

Fourth Quarter Activities Report

For period ending 31 December 2015

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22 January 2016

Key Highlights

- Fourth quarter production of 14.9 mmboe was in line with the corresponding quarter and brought full-year production to 57.7 mmboe. This was the highest annual production since 2007, a 7% increase on the previous year and within the company's guidance range of 57-59 mmboe.
- Fourth quarter sales revenue of \$828 million was 24% below the corresponding quarter, with the average realised oil price down 33% to A\$61 (US\$44) per barrel.
- Full-year capital expenditure of \$1.66 billion was below guidance and 54% lower than the prior year, while full-year production costs per barrel were 10% lower.
- GLNG train 1 produced 544,000 tonnes of LNG during the fourth quarter and achieved daily LNG production rates more than 10% above nameplate capacity. GLNG has shipped 11 LNG cargoes to date.
- In November, Santos announced \$3.5 billion of capital initiatives to strengthen the balance sheet and reduce debt, and also the appointment of Kevin Gallagher as Managing Director and Chief Executive Officer.

Santos Executive Chairman Peter Coates said the company's fourth quarter results reflect the company's response to the challenging oil price environment. He said Santos will continue to review its operational and development plans with a focus on preserving cash.

"Santos is well placed to withstand an extended period of low oil prices, with \$4.8 billion in cash and committed undrawn debt facilities, and no material debt maturities until 2019."

"We are continuing to focus on reducing our capital expenditure and will build upon the significant improvements that we have made to our operating efficiency."

"PNG LNG and Darwin LNG operated at record rates during the fourth quarter, while GLNG has ramped up as expected following first LNG in late-September," Mr Coates said.

Comparative performance at a glance

Corresponding period	Q4 2015	Q4 2014	Change
Production (mmboe)	14.9	15.1	-1%
Sales (mmboe)	17.2	18.0	-4%
Average realised oil price (A\$/bbl)	61.30	92.09	-33%
Sales revenue (\$million)	828	1,090	-24%
Capital expenditure (\$million) ¹	477	831	-43%
Quarterly comparison	Q4 2015	Q3 2015	Change
Production (mmboe)	14.9	14.5	+3%
Sales (mmboe)	17.2	16.2	+6%
Average realised oil price (A\$/bbl)	61.30	71.01	-14%
Sales revenue (\$million)	828	808	+2%
Capital expenditure (\$million) ¹	477	340	+40%
Full-year comparison	2015	2014	Change
Production (mmboe)	57.7	54.1	+7%
Sales (mmboe)	64.3	63.7	+1%
Average realised oil price (A\$/bbl)	71.44	114.21	-37%
Sales revenue (\$million)	3,246	4,037	-20%
Capital expenditure (\$million) ¹	1,662	3,595	-54%

¹ Capital expenditure excluding capitalised interest.

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Capital management

On 9 November 2015, Santos announced \$3.5 billion of capital initiatives to strengthen the balance sheet and reduce debt. Since that time, Santos has completed the equity issuances under the placement and entitlement offer with all proceeds received during the fourth quarter. Cash proceeds of \$520 million from the sale of the Kipper gas asset to Mitsui E&P Australia are expected in the first quarter of 2016 when that transaction is expected to complete.

Santos had \$4.8 billion in cash and committed undrawn debt facilities available as at 31 December 2015.

Approximately \$2 billion of debt was repaid during the second half of 2015. Santos' net debt position as at 31 December 2015 was \$6.55 billion, comprised of \$7.68 billion in gross debt and derivatives less cash of \$1.13 billion. All gross debt as at 31 December 2015 was US dollar denominated (excluding the Euro denominated subordinated notes that have been swapped to US dollars through to the first call date) and has been translated to \$A at the year-end A\$/US\$ exchange rate of 0.7274.

The company has no material debt maturities until 2019. The Euro denominated subordinated notes mature in 2070, with Santos having the option to redeem on the first call date on 22 September 2017 and at each semi-annual interest payment date thereafter.

None of the company's existing debt facilities contain any credit rating-related covenant triggers or review events.

The company's liquidity and net debt position at the end of 2015 is set out in the table below.

	As at 31 December 2015
Liquidity	A\$million
Cash	1,134
Undrawn bilateral bank debt facilities	3,625
Total liquidity	4,759
Debt	A\$million
PNG LNG project finance (non-recourse)	2,569
Export credit agency supported loan facilities	2,399
Euro denominated subordinated notes	1,575
US Private Placement	830
Other (finance leases and derivatives)	311
Total debt	7,684
Total net debt	6,550

Preliminary and subject to finalisation of the company's accounting and audit processes.

Company update

Santos announced on 4 December 2015 the start date for Managing Director and Chief Executive Officer Kevin Gallagher will be 1 February 2016. Peter Coates will resume his non-executive Chairman role on the same date.

The oil industry has continued to experience significant volatility with the oil price falling more than 40% since the announcement of the company's capital initiatives in November 2015. In accordance with its usual timetable and processes for the preparation and finalisation of its full-year accounts, Santos is currently considering the oil price assumptions it uses for asset impairment analysis and reserve bookings.

As announced in the Investor Presentation released to the market on 9 November 2015 and having regard to the further deterioration in the oil price since, the company expects to book reductions to both asset carrying values and reserves as part of finalising its 2015 full-year financial accounts, which are scheduled to be announced to the market on 19 February 2016.

The company is also considering its 2016 operational and development plans and forecasts, with a focus on preserving cash and will provide an update at the release of its 2015 financial accounts.

2015 Guidance

Full-year production of 57.7 mmboe was within the company's guidance range of 57-59 mmboe. Capital expenditure, excluding capitalised interest, was 8% below 2015 guidance and 54% below the prior year. Guidance on production cost per barrel is unchanged, while depreciation, depletion and amortisation expense is expected to be around the top end of the original guidance range.

Item	2015	
	Previous guidance	Updated guidance
Production	57-59 mmboe	57.7 mmboe
Production costs	\$14.2-14.6/boe	No change
Depreciation, depletion & amortisation (DD&A) expense	\$17.5-18.0/boe	\$18/boe
Capital expenditure (including exploration and evaluation) ¹	\$1.8 billion	\$1.66 billion

¹ Capital expenditure guidance excludes capitalised interest of \$156 million.

Further detail of 2015 full-year capital expenditure, including exploration and evaluation expenditure, is reported in the table on page 8 of this report.

Guidance on 2015 financial outcomes above is preliminary and subject to finalisation of the company's accounting and audit processes, which includes an impairment review and reserves review being undertaken in light of the current lower oil price environment. As such, the actual results for the year ended 31 December 2015 may differ from the guidance given in this update.

Santos will announce its results for the year ended 31 December 2015 on 19 February 2016. The full-year report (incorporating Appendix 4E) and associated investor briefing presentation will be available on Santos' website at www.santos.com. A webcast briefing, including analyst/investor questions, will be available on Santos' website from 11:00 am AEDT on 19 February 2016.

Production (Santos share)

	Q4 2015	Q4 2014	Q3 2015	Full-year 2015	Full-year 2014
Sales gas and ethane (PJ)					
Cooper	16.0	17.5	16.0	63.0	63.3
Carnarvon	11.1	14.5	13.5	51.6	54.2
Indonesia	6.2	6.5	5.8	23.8	25.1
Denison/Scotia/Spring Gully/Combabula	4.3	3.1	3.1	14.3	12.4
Otway	2.6	3.5	3.5	13.0	16.0
GLNG domestic ¹	0.0	1.7	1.7	4.7	7.9
Vietnam	1.0	0.9	0.7	4.0	3.2
Other ²	0.5	0.4	0.5	1.6	0.4
Total production (PJ)	41.7	48.1	44.8	176.0	182.5
Total production (mmboe)	7.1	8.3	7.7	30.2	31.4
Sales gas to LNG (PJ)					
PNG LNG	15.4	14.6	15.1	59.5	34.0
Darwin LNG	4.9	3.6	4.8	19.5	16.5
GLNG ^{1,3}	5.4	-	0.2	5.7	-
Total production (PJ)	25.7	18.2	20.1	84.7	50.5
Total production (mmboe)	4.5	3.1	3.4	14.6	8.7
Condensate (000 barrels)					
PNG LNG	377.2	382.9	364.6	1,441.9	915.6
Cooper	251.9	276.2	223.3	943.9	1,036.9
Bayu-Undan	136.8	78.3	163.3	682.1	695.4
Carnarvon	98.4	141.4	140.5	511.8	533.4
Other ⁴	10.3	14.7	16.6	54.6	60.7
Total production (000 barrels)	874.6	893.5	908.3	3,634.3	3,242.0
Total production (mmboe)	0.7	0.8	0.9	3.4	3.0
LPG (000 tonnes)					
Cooper	29.6	34.9	31.3	114.2	128.4
Bayu-Undan	7.5	4.7	9.0	37.5	39.0
Total production (000 tonnes)	37.1	39.6	40.3	151.7	167.4
Total production (mmboe)	0.4	0.3	0.3	1.3	1.4
Crude oil (000 barrels)					
Vietnam	701.0	770.8	450.0	2,610.4	2,822.0
Cooper	671.4	819.9	737.4	2,840.4	3,230.6
Mutineer-Exeter/Fletcher Finucane	394.7	454.8	491.5	972.0	1,443.6
Stag	227.9	271.1	209.0	817.1	1,085.5
Barrow	120.2	119.9	123.2	483.8	526.7
Indonesia	40.0	47.7	45.3	162.3	168.2
Other ⁵	20.1	89.2	88.5	259.7	318.1
Total production (000 barrels)	2,175.3	2,573.4	2,144.9	8,145.7	9,594.7
Total production (mmboe)	2.2	2.6	2.2	8.2	9.6
Total					
Production (mmboe)	14.9	15.1	14.5	57.7	54.1

¹ Q4 2015 GLNG domestic production includes a (1.3) PJ year-to-date adjustment for gas produced and injected into Roma storage, now reported as sales gas to LNG production. GLNG domestic production in Q4 2015 was 1.3 PJ.

² Amadeus and Gunnedah.

³ GLNG production is Santos' interest of the sales gas to LNG produced from the GLNG upstream fields at Fairview and Roma. Santos portfolio gas produced for the Horizon contract is attributed to the field of production.

⁴ Amadeus, Otway, Indonesia and Queensland.

⁵ Amadeus, Queensland and PNG.

Sales volumes and sales revenue (Santos share)

	Q4 2015	Q4 2014	Q3 2015	Full-year 2015	Full-year 2014
Sales gas and ethane¹					
Sales – own product (PJ)	36.1	44.3	42.8	158.1	171.1
Sales – third party (PJ)	10.8	11.8	3.8	25.9	35.9
Total sales (PJ)	46.90	56.1	46.6	184.0	207.0
Average gas price (A\$/GJ)	5.48	5.17	5.50	5.39	4.97
Total sales revenue (\$million)	257	290	256	993	1,028
LNG²					
Sales – own product (000 tonnes)	416.3	294.8	332.6	1,429.3	766.5
Sales – third party (000 tonnes)	55.0	-	-	55.0	-
Total sales (000 tonnes)	471.3	294.8	332.6	1,484.3	766.5
Average LNG price (A\$/mmbtu)	11.01	17.22	11.69	11.86	16.35
Average LNG price (US\$/mmbtu)	7.94	14.72	8.47	8.94	14.81
Total sales revenue (\$million)	273	267	204	925	659
Condensate					
Sales – own product (000 barrels)	844.8	947.8	881.8	3,506.6	2,991.1
Sales – third party (000 barrels)	15.0	36.1	8.0	67.7	136.3
Total sales (000 barrels)	859.8	983.9	889.8	3,574.3	3,127.4
Average condensate price (A\$/bbl)	66.23	104.17	61.15	67.89	101.39
Average condensate price (US\$/bbl)	47.73	89.06	44.31	51.16	91.83
Total sales revenue (\$million)	57	103	55	243	317
LPG					
Sales – own product (000 tonnes)	36.1	51.0	44.8	161.1	163.8
Sales – third party (000 tonnes)	1.5	3.0	1.7	7.1	8.8
Total sales (000 tonnes)	37.6	54.0	46.5	168.2	172.6
Average LPG price (A\$/tonne)	651.78	836.84	563.96	615.66	897.20
Average LPG price (US\$/tonne)	469.74	715.50	408.65	463.90	812.60
Total sales revenue (\$million)	24	45	26	103	155
Crude oil					
Sales – own product (000 bbls)	2,056.7	2,791.3	2,178.8	8,236.6	10,363.0
Sales – third party (000 bbls)	1,491.5	1,394.6	1,574.7	5,510.0	6,083.1
Total sales (000 bbls)	3,548.2	4,185.9	3,753.5	13,746.6	16,446.1
Average crude oil price (A\$/bbl)	61.30	92.09	71.01	71.44	114.21
Average crude oil price (US\$/bbl)	44.18	78.74	51.45	53.83	103.44
Total sales revenue (\$million)	217	385	267	982	1,878
Total					
Sales – own product (mmboe)	13.3	14.6	13.9	53.7	51.3
Sales – third party (mmboe)	3.9	3.4	2.3	10.6	12.4
Total sales volume (mmboe)	17.2	18.0	16.2	64.3	63.7
Third party product purchases (\$million)	121	174	116	476	786
Sales – own product (\$million)	646	875	666	2,659	3,105
Sales – third party (\$million)	182	215	142	587	932
Total sales revenue (\$million)	828	1,090	808	3,246	4,037

¹ Domestic sales gas and ethane.

² Includes PNG LNG, Darwin LNG and GLNG sales.

Activity by area

Comparisons between periods for gas, condensate, LNG and LPG production are made between the current quarter and the same quarter from the previous year, as production is heavily influenced by seasonal factors. Conversely, comparisons for crude oil are made with the immediate previous quarter, as oil production rates are not generally subject to seasonal variations. Both comparisons are available in the table on page 4.

PNG LNG

During the quarter PNG LNG operated at an annualised rate of approximately 7.6 mtpa, 10% above nameplate capacity, supported by strong upstream deliverability and reliable plant performance. 26 LNG cargoes were shipped during the fourth quarter, taking the full-year total to 101 LNG cargoes shipped and 156 cargoes in total since start-up in May 2014.

Gross gas production was 111.5 PJ (Santos share 15.1 PJ), measured at the inlet of the LNG plant. Gross condensate production for the quarter was 2.8 mmbbls (Santos share 377,200 barrels), measured at the Kutubu entry point. Gross gas production from SE Gobe of 3.6 PJ (Santos share 0.3 PJ) was purchased by the PNG LNG project during the fourth quarter.

GLNG

As previously announced, GLNG's first cargo left Curtis Island on 16 October 2015. A total of 11 cargoes have now been shipped, with seven of those departing Gladstone during the fourth quarter. Commissioning cargoes were sold in advance on a blend of oil-linked and spot-based pricing. Sales under the long-term contracts with GLNG's foundation customers will commence during March 2016.

Average feed rate to the plant for the quarter was 370 TJ/d, which includes downtime for the planned 2-week shutdown completed during November. Average feed gas to the plant for the quarter was approximately 50 per cent GLNG-owned gas production, with the remaining feed gas supplied from third party and Santos portfolio-purchased quantities. Santos' share of sales gas production of 5.4 PJ from GLNG's upstream fields was a 218% increase in the corresponding quarter, reflecting the ramp up of LNG train 1 over the period.

Train 1 produced 544,000 tonnes of LNG during the fourth quarter and achieved daily LNG production rates more than 10% above nameplate capacity.

Commissioning work on the second LNG train is underway with first LNG expected in the second quarter of 2016.

Santos reports GLNG production as the company's interest of the sales gas produced from the GLNG upstream fields. Santos portfolio gas produced for the GLNG project under the Horizon contract is attributed to the field of production. All third party purchased gas is not included in Santos' reported production.

Bayu-Undan/Darwin LNG

Darwin LNG continued to perform strongly and achieved record annual LNG production of 3.8 million tonnes. Fifteen LNG cargoes were shipped during the quarter, bringing the total for the year to a record 58 cargoes.

Gross gas production of 57.0 PJ was 7% higher than the corresponding quarter due to high Darwin LNG capacity utilisation. Santos' net entitlement to gas production in the fourth quarter was up 36% at 4.9 PJ due to a net entitlement adjustment in the previous period. Similarly, despite declining yields, net condensate production increased significantly, up 75% to 136,800 barrels, and net LPG production increased 60% to 7,500 tonnes on the corresponding quarter.

Cooper Basin

Gas and gas liquids

Full-year sales gas and ethane production was in line with 2014 levels. Production during the fourth quarter of 16.0 PJ was 9% lower than the corresponding quarter reflecting reduced development activity and natural field decline, partially offset by lower downtime and lower fuel, flare and vent. Twelve new gas wells were drilled, cased and suspended during the quarter, with one well drilling ahead as at 31 December. First gas was supplied to GLNG under the Horizon contract in early October. Condensate and LPG production was 9% and 15% lower respectively as a result of lower raw gas production.

Crude oil

Crude production was 9% lower than the previous quarter due to reduced development activity and natural field decline. One new horizontal oil well, Merrimelia 64, was drilled, cased and suspended during the quarter. A second well, McKinlay 10, was drilling ahead at the end of December.

Carnarvon

Gas and condensate production of 11.1 PJ and 98,400 barrels respectively were 23% and 30% lower respectively than the corresponding quarter due to outages at customer facilities. Total oil production of 742,800 barrels was 10% lower than the previous quarter due to flush production of Mutineer-Exeter/Fletcher Finucane in the third quarter following extended maintenance of the FPSO.

Indonesia

Santos' net entitlement to gas production of 6.2 PJ was 5% lower than the corresponding period primarily due to Maleo field decline and lower Oyong entitlement, partially offset by higher Peluang and Wortel gross production and contractor entitlement. Combined Oyong and Wortel gross gas production for the quarter averaged 79 TJ/day, while combined gross production from Maleo and Peluang averaged 68 TJ/day. Oyong net entitlement oil production for the quarter was 40,000 barrels.

Otway/Gippsland

Sales gas production of 2.6 PJ was 26% lower than the corresponding quarter due to natural well decline. Production from the Casino hub was 2.2 PJ of sales gas and 1,400 barrels of condensate. Minerva production was 0.4 PJ of sales gas and 750 barrels of condensate.

Vietnam

Gross oil production from the Chim Sào and Dua fields was 25,000 barrels per day, 58% higher than the previous quarter due to unscheduled downtime during the third quarter. Santos' net entitlement to oil production from the combined fields was 701,000 barrels. Net entitlement gas production was 1.0 PJ.

Denison/Scotia/Spring Gully/Combabula

Sales gas production of 4.3 PJ was up 39% on the corresponding quarter. Production from Combabula continues to ramp up in line with APLNG nominations.

Narrabri

All five Bibblewindi appraisal pilot wells were online at the end of the quarter and delivering gas to the Wilga Park Power Station near Narrabri.

Malaysia

An appraisal well on the Bestari oil discovery, located offshore Malaysia in the Block R Production Sharing Contract, was drilled during the quarter. Initial results from the well are in-line with expectations and further evaluation will be carried out over the coming year. The initial discovery well, Bestari-1, was drilled in March 2015 and encountered 67 metres of net oil pay in multiple sand packages with good porosity and permeability. Santos has a 20% interest in the Block R PSC.

Capital expenditure

Total exploration, evaluation and development expenditure is summarised in the table below. Financial outcomes below are preliminary and subject to finalisation of the company's accounting and audit process.

	Q4 2015	Q4 2014	Q3 2015	Full-year 2015	Full-year 2014
Capital expenditure (\$million)					
Exploration	40	51	32	272	323
Evaluation	80	112	31	151	292
Development and other PP&E	357	668	277	1,239	2,980
Capital expenditure excluding capitalised interest	477	831	340	1,662	3,595
Capitalised interest	29	62	48	156	236
Total capital expenditure	506	893	388	1,818	3,831
Exploration and evaluation expensed (\$million)					
Exploration	19	70	1	180	162
Evaluation	19	27	7	39	69
Total current year expenditure	38	97	8	219	231
Write-off of amounts capitalised in prior years	-	16	5	26	25
Total expensed	38	113	13	245	256

Exploration activity

No exploration wells were drilled in the fourth quarter.

Seismic activity

The table below details seismic activity during the fourth quarter and status.

Permit	Basin/area	Survey	Type	km/km ²	Status
PEL 570	Cooper – SA	Delaware 3D	Onshore 3D	288.06 km ²	100% complete (396.4928 km ² overall)
PPL 156	Cooper – SA	Beanbush 3D	Onshore 3D	108.43 km ²	100% complete
JPDA 03-12 & JPDA 03-13	Timor Sea JPDA	Loriko 3D	Compressive Sensing 3D GeoStreamer	851 km ²	100% complete

Drilling summary

Appraisal/evaluation wells

The table below details wells drilled during the fourth quarter and their status.

Well name	Basin/area	Target	Santos %	Well status
Correa 3	Cooper – SA	Gas	66.60	C&S, successful gas
Cougar East 1	Cooper – QLD	Gas (NFE)	60.06	C&S, successful gas
Whanto East 1	Cooper – QLD	Gas (NFE)	60.06	C&S, successful gas
Whanto West 1	Cooper – QLD	Gas (NFE)	60.06	C&S, successful gas
Scotia 53	QLD	CSG	30.00	C&S, successful CSG
Woodroyd 1	QLD	CSG	30.00	C&S, successful CSG
Bestari 2	Offshore Malaysia	Oil	20*	Successful appraisal, P&A as planned

* Santos is funding 30% of the well cost as part of farm-in obligations.

Development wells

The table below details development wells drilled during the fourth quarter and their status.

Well name	Basin/area	Target	Santos %	Well status
Angore-A2#^	Papuan – PNG	Gas	13.50	C&C, successful gas
Gooranie 7	Cooper – SA	Gas	66.6	C&S, successful gas
McKinlay 10	Cooper – SA	Oil	66.6	Drilling
Merrimelia 64	Cooper – SA	Oil	66.6	C&S, successful oil
Moomba 203	Cooper – SA	Gas	66.6	C&S, successful gas
Moomba 204	Cooper – SA	Gas	66.6	C&S, successful gas
Moomba 205	Cooper – SA	Gas	66.6	C&S, successful gas
Moomba 206	Cooper – SA	Gas	66.6	C&S, successful gas
Moomba 207	Cooper – SA	Gas	66.6	Drilling
Moomba 209	Cooper – SA	Gas	66.6	C&S, successful gas
Moomba 210	Cooper – SA	Gas	66.6	C&S, successful gas
Moomba 211	Cooper – SA	Gas	66.6	C&S, successful gas
Tirrawarra 87	Cooper – SA	Gas	66.6	C&S, successful gas
RM02-31-1	Roma – QLD	CSG	30.00	C&S, successful CSG
RM03-08-1	Roma – QLD	CSG	30.00	C&S, successful CSG
RM03-55-1	Roma – QLD	CSG	30.00	C&S, successful CSG
RM03-56-1	Roma – QLD	CSG	30.00	C&S, successful CSG

^ Spudded during third quarter 2015

Not operated by Santos

Abbreviations and conversion factors

Abbreviations		Conversion factors	
C&C	cased and completed	Sales gas and ethane, 1 PJ	171.937 boe x 10 ³
C&S	cased and suspended	Crude oil, 1 barrel	1 boe
CSG	coal seam gas	Condensate, 1 barrel	0.935 boe
DW	deepened well	LPG, 1 tonne	8.458 boe
FPSO	floating production, storage & offloading	LNG, 1 PJ	18,040 tonnes
GJ	gigajoules	LNG, 1 tonne	52.54 mmbtu
LNG	liquefied natural gas		
mmbbl	million barrels		
mmboe	million barrels of oil equivalent		
mmbtu	million British thermal units		
mmscf	million standard cubic feet		
mtpa	million tonnes per annum		
P&A	plugged and abandoned		
pa	per annum		
PJ	petajoules		
PSC	production sharing contract		
ST	side track		
T	tonnes		
TJ	terajoules		