santos

We are an economically sustainable company that contributes to the national and regional economies where we operate.

Natural gas supports the national and local economies across Australia and Asia

Santos makes a significant contribution to the economy. Our disciplined operating model makes this possible.

We operate at a cost base that is sustainable in periods of lower oil prices.



2025 production target
more than double
2018 output



Target cost base
that generates free cash flow **below**
\$40 per barrel oil price



Invested more **than**
US\$16 billion in Australian **capital**
development projects since 2011



In 2018, Santos
contributed AUD\$268 million
in Australian taxes and royalties

Our targets

Our strategy for economic sustainability involves three areas of focus:



Maintaining an economically sustainable Operating Model



Transforming our operations to underpin our capacity to grow



Freeing up capital to enable growth and investment



Paying tax and providing a return to the community




Further information:

[Santos Annual Report 2018](#)

Maintaining an economically sustainable Operating Model





We have determined a fiscally responsible cost of operating, based on oil price trends over time. Our low-cost Operating Model delivers strong cash flows through the oil price cycle.

 <p>2019 forecast free cash flow breakeven oil price of US\$29 per barrel</p>	 <p>2025 production target more than double 2018 output to 120 million barrels of oil equivalent</p>	 <p>This target represents cumulative annual growth rate in production of over 8% to 2025</p>
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We manage our finances and assets in a way that sustainably returns value to the shareholder. Our capital expenditure shows our investment in improving our business and exploring new developments.

Capital Guidance in 2020

 <p>\$750 million in onshore drilling, sustaining assets, and exploration</p>	 <p>\$150 million major growth for development expansion</p>
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Santos is the leader in economically sustainable onshore production, and are extending this to our offshore operations. We are focused on delivering low cost of supply at all our delivery points.

Transforming our operations to underpin our capacity to grow

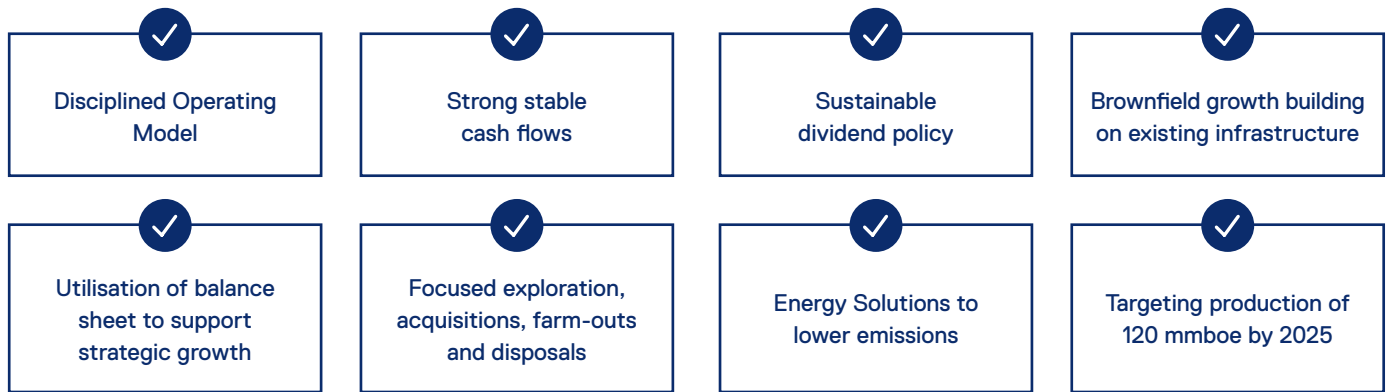


Our strategy not only allows us to maintain our current performance, but underpins our capacity to grow our business. That means more jobs, more opportunities for our regions and a greater contribution to the national economy.

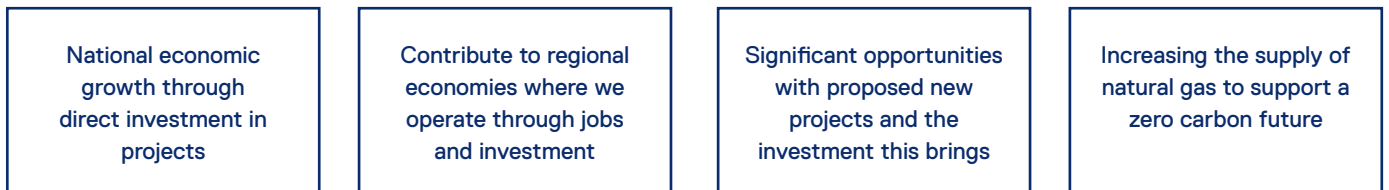
 <p>Grow</p> <ul style="list-style-type: none"> + Execute and bring on-line growth opportunities across the core portfolio + Focused exploration strategy to identify new high-value targets and unlock future core assets + Generate new revenue through low-carbon Energy Solutions projects 	 <p>Build</p> <ul style="list-style-type: none"> + Develop low-risk, brownfields growth prospects across the core portfolio + Pursue strategically aligned, value accretive acquisition opportunities + Leverage facilities and infrastructure operations strategic capability + Maximise margin through marketing and trading business
 <p>Transform</p> <ul style="list-style-type: none"> + Diverse and balanced portfolio of five core, long-life natural gas assets + Robust balance sheet + Lowest cost onshore operator in Australia + Disciplined, low cost operating model, portfolio free cash flow breakeven at ≤\$40/bbl oil price 	

“The successful execution of Santos’ Transform-Build-Grow strategy since 2016 has the company positioned for disciplined growth and sustainable shareholder returns.”
Kevin Gallagher, Chief Executive Officer

Our 'Transform, Build, Grow' strategy is driving shareholder value and supporting growth.



The growth in our business helps us make a national impact.

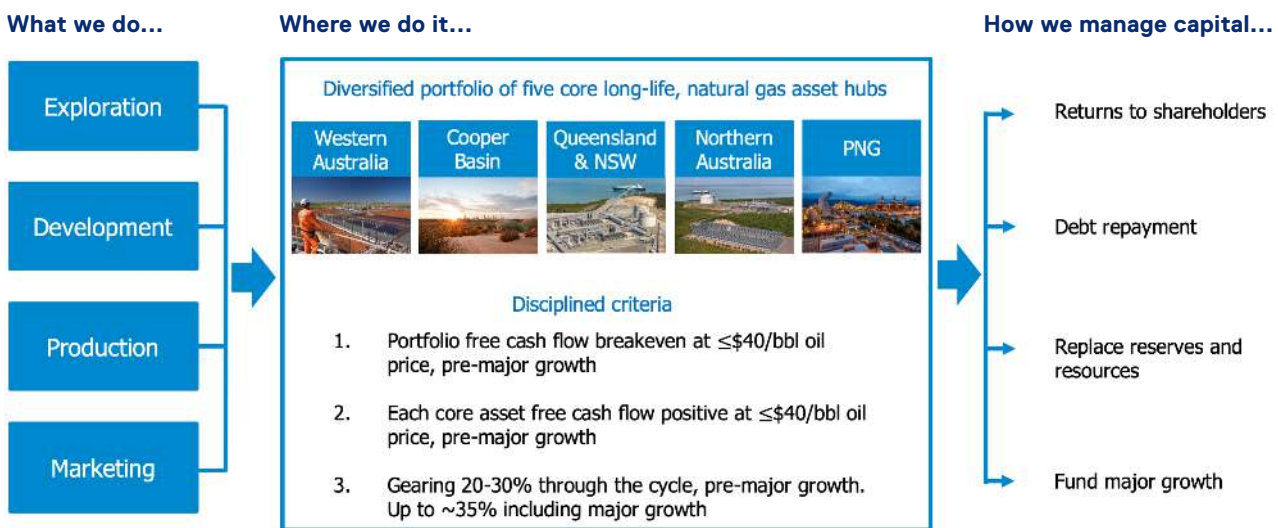


Freeing up capital to enable growth and investment



By being cost-efficient we can free up capital to invest in the growth of our business and in supporting our communities and the environment.

Santos' disciplined Operating Model provides the framework to drive value



We are investing in opportunities for innovation in our operations and progressing new regional developments where others are not able to.

Investing in Carbon Capture technology in the Cooper Basin

Carbon technology is an area where we are investing in order to unlock new opportunities.

This will **contribute to our aspiration of net zeroemissions by 2050.**

The Cooper Basin has the potential to store up to **20 million tonnes of CO2 per year.**

Creating sustainable opportunities in regional locations

Operating in the Roma region for **over 50 years**, contributing to the local economy through jobs, rates and community investments.

In 2019, Santos **employed 44 local people** and **contributed over \$95 million** directly to the Roma region economy.

Paying tax and providing a return to the community



In line with the Santos Tax Policy, the Board has approved adoption of the Australian Board of Taxation's Voluntary Tax Transparency Code and tax contributions are detailed annually in a Disclosure Report available on the company's website. Santos' operations are principally located in Australia where Santos is committed to paying our fair share of tax and providing a fair return to the community for the production of their non-renewable resources. In 2018, Santos contributed \$AUD268 million in Australian taxes and royalties. We are proud of the economic and social contribution we make through creating high-skilled, secure, well-paying jobs in the communities where we operate, buying from local businesses and paying taxes that help fund health, education, roads and other infrastructure.



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