

# Second Quarter Report

For period ending 30 June 2021

ASX: STO | ADR: SSLZY

# Santos

22 July 2021

## Record sales revenue and strong free cash flow

- Strong base business performance and improved commodity prices delivered record quarterly sales revenue of US\$1.1 billion and record first half sales revenue of over US\$2 billion
- Second quarter production of 22.5 mmbœ was nine per cent lower than the first quarter, primarily due to completion of the 25 per cent sell down in Bayu-Undan and Darwin LNG to SK E&S on 30 April 2021, partially offset by stronger gas production in Western Australia and Queensland
- First half production of 47.3 mmbœ was 23 per cent above the corresponding period and sees 2021 guidance narrowed to the upper part of the range
- Continued growth in GLNG equity gas production from the Roma and Arcadia fields supports annualised LNG production above 6.2 mtpa for 2021
- US\$270 million in free cash flow in the second quarter, bringing first half free cash flow to US\$572 million

## Key growth milestones achieved and balance sheet strengthened

- Initiated major workstreams for the Barossa gas and condensate project, including cutting first steel for the FPSO turret, commencing manufacturing of subsea and export flowlines, and assembly of subsea trees
- Entered FEED phase for the Dorado integrated oil and gas project
- Issued US\$1 billion 10-year senior unsecured fixed rate bond in the US 144A/Reg S market
- Strong free cash flows reduced net debt (including leases) to US\$3.4 billion and gearing to 32 per cent at the end of the quarter

## Energy transition to cleaner fuels

- Signed MOU with Eni to cooperate on opportunities in northern Australia and Timor-Leste, including re-purposing Bayu-Undan into a carbon capture and storage (CCS) hub for projects in the region with a potential capacity of ~10 mtpa of CO<sub>2</sub>
- Awarded A\$15 million in funding for the Moomba CCS project from the Australian Government's Carbon Capture Use and Storage Development Fund. The 1.7 mtpa Moomba CCS project is FID-ready, subject to confirmation of eligibility for Australian Carbon Credit Units

Santos Managing Director and Chief Executive Officer Kevin Gallagher said Santos had delivered another strong quarter of production, sales volumes and revenues, as the business benefited from stronger demand and higher prices. Domestic gas sales volumes were up 7% as we responded to higher customer demand.

"Our disciplined, low-cost operating model continues to drive strong performance with US\$572 million of free cash flow generated in the first half, and the business remains on track to deliver a free cash flow breakeven oil price of US\$25 per barrel this year. At current oil prices, Santos should generate over US\$1.1 billion in free cash flow in 2021.

"Consistent with our 2021 strategic priorities, after taking the FID on Barossa in March, we completed the sell-downs in Bayu-Undan and Darwin LNG, and have now commenced all key workstreams on Barossa as well as entering FEED for the Dorado project. As I have always said, we will remain disciplined and cost-focused during this next phase of growth. Despite cost challenges across the industry, I am pleased that our continued focus on costs sees a lowering of our upstream production cost guidance.

"The Moomba CCS project is FID-ready, and we are actively exploring CCS opportunities at Bayu-Undan and the production of zero-emissions hydrogen at Moomba. These projects provide a competitive advantage as we seek to decarbonise our oil and gas assets on the path to net-zero emissions by 2040," Mr Gallagher said.

## Comparative performance

Santos share	Unit	Q2 2021	Q1 2021	Change	2021 YTD	2020 YTD	Change
Production	mmbœ	22.5	24.8	-9%	47.3	38.5	23%
Sales volume	mmbœ	26.4	27.4	-4%	53.8	46.9	15%
Sales revenue	\$million	1,076	964	12%	2,040	1,668	22%
Capital expenditure <sup>1</sup>	\$million	334	201	66%	535	372	44%

<sup>1</sup>Capital expenditure including restoration expenditure but excluding capitalised interest.

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## Sales volumes (Santos share)

Product	Unit	Q2 2021	Q1 2021	Q2 2020	2021 YTD	2020 YTD
LNG	000 t	1,064.9	1,327.6	920.5	2,392.5	1,772.1
Domestic sales gas & ethane	PJ	67.2	62.9	64.8	130.1	120.3
Crude oil	000 bbls	2,770.9	1,713.5	2,769.8	4,484.4	5,728.3
Condensate	000 bbls	1,413.8	1,781.3	1,539.4	3,195.1	2,953.5
LPG	000 t	67.8	64.3	50.4	132.1	94.9
Sales						
Own product	mmboe	20.5	22.8	20.1	43.2	37.3
Third-party	mmboe	5.9	4.6	4.5	10.5	9.6
<b>Total sales volume</b>	<b>mmboe</b>	<b>26.4</b>	<b>27.4</b>	<b>24.6</b>	<b>53.8</b>	<b>46.9</b>

Second quarter sales volumes were lower than the prior quarter primarily due to completion of the 25 per cent sell down in Bayu-Undan and Darwin LNG to SK E&S at the end of April, partially offset by an increased number of liquids liftings in Western Australia, higher third-party crude volumes and higher domestic gas sales. Sales volumes in the second half are expected to be lower than the first half due to the Bayu-Undan sell-down, with guidance narrowed to 100-105 mmboe for the full year.

## Sales revenues (Santos share)

Product	Unit	Q2 2021	Q1 2021	Q2 2020	2021 YTD	2020 YTD
LNG	\$million	421	427	400	848	797
Domestic sales gas & ethane	\$million	319	285	247	604	456
Crude oil	\$million	205	107	85	312	274
Condensate	\$million	95	108	35	203	102
LPG	\$million	36	37	18	73	39
Sales						
Own product	\$million	832	779	628	1,611	1,260
Third-party	\$million	244	185	157	429	408
<b>Total sales revenue</b>	<b>\$million</b>	<b>1,076</b>	<b>964</b>	<b>785</b>	<b>2,040</b>	<b>1,668</b>
Third-party purchase costs	\$million	167	157	119	324	309

Second quarter sales revenues were a record and higher than the prior quarter, reflecting improved commodity prices partially offset by lower overall sales volumes due to the Bayu-Undan sell-down.

## Average realised prices

Product	Unit	Q2 2021	Q1 2021	Q2 2020	2021 YTD	2020 YTD
LNG price	US\$/mmBtu	7.52	6.12	8.27	6.74	8.57
Domestic gas price	US\$/GJ	4.74	4.54	3.82	4.65	3.79
<i>East coast domestic</i>	<i>US\$/GJ</i>	<i>5.35</i>	<i>5.32</i>	<i>4.58</i>	<i>5.33</i>	<i>4.60</i>
<i>West coast domestic</i>	<i>US\$/GJ</i>	<i>4.43</i>	<i>4.18</i>	<i>3.21</i>	<i>4.31</i>	<i>3.08</i>
Crude oil price	US\$/bbl	74.06	62.29	30.78	69.57	47.83
Condensate price	US\$/bbl	67.65	60.41	22.72	63.61	34.37
LPG price	US\$/t	517.02	581.26	358.31	548.28	408.74

The average realised LNG price was higher than the prior quarter reflecting the linkage of sales contracts to an improving lagged Japan Customs-cleared Crude (JCC) price, but offset by lower JKM spot prices. Three-month lagged JCC averaged US\$56/bbl in the second quarter compared to US\$44/bbl in the first quarter. Santos' LNG projects shipped 63 cargoes in the second quarter, of which ten were spot cargoes from Darwin LNG (9) and PNG LNG (1).

## Production by asset (Santos share)

Product	Unit	Q2 2021	Q1 2021	Q2 2020	2021 YTD	2020 YTD
Western Australia	mmboe	8.5	8.1	7.2	16.6	13.4
Cooper Basin	mmboe	3.9	4.0	4.1	7.9	8.5
Queensland & NSW	mmboe	3.4	3.3	3.3	6.7	6.6
PNG	mmboe	3.0	3.1	3.2	6.1	6.5
Northern Australia & Timor-Leste	mmboe	3.7	6.3	2.6	10.0	3.5
<b>Total production</b>	<b>mmboe</b>	<b>22.5</b>	<b>24.8</b>	<b>20.6</b>	<b>47.3</b>	<b>38.5</b>

## Production by product (Santos share)

Product	Unit	Q2 2021	Q1 2021	Q2 2020	2021 YTD	2020 YTD
Sales gas to LNG plant	PJ	54.7	68.8	43.9	123.5	78.7
Domestic sales gas & ethane	PJ	59.0	58.4	59.5	117.4	112.0
Crude oil	000 bbls	1,343.4	1,063.8	1,189.6	2,407.2	2,750.7
Condensate	000 bbls	1,249.4	1,494.6	1,275.5	2,744.0	2,349.2
LPG	000 t	48.6	60.7	51.4	109.3	92.8
<b>Total production</b>	<b>mmboe</b>	<b>22.5</b>	<b>24.8</b>	<b>20.6</b>	<b>47.3</b>	<b>38.5</b>

Second quarter production was lower than the prior quarter primarily due to the 25 percent sell-down in Bayu-Undan and Darwin LNG to SK E&S completing on 30 April 2021. This was partially offset by stronger oil and gas production in Western Australia and higher gas production in Queensland. Although production volumes in the second half are expected to be lower than the first half due to the Bayu-Undan sell-down, strong production performance across the portfolio sees the production guidance range narrowed upwards to 87-91 mmboe for the full year.

A data worksheet containing unaudited quarterly sales, revenue, production and capital expenditure tables in Excel format is available on Santos' website.

## 2021 Guidance

Production and sales volume guidance are narrowed to 87-91 mmboe and 100-105 mmboe, respectively. Capital expenditure guidance is unchanged with spend expected to be weighted to the second half. Production cost guidance is revised down to \$7.90-8.30/boe. Depreciation, depletion and amortisation (DD&A) is expected to be in the range of \$1.15-1.25 billion in 2021, higher than the prior year primarily due to higher DD&A in Western Australia due to the write-down of Reindeer gas reserves in 2020.

2021 guidance item	Previous guidance	Updated guidance
Production	84-91 mmboe	87-91 mmboe
Sales volumes	98-105 mmboe	100-105 mmboe
Capital expenditure – base	~\$900 million	No change
Capital expenditure – major growth	~\$700 million	No change
Upstream production costs	\$8.00-8.50/boe	\$7.90-8.30/boe
Depreciation, depletion and amortisation	na	\$1.15-1.25 billion

## 2021 Half-year results

Santos will release its results for the half-year ended 30 June 2021 on Tuesday 17 August 2021. The first-half report (incorporating Appendix 4D) and associated investor presentation will be available on Santos' website at [www.santos.com](http://www.santos.com). A webcast briefing including investor/analyst questions will also be available on Santos' website from 12:30pm AEST on 17 August 2021. Financial information included in this report is unaudited and subject to finalisation of the company's accounting and audit processes, and Board review. As such, actual results for the half-year ended 30 June 2021 may differ from the information given in this report.

## Western Australia

Santos share	Unit	Q2 2021	Q1 2021	Q2 2020	2021 YTD	2020 YTD
<b>Sales volume</b>						
Sales gas	PJ	43.4	42.4	36.1	85.8	63.8
Condensate	000 bbls	310.0	319.6	295.1	629.6	619.4
Crude oil	000 bbls	1,165.0	-	311.6	1,165.0	1,142.4
<b>Total sales volume</b>	<b>mmboe</b>	<b>8.9</b>	<b>7.6</b>	<b>6.8</b>	<b>16.5</b>	<b>12.7</b>
<b>Total sales revenue</b>	<b>\$million</b>	<b>304</b>	<b>196</b>	<b>125</b>	<b>500</b>	<b>274</b>
<b>Production</b>						
Sales gas	PJ	43.4	42.3	37.1	85.7	65.8
Condensate	000 bbls	374.6	346.7	373.5	721.3	694.5
Crude oil	000 bbls	766.3	473.4	543.2	1,239.7	1,456.8
<b>Total production</b>	<b>mmboe</b>	<b>8.5</b>	<b>8.1</b>	<b>7.2</b>	<b>16.6</b>	<b>13.4</b>
Capital expenditure	\$million	90	44	23	134	52

Domestic gas production and sales increased in the second quarter reflecting increased contract and spot market demand.

Oil production was higher in the second quarter due to start-up of the Ningaloo Vision FPSO in late March. Cyclone avoidance activity in early April required shutdowns of both the Ningaloo Vision and Pyrenees Venture FPSOs. Ningaloo Vision then commenced a planned maintenance shutdown in late June. Sales volumes and revenues are higher than the previous quarter reflecting increased liquids liftings.

The three-well Van Gogh infill drilling campaign commenced in the second quarter and is on track for completion in the fourth quarter. Drilling and completion and tie-in activities have been completed for the first well, with start-up expected in the third quarter of 2021. A better than expected reservoir outcome was realised in the well, with a total horizontal section of 5,430 metres across the two laterals, almost 500 metres of additional reservoir section than originally planned. The Valaris MS-1 rig has commenced drilling activity on the second well in the program.

As previously announced, the Dorado development moved into FEED in June with a number of key detailed design, procurement and regulatory approval work fronts being advanced. Major FEED contracts for the FPSO and the Wellhead Platform are expected to be awarded in the third quarter. The project is targeting a final investment decision around mid-2022. The initial phase of development will involve gas reinjection to maximise liquids recovery ahead of a second phase of gas export from the field. This future phase of gas export offers backfill supply to Santos' existing domestic gas infrastructure in Western Australia.

The Noble Tom Prosser rig is scheduled to mobilise to the Carnarvon Basin late in the fourth quarter to drill the Dancer prospect, located seven kilometres from the Reindeer field. This will then be followed by drilling the Pavo and Apus prospects in the Bedout Basin, located 35 to 40 kilometres from the Dorado field, and would be developed as subsea tiebacks to the Dorado development in a success case.

Consistent with Santos' strategy to phase growth projects and review equity levels in-line with disciplined capital management, Santos is undertaking a process to explore interest from the market in non-operated equity in Dorado and potentially other WA oil assets.

## Cooper Basin

Santos share	Unit	Q2 2021	Q1 2021	Q2 2020	2021 YTD	2020 YTD
<b>Sales volume</b>						
Sales gas and ethane <sup>1</sup>	PJ	16.4	18.6	17.9	35.0	36.4
Condensate <sup>1</sup>	000 bbls	603.1	388.5	395.1	991.6	1,002.8
LPG <sup>1</sup>	000 t	44.2	38.0	41.7	82.2	81.6
Crude oil						
Own product	000 bbls	488.5	632.7	1,123.1	1,121.2	1,837.5
Third-party	000 bbls	1,116.4	1,079.7	1,332.2	2,196.1	2,742.7
Total	000 bbls	1,604.9	1,712.4	2,455.3	3,317.3	4,580.2
<b>Total sales volume</b>	<b>mmboe</b>	<b>5.4</b>	<b>5.6</b>	<b>6.3</b>	<b>11.0</b>	<b>12.5</b>
<b>Total sales revenue</b>	<b>\$million</b>	<b>244</b>	<b>222</b>	<b>185</b>	<b>466</b>	<b>440</b>
<b>Production</b>						
Sales gas and ethane	PJ	16.0	16.6	16.9	32.6	34.8
Condensate	000 bbls	270.2	270.1	252.3	540.3	599.5
LPG	000 t	35.1	35.6	37.3	70.7	74.5
Crude oil	000 bbls	576.1	589.3	644.0	1,165.4	1,288.7
<b>Total production</b>	<b>mmboe</b>	<b>3.9</b>	<b>4.0</b>	<b>4.1</b>	<b>7.9</b>	<b>8.5</b>
Capital expenditure	\$million	71	70	73	141	143

<sup>1</sup> Sales volumes include own product and third-party volumes.

Cooper Basin total production in the second quarter was 3.9 mmboe, lower than the previous quarter primarily due to higher unplanned surface downtime and lower drilling activity due to impact of COVID on joint venture budgets. Oil production reflects natural field decline with no new oil wells drilled in the first half consistent with the joint venture budgets.

Thirteen wells were drilled with three rigs in the second quarter, including six development wells, five appraisal wells and two exploration wells. A fourth rig was added to the program at the end of the quarter and will see a higher number of wells drilled in the second half compared to the first as the drilling program recovers from budget phasing caused by COVID during the first half.

The horizontal well programme continued in the second quarter with a positive result at Tarwonga 7 and preparation is well progressed for increased activity in the second half of the year with four horizontal gas wells and seven horizontal oil wells planned to be drilled.

Santos was awarded A\$15 million in funding for the Moomba CCS project through the Australian Government's CCUS Development Fund. Engagement with the Clean Energy Regulator and industry on the CCS methodology continued and the methodology has been released for public consultation. Eligibility for Australia Carbon Credit Units (ACCUs) for CCS is the key remaining milestone that would enable an FID decision on the project.

Work continued on the Moomba Zero Emissions Hydrogen project. Market development opportunities continue to be explored with domestic and international players to secure off-take arrangements.

## Queensland & NSW

Santos share	Unit	Q2 2021	Q1 2021	Q2 2020	2021 YTD	2020 YTD
<b>Sales volume</b>						
GLNG Joint Venture						
LNG	000 t	449.6	471.2	425.5	920.8	906.5
Domestic contracts	PJ	1.3	0.2	2.7	1.5	5.1
Eastern Qld (non-GLNG) <sup>1</sup>	PJ	4.9	4.3	5.0	9.2	10.4
<b>Total sales volume<sup>2</sup></b>	<b>mmboe</b>	<b>5.3</b>	<b>5.2</b>	<b>5.3</b>	<b>10.5</b>	<b>11.2</b>
<b>Total sales revenue<sup>2</sup></b>	<b>\$million</b>	<b>209</b>	<b>167</b>	<b>236</b>	<b>376</b>	<b>502</b>
<b>Production</b>						
GLNG Joint Venture						
	PJ	15.4	15.1	14.3	30.5	28.1
Eastern Qld (non-GLNG) <sup>1</sup>	PJ	4.1	4.0	4.8	8.1	9.8
NSW	PJ	0.3	0.2	0.2	0.5	0.4
<b>Total production<sup>2</sup></b>	<b>mmboe</b>	<b>3.4</b>	<b>3.3</b>	<b>3.3</b>	<b>6.7</b>	<b>6.6</b>
Capital expenditure	\$million	41	38	51	79	93

<sup>1</sup> Combabula, Scotia (Santos legacy domestic volumes), Spring Gully and Denison.

<sup>2</sup> Total sales volume, sales revenue and production include sales gas from NSW assets.

GLNG operational data (gross)	Unit	Q2 2021	Q1 2021	Q2 2020	2021 YTD	2020 YTD
Sales gas to domestic market <sup>1</sup>	PJ	17	11	17	28	31
LNG produced <sup>2</sup>	000 t	1,468	1,569	1,368	3,037	2,944
Sales gas to LNG plant						
GLNG equity gas	PJ	49	51	48	100	92
Santos portfolio gas	PJ	14	13	9	27	24
Third-party	PJ	25	31	25	56	60
<b>Total sales gas to LNG plant</b>	<b>PJ</b>	<b>89</b>	<b>95</b>	<b>82</b>	<b>183</b>	<b>177</b>
LNG cargoes shipped		25	26	24	51	51

<sup>1</sup> Includes APLNG equity share of Fairview, Arcadia and Roma East.

<sup>2</sup> Includes LNG produced from GLNG equity gas, Santos portfolio gas and third-party quantities.

Gross GLNG-operated upstream sales gas production reached a record 700 TJ/day at the end of the second quarter. Upstream production continues to build and perform well. In the Arcadia field, production continues to ramp more quickly than anticipated, reaching 87 TJ/day with surface debottlenecking completed in both the field and plant. We continue to see safe and reliable production from the Scotia field producing 72 TJ/day, Roma field producing 195 TJ/day and Fairview field producing 345 TJ/day at the end of the quarter, in line with expectations.

LNG production was lower than the previous quarter due to a planned one-month statutory LNG train shut down in May. Based on current shipping plans, LNG production is expected to be above 6.2 mtpa for the full-year.

Fifty-two wells were drilled and sixty connected across the GLNG acreage in the second quarter.

Santos' share of non-operated Eastern Queensland production was lower than the prior quarter due to planned facilities maintenance.

Following the Narrabri Gas Project EIS approval by the NSW Independent Planning Commission (IPC) and Federal approval under the EPBC Act, Santos has been progressing activities to address EIS and EPBC consent conditions to allow the commencement of the appraisal drilling program, which is required to inform the phased development at Narrabri. An appeal against the NSW IPC approval has been lodged with a hearing scheduled in August.

## PNG

Santos share	Unit	Q2 2021	Q1 2021	Q2 2020	2021 YTD	2020 YTD
<b>Sales volume</b>						
PNG LNG						
LNG <sup>1</sup>	000 t	265.2	270.8	265.2	536.0	553.0
Condensate	000 bbls	341.2	341.3	364.0	682.5	724.9
Crude oil	000 bbls	0.9	1.2	2.9	2.1	5.7
<b>Total sales volume</b>	<b>mmboe</b>	<b>2.9</b>	<b>2.9</b>	<b>2.9</b>	<b>5.8</b>	<b>6.0</b>
<b>Total sales revenue</b>	<b>\$million</b>	<b>142</b>	<b>119</b>	<b>118</b>	<b>261</b>	<b>267</b>
<b>Production</b>						
PNG LNG						
Sales gas to LNG <sup>1</sup>	PJ	15.8	16.6	17.3	32.4	34.4
Condensate	000 bbls	272.0	290.8	319.9	562.8	643.7
Crude oil	000 bbls	1.0	1.1	2.5	2.1	5.2
<b>Total production</b>	<b>mmboe</b>	<b>3.0</b>	<b>3.1</b>	<b>3.2</b>	<b>6.1</b>	<b>6.5</b>
Capital expenditure	\$million	1	3	12	4	26

<sup>1</sup> Includes SE Gobe

PNG LNG operational data (gross)	Unit	Q2 2021	Q1 2021	Q2 2020	2021 YTD	2020 YTD
<b>Production</b>						
LNG	000 t	1,988	2,090	2,181	4,078	4,344
Sales gas to LNG plant	PJ	118	124	129	242	257
Condensate <sup>1</sup>	000 bbls	2,011	2,149	2,361	4,160	4,755
Sales gas (SE Gobe) <sup>2</sup>	PJ	2	2	2	4	4
LNG cargoes shipped		27	26	29	53	57

<sup>1</sup> Measured at the Kutubu entry point.

<sup>2</sup> Purchased by PNG LNG.

During the quarter, PNG LNG operated at an annualised rate of approximately 8.0 mtpa. Sales gas, condensate and LNG production were lower than the first quarter due to planned maintenance activities at Hides Gas Conditioning Plant and the LNG plant, which lasted for approximately five weeks.

Despite COVID-19 constraints, the maintenance activities were completed approximately one week ahead of schedule. COVID-19 management plans continue to be implemented to support stable production and shipping.



## Northern Australia & Timor-Leste

Santos share	Unit	Q2 2021	Q1 2021	Q2 2020	2021 YTD	2020 YTD
<b>Sales volume</b>						
Darwin LNG						
LNG	000 t	350.1	585.6	229.7	935.7	312.6
Bayu-Undan						
Condensate	000 bbls	159.8	732.2	485.7	892.0	607.5
LPG	000 t	23.7	26.4	8.7	50.1	13.4
<b>Total sales volume</b>	<b>mmboe</b>	<b>3.7</b>	<b>6.5</b>	<b>2.8</b>	<b>10.2</b>	<b>3.7</b>
<b>Total sales revenue</b>	<b>\$million</b>	<b>146</b>	<b>237</b>	<b>103</b>	<b>383</b>	<b>146</b>
<b>Production</b>						
Darwin LNG						
Sales gas to LNG	PJ	18.6	32.5	12.9	51.1	17.5
Bayu-Undan						
Condensate	000 bbls	332.6	587.0	329.7	919.6	411.4
LPG	000 t	13.6	25.0	14.2	38.6	18.4
<b>Total production</b>	<b>mmboe</b>	<b>3.7</b>	<b>6.3</b>	<b>2.6</b>	<b>10.0</b>	<b>3.5</b>
Capital expenditure	\$million	109	39	15	148	37

DLNG operational data (gross)	Unit	Q2 2021	Q1 2021	Q2 2020	2021 YTD	2020 YTD
<b>Production</b>						
LNG	000 t	742	902	536	1,644	1,392
Sales gas to LNG plant	PJ	45	52	33	98	85
Condensate	000 bbls	846	1,019	838	1,865	1,818
LPG	000 t	33	42	38	75	85
LNG cargoes shipped		11	12	8	23	22

Santos' interest in Bayu-Undan and Darwin LNG reduced from 68.4 per cent to 43.4 per cent at the end of April following completion of the 25 per cent sell-down in both assets to Barossa partner SK E&S. As a result, production and sales volumes in the second half will be lower than the first half.

LNG production at Darwin LNG was lower than the prior quarter primarily due to a planned shutdown at Bayu-Undan and unplanned maintenance at Darwin LNG. Reservoir deliverability at Bayu-Undan continues in-line with expectations.

The Phase 3C infill drilling program at the Bayu-Undan field commenced in May with the first of three planned wells drilled to a total depth of 3,410 metres. The well encountered unswept reservoir section as per prognosis and was being completed at the end of the quarter in preparation for testing and tie-in to the production facility. Two further infill wells will be drilled in the coming months.

Following FID at the end of the first quarter, work on the US\$3.6 billion Barossa gas and condensate project ramped-up across all worksopes. BW Offshore, the project's FPSO contractor, let major contracts for the hull engineering and fabrication, for the topsides engineering and fabrication and for the turret mooring EPC. First steel for the FPSO turret was cut on 13 July. Plate manufacturing for the gas export pipeline has commenced and fabrication of subsea hardware and in-field flowlines is progressing. The project remains on track for first gas production in the first half of 2025.

Planning continues for the Darwin LNG life extension project and the tie-in of Barossa into Darwin. Santos and JERA continue to progress the sale and purchase agreement for JERA to acquire a 12.5 per cent interest in Barossa. Santos and Eni have signed an MOU to cooperate on opportunities in Northern Australia and Timor-Leste, including opportunities to re-purpose Bayu-Undan into a CCS hub for the region once existing production ceases.



In the onshore McArthur Basin (Beetaloo Sub-basin) in the Northern Territory, the Tanumbirini 2H horizontal well was spudded on 11 May targeting the B Shale interval of the Velkerri gas play. At the end of the quarter, the well was drilling ahead 8 ½" directional hole in Velkerri target formation. Following Tanumbirini 2H, Santos is planning to drill a second horizontal well, Tanumbirini 3H, targeting the Lower B Shale interval. Upon completion of drilling operations, multi-stage stimulation and flow testing of both wells is planned.

## Corporate, exploration and eliminations

Santos share	Unit	Q2 2021	Q1 2021	Q2 2020	2021 YTD	2020 YTD
<b>Total sales volume</b>	<b>mmboe</b>	<b>0.2</b>	<b>(0.4)</b>	<b>0.5</b>	<b>(0.2)</b>	<b>0.8</b>
<b>Total sales revenue</b>	<b>\$million</b>	<b>31</b>	<b>23</b>	<b>17</b>	<b>54</b>	<b>39</b>
Capital expenditure	\$million	22	7	13	29	21

Sales volumes and revenues in the corporate segment primarily represent gas trading activities.

## Capital expenditure

Total exploration, evaluation and development expenditure is summarised in the table below.

\$million	Q2 2021	Q1 2021	Q2 2020	2021 YTD	2020 YTD
<b>Capital expenditure</b>					
Exploration	29	13	21	42	31
Evaluation	26	57	18	83	43
Development and other capex (inc restoration)	279	131	147	410	298
<b>Capital expenditure excl capitalised interest</b>	<b>334</b>	<b>201</b>	<b>186</b>	<b>535</b>	<b>372</b>
Capitalised interest	12	9	7	21	10
<b>Total capital expenditure</b>	<b>346</b>	<b>210</b>	<b>193</b>	<b>556</b>	<b>382</b>
<b>Exploration and evaluation expensed</b>					
Exploration	20	8	13	28	20
Evaluation	12	1	2	13	5
<b>Total current year expenditure</b>	<b>32</b>	<b>9</b>	<b>15</b>	<b>41</b>	<b>25</b>
Write-off of amounts capitalised in prior years	-	-	-	-	-
<b>Total expensed</b>	<b>32</b>	<b>9</b>	<b>15</b>	<b>41</b>	<b>25</b>

Capital expenditure in the second quarter comprised US\$190 million in the base business (including \$7 million for restoration costs) and US\$144 million for major growth projects.

## Oil price hedging

7.3 million barrels of oil hedging matured in the first half resulting in a net outflow before tax of US\$66 million.

7.7 million barrels of oil equivalent are currently hedged for the remainder of 2021 using zero cost collars, with an average floor price of US\$42 per barrel and an average ceiling price of US\$55 per barrel.

For 2022, 6 million barrels of oil equivalent are currently hedged at an average floor price of US\$50 per barrel and an average ceiling price of US\$64 per barrel using a combination of zero cost collars and three-way option structures. For 2.0 million barrels, there is also the ability to re-participate at an oil price greater than US\$65 per barrel due to their three-way option structure.

## Seismic activity

In the Bedout Sub-basin, acquisition of the Archer 3D was completed at the end of May with high quality data acquired. The Keraudren Extension 3D, which followed directly after Archer, was 50 per cent complete at the end of the quarter.

## Drilling summary

### Near-field exploration (NFE) / Appraisal wells

Cooper Basin gas			
Well name	Area	Santos	Well status
Anna North 3*	QLD	60.06%	C&S, successful
Anna North 4	QLD	60.06%	C&S, successful
Houby 1	QLD	60.06%	C&S, successful
Viper 1	QLD	60.06%	P&A
Moonanga 2	SA	60.0%	P&A
Raven 5	SA	66.6%	P&A
Raven 6	SA	66.6%	P&A

\*Spud in Q1, completed in Q2

McArthur Basin gas			
Well name	Area	Santos	Well status
Tanumbirini 2H	NT	75%	Drilling

Queensland GLNG gas			
Well name	Area	Santos	Well status
Sunshine Ranch 2	Scotia	30.0%	C&S, successful
Sunshine Ranch 3	Scotia	30.0%	C&C, successful
Vincent Downs 1	Scotia	30.0%	C&C, successful

### Development wells

Carnarvon Basin oil (Van Gogh)			
Well name	Area	Santos	Well status
VGA 18H	WA	52.5%	C&C, successful

Bayu-Undan gas and condensate			
Well name	Area	Santos	Well status
BU W13ST2	TL	43.4%	C&C, successful

Cooper Basin gas			
Well name	Area	Santos	Well status
Durham Downs North 9	QLD	60.06%	Drilling
Beckler 7	SA	66.6%	C&C, successful
Big Lake 153	SA	66.6%	P&A
Big Lake 154	SA	66.6%	Drilling
Big Lake 155	SA	66.6%	P&A
Big Lake 157	SA	66.6%	C&S, successful
Boongala 3	SA	66.6%	Drilling
Dilchee 5	SA	66.6%	C&S, successful
Tarwonga 7	SA	66.6%	C&S, successful

Queensland - GLNG gas			
Well name	Area	Santos	Well status
FV07-37-1	Fairview	22.82%	C&S, successful
FV11-107-1	Fairview	22.82%	C&C, successful
FV12-100-1	Fairview	22.82%	C&C, successful
FV12-105-1	Fairview	22.82%	C&C, successful
FV12-107-1	Fairview	22.82%	C&C, successful
FV12-90-2	Fairview	22.82%	C&S, successful
FV12-94-1	Fairview	22.82%	C&C, successful
FV17-16-2	Fairview	22.82%	C&C, successful
Mount Kingsley 39	Arcadia	22.85%	C&S, successful
RM01-05-5	Roma	30.0%	C&S, successful
RM09-30-2	Roma	30.0%	C&S, successful
RM12-78-1	Roma	30.0%	C&S, successful
RM13-13-1	Roma	30.0%	C&C, successful
RM13-51-1	Roma	30.0%	C&C, successful
RM13-52-1	Roma	30.0%	C&C, successful
RM13-54-1	Roma	30.0%	C&C, successful
RM13-68-2	Roma	30.0%	C&C, successful
RM14-27-2	Roma	30.0%	C&C, successful
RM14-27-3	Roma	30.0%	C&C, successful
RM15-100-1	Roma	30.0%	C&S, successful
RM15-101-1	Roma	30.0%	C&S, successful
RM15-108-1	Roma	30.0%	C&S, successful
RM15-108-2	Roma	30.0%	C&S, successful
RM15-109-1	Roma	30.0%	C&S, successful
RM15-110-1	Roma	30.0%	C&S, successful

Queensland - GLNG gas			
Well name	Area	Santos	Well status
RM15-111-1	Roma	30.0%	C&S, successful
RM15-21-1	Roma	30.0%	C&C, successful
RM15-23-1	Roma	30.0%	C&C, successful
RM15-50-1	Roma	30.0%	C&C, successful
RM15-57-1	Roma	30.0%	C&C, successful
RM15-58-1	Roma	30.0%	C&C, successful
RM15-59-1	Roma	30.0%	C&C, successful
RM15-61-1	Roma	30.0%	C&S, successful
RM15-62-1	Roma	30.0%	C&S, successful
RM15-71-1	Roma	30.0%	C&C, successful
RM15-72-1	Roma	30.0%	C&S, successful
RM15-80-1	Roma	30.0%	C&S, successful
RM15-81-2	Roma	30.0%	C&S, successful
RM15-89-1	Roma	30.0%	C&S, successful
RM15-89-2	Roma	30.0%	C&S, successful
RM15-90-1	Roma	30.0%	C&S, successful
RM15-91-1	Roma	30.0%	C&S, successful
RM15-92-1	Roma	30.0%	C&S, successful
RM15-98-1	Roma	30.0%	C&C, successful
RM15-99-2	Roma	30.0%	C&C, successful
RM49-167-1	Roma	24.57%	C&C, successful
RM49-168-1	Roma	24.57%	C&C, successful
RM49-170-1	Roma	24.57%	C&C, successful
RM49-171-1	Roma	24.57%	C&C, successful

## Abbreviations and conversion factors

Abbreviations		Conversion factors	
C&C	cased and completed	Sales gas and ethane, 1 PJ	171.937 boe x 10 <sup>3</sup>
C&S	cased and suspended	Crude oil, 1 barrel	1 boe
gas	natural gas	Condensate, 1 barrel	0.935 boe
DES	delivered ex-ship	LPG, 1 tonne	8.458 boe
FEED	front-end engineering and design	LNG, 1 PJ	18,040 tonnes
FID	final investment decision	LNG, 1 tonne	52.54 mmBtu
FPSO	floating production, storage and offloading		
GJ	gigajoules		
JCC	Japan Customs-cleared Crude		
kbbls	thousand barrels		
kt	thousand tonnes		
LNG	liquefied natural gas		
LPG	liquefied petroleum gas		
m	million		
mmbbl	million barrels		
mmboe	million barrels of oil equivalent		
mmBtu	million British thermal units		
mmscf	million standard cubic feet		
mt	million tonnes		
mtpa	million tonnes per annum		
NFE	near-field exploration		
mBRT	metres below rotary table		
P&A	plugged and abandoned		
pa	per annum		
PJ	petajoules		
PSC	production sharing contract		
t	tonnes		
TJ	terajoules		

## Disclaimer

This report contains forward looking statements that are subject to risk factors associated with the oil and gas industry. It is believed that the expectations reflected in these statements are reasonable, but they may be affected by a range of variables which could cause actual results or trends to differ materially, including but not limited to: price fluctuations, actual demand, currency fluctuations, geotechnical factors, drilling and production results, gas commercialisation, development progress, operating results, engineering estimates, reserve estimates, loss of market, industry competition, environmental risks, physical risks, legislative, fiscal and regulatory developments, economic and financial markets conditions in various countries, approvals and cost estimates.

All references to dollars, cents or \$ in this document are to United States currency, unless otherwise stated. Totals in the tables may not add due to rounding. The symbol “~” means approximately.

Free cash flow (operating cash flows less investing cash flows net of acquisitions and disposals and major growth capital expenditure, less lease liability payments) is a non-IFRS measure that is presented to provide an understanding of the performance of Santos' operations.

This ASX announcement was approved and authorised for release by Kevin Gallagher, Managing Director and Chief Executive Officer.