Shareholder Review 2015

Santos
We have the energy.

LNG PROJECTS

		Operations/production	Development	Exploration/appraisal/pre-development
A	Darwin LNG	●		
B	PNG LNG	●		
C	GLNG	●	●	

AUSTRALIAN BASINS

		Operations/production	Development	Exploration/appraisal/pre-development
1	Carnarvon	●		●
2	Browse			●
3	Bonaparte	●		●
4	McArthur			●
5	Amadeus	●		●
6	Cooper/Eromanga	●	●	●
7	Surat/Bowen	●	●	●
8	Gunnedah			●
9	Gippsland		●	●
10	Otway	●		
11	Bight			●

ASIAN BASINS

		Operations/production	Development	Exploration/appraisal/pre-development
12	Papuan, Papua New Guinea	●		●
13	Papuan, Indonesia			●
14	West Natuna, Indonesia			●
15	East Java, Indonesia	●		
16	Sabah, Malaysia			●
17	Nam Con Son, Vietnam	●		●
18	Phu Khanh, Vietnam			●
19	Bay of Bengal, Bangladesh			●

KEY

- Exploration/appraisal/pre-development
- Development
- Operations/production

Cover:
Loading first cargo, GLNG, Curtis Island, Queensland.

About Santos

An Australian energy pioneer since 1954, Santos is one of the leading independent oil and gas producers in the Asia Pacific region, supplying the energy needs of homes, businesses and major industries across Australia and Asia.

Underpinned by a portfolio of high-quality liquefied natural gas (LNG), pipeline gas and oil assets, Santos seeks to deliver long-term value to shareholders.

Santos' foundations are based on safe, sustainable operations and working together with our shareholders, host communities, governments and business partners.

With one of the largest exploration and production acreages in Australia and an extensive infrastructure position, Santos is committed to supplying the domestic markets, unlocking resources and driving value and performance from its existing operations.

Santos' portfolio of LNG assets is transforming the company. Backed by long-term offtake agreements with high quality Asian buyers, Darwin LNG, PNG LNG and GLNG are set to provide strong cash flow for decades to come.

In South-East Asia, Santos' business continues to grow through the successful delivery of key projects in Papua New Guinea, Vietnam and Indonesia, and through high-impact exploration opportunities.

Natural gas will continue to play an important role in meeting the growing regional demand for energy. Santos, through its abundant gas resources, strong infrastructure position and LNG portfolio, is well-positioned to benefit from this growing demand profile.

OUR VISION

Our vision is to be a leading energy company in Australia and Asia.

OUR STRATEGY

Australia

Driving value and performance in the base business and unlocking resources to meet gas demand.

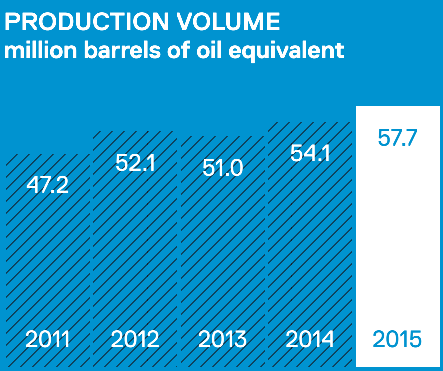
LNG

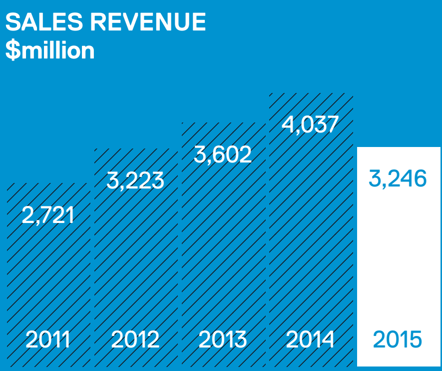
Leveraging existing and new LNG infrastructure and capabilities.

Asia

Building a focused, high-value position in South-East Asia.

Financial overview





		2011	2012	2013	2014	**2015**
Average realised oil price	US$/barrel	118.4	117.8	116.4	103.4	**53.8**
Production volume	mmboe	47.2	52.1	51.0	54.1	**57.7**
Sales volume	mmboe	58.7	61.3	58.5	63.7	**64.3**
Sales revenue	$million	2,721	3,223	3,602	4,037	**3,246**
EBITDAX[1]	$million	2,126	1,861	1,992	2,319	**1,919**
Net profit after tax	$million	753	519	516	(935)	**(2,698)**
Underlying net profit after tax[1]	$million	453	606	504	533	**50**
Operating cash flow	$million	1,253	1,642	1,628	1,843	**1,094**
Earnings per share	cents	84.8	54.4	53.3	(95.6)	**(234.2)**
Total assets	$million	15,814	16,988	20,609	22,345	**21,926**
Dividends declared per ordinary share	cents	30	30	30	35	**20**
Number of employees		2,847	3,289	3,502	3,636	**2,946**

1 EBITDAX (earnings before interest, tax, depreciation, depletion, exploration, evaluation and impairment), EBIT (earnings before interest and tax) and underlying profit are non-IFRS measures that are presented to provide an understanding of the performance of Santos' operations. Underlying profit excludes the impacts of asset acquisitions, disposals and impairments, as well as items that are subject to significant variability from one period to the next including the effects of fair value adjustments and fluctuations in exchange rates. The non-IFRS financial information is unaudited, however, the numbers have been extracted from the audited financial statements.

Message from the Chairman

Peter Coates

Dear Shareholder,

The sustained low oil price environment continues to impact oil and gas companies around the globe. Sharp cuts have been made to exploration and production programs, supply continues to outpace demand and the outlook for stronger global economic growth remains at risk.

Despite the challenging backdrop, our confidence in the long-term demand for energy remains strong. Natural gas, in particular, is well positioned to benefit from not only a rapidly growing and increasingly urbanised global population but also the move toward cleaner burning fuels.

Whilst we are confident in the long term demand for energy, the volatility exhibited by external markets is beyond our control. Our commitment, therefore, is to ensure the company is self-sustaining in a low oil price environment, now and into the future. We have already implemented significant initiatives to drive costs out, improve productivity and ultimately, produce more for less, but there is still much to be done. The Board, senior management and all employees are committed and engaged to improve efficiencies and restore shareholder value.

Despite the successful delivery of first LNG in September 2015 from our GLNG project, I accept, that when key LNG investment decisions were made, like most in the sector, we did not fully anticipate the timing, speed and depth of the down cycle for oil prices. Santos, however, is running a long-term business. Over the past five years, our multi-billion dollar investments in PNG LNG and GLNG were made with this in mind.

Message from the Chairman continued

While they have required us to increase our debt level in the short-term, they are by no means short-term projects. Any final judgement on the success of our LNG strategy should be measured through the oil price cycle and not based on the spot price today.

Looking to the future, one of our key advantages is that our LNG assets have low operating costs. They can operate effectively in a low oil price environment and will materially benefit shareholders as and when market conditions improve. These strategic assets are underpinned by world class resources, high quality partners and binding long-term offtake agreements that will generate cash for decades to come.

The growing demand for energy coupled with the significant cuts to investment by oil and gas companies globally is expected to lead to a recalibration of oil prices to higher levels. Santos, with its key infrastructure position, abundant resources and LNG exposure, is well-placed to benefit.

STRENGTHENING THE BALANCE SHEET

In November 2014, the Organisation of Petroleum Exporting Countries (OPEC) announced its intention to maintain high levels of oil output to protect their market-share against the rise of non-OPEC production, particularly shale oil out of the USA.

Following this announcement, Santos reacted quickly and sought to reposition the company for a lower oil price environment.

In December 2014, we announced a 25% reduction to the 2015 capital expenditure budget and negotiated a $1 billion bilateral bank facility to further strengthen our balance sheet. In February 2015 a recruitment freeze was announced, approximately 500 positions were removed from the company, and a 10% reduction in unit production costs was targeted over the remainder of the year.

Despite these early initiatives, as the year progressed, it became increasingly evident that oil prices were to remain under significant pressure for longer than we, and the market, had anticipated. OPEC reaffirmed their commitment to maintain high crude output, US shale production proved to be unexpectedly resilient, and market sentiment continued to be negatively impacted by the expectation of higher oil exports from Iran and the risk of lower economic growth out of China.

Against this deteriorating external backdrop, on 9 November 2015, the company announced $3.5 billion of capital initiatives to strengthen the balance sheet and reduce net debt.

The first initiative was the sale of Santos' 35% interest in the Kipper gas field, offshore Victoria, for $520 million. Further asset sales were considered at this time but the Board determined that it was not in the best interests of shareholders to sell tier one assets at prices that did not adequately reflect their long-term value.

The second initiative was the $500 million private placement to Hony Capital. This was done at a substantial premium to the then share price. This share placement to Hony at $6.80 per share reflected a clear vote of confidence in Santos' long-term value proposition.

Finally, the decision to raise equity was not taken lightly but ultimately, given an external environment characterised by extreme uncertainty, it was determined that it was in the best interest of shareholders. With strong shareholder support, we raised $2.5 billion via a 1 for 1.7 accelerated pro-rata renounceable entitlement offer.

As a result of these initiatives, our balance sheet today is much stronger. We have retained our investment grade credit rating and have a very strong liquidity position with $4.8 billion in cash and undrawn debt facilities as at 31 December 2015. The initiatives undertaken in 2015 were firmly focused on strengthening the company's balance sheet and we now have a capital buffer to reinforce the company through a lower oil price environment.

NEW DIVIDEND POLICY

A revised dividend framework was also announced at this time to better reflect the company's exposure to oil-linked LNG pricing and the cyclical characteristics of global oil markets.

Dividends will now be set as a payout ratio of earnings. Subject to business conditions, this is expected to be a minimum of 40% of underlying net profit after tax. For the 2015 final dividend, a fully franked 5 cents per share dividend was declared.

MANAGEMENT RENEWAL

As a business, we have also started to change the way we do things. With our major LNG investment program behind us, we are now firmly focused on becoming a low cost producer. With this in mind, the Board was pleased to appoint Mr Kevin Gallagher as the new Managing Director and CEO.

With our major LNG investment program behind us, we are now firmly focused on becoming a low cost producer.

Mr Gallagher was previously Chief Executive Officer of the engineering services group, Clough Limited and has 25 years' experience managing oil and gas operations in Australia, the USA and North and West Africa. He is widely recognised for his achievements in driving strong financial performance and is ideally suited to lead the company as the focus moves from major strategic developments to delivering strong operational results in a low oil price environment. Indeed, he has a clear mandate from the Board to continue to lower the cost base of the company's operations and ensure Santos is sustainable and self-funding at low oil prices.

Mr Gallagher started at Santos on 1 February 2016.

Message from the Chairman continued

> We can be confident in the strong and growing demand for energy and our portfolio of high quality assets is well placed to benefit.

CONFIDENCE FOR THE FUTURE

Finally, in what has been an extremely challenging year, I would like to thank you, our shareholders, for your continued support. The company has gone through a significant investment phase and the focus now is to consolidate the business and drive efficiencies to ensure Santos is self-sustaining in a lower oil price environment. We have made material and sustainable cost reductions but there is a lot more to be done.

In 2016, we are scaling back our short-term investment plans on a number of projects as we work through funding priorities in response to the lower oil price. Our growth options are incremental, low risk and will be prioritised to ensure the best return for shareholders. We will continue to refine our strategy and update the market in due course.

We can be confident in the strong and growing demand for energy and our portfolio of high-quality assets is well placed to benefit.

We are determined to restore and maximise shareholder value.

PETER COATES
Chairman

Introducing

Kevin Gallagher, Managing Director and Chief Executive Officer

Kevin joined Santos as Managing Director and Chief Executive Officer on 1 February 2016.

Kevin is a senior executive with more than 25 years' experience in managing oil and gas operations in Australia, the USA and North and West Africa.

A qualified mechanical engineer, Kevin commenced his career as a drilling engineer with Mobil North Sea Ltd, before joining Woodside Petroleum Ltd in 1998. During a 13 year tenure with Woodside, he led the drilling organisation through rapid growth, delivering several Australian and international development projects and exploration campaigns. In his last role he was accountable for profit and loss on Australia's largest resource project, the North West Shelf, where he held the positions of Executive Vice President, North West Shelf Business Unit and CEO of the North West Shelf Venture.

Appointed Managing Director and CEO of Clough Ltd in 2011, Kevin implemented strategies that transformed the business. He established a strong leadership team, improved cost and operational performance and delivered record financial results. He oversaw the development of innovative programs to improve safety and drive productivity and executed an M&A and international expansion strategy which saw Clough enter five new regions including the US, UK, Canada, Africa and Asia.

In 2013 Kevin was recognised by Australia's CEO Magazine as the CEO of the Year, and the Energy and Resources Executive of the Year.

Introducing Kevin Gallagher continued

Dear Shareholder,

Since joining Santos two months ago I have focused my efforts on getting up to speed to understand the issues and the opportunities across our portfolio of assets. I am working hard to develop a clear strategy for the future and am determined to build an organisation with a reputation for delivering what we promise.

There is no question that lower oil prices present significant challenges to the oil and gas industry, to Santos and to you, our shareholders. The dynamics of supply and demand have brought into stark reality the need to ensure that our assets are operated in a disciplined and efficient manner.

If we look at the 2015 production and safety results, operationally we have a lot to work with. What cannot be ignored, however, is the steep decline in the oil price and the impact this is having on our business. It is clear that we must do better.

Production of 57.7 million barrels of oil equivalent in 2015 was the company's highest in seven years, underpinned by a full-year of production from PNG LNG, the start-up of GLNG in the third quarter and record annual production from Darwin LNG.

The first cargo departed GLNG in October and marked a significant milestone in a project that is set to run for decades to come. Train 1 production has regularly exceeded 10% above nameplate capacity and as at the end of February 2016 the project had produced approximately 1.2 million tonnes of LNG and shipped 18 cargoes.

The PNG LNG project shipped 101 cargoes in 2015 as strong upstream deliverability and reliable plant performance resulted in the plant operating 7% above its nameplate capacity at an annualised rate of 7.4 million tonnes per annum.

We recorded some exploration success in 2015, announcing a significant oil discovery in March 2015 from the Bestari-1 exploration well located offshore Malaysia. Further, in the Cooper Basin, the first stand-alone Permian Source Rock play producer, the Tirrawarra South-1 well, was successfully brought online in May and is flowing liquids-rich gas in line with forecasts.

Despite this operational performance, a net loss of $2.7 billion was reported, reflecting after tax impairments of $2.8 billion. The impairment charges are primarily a result of the current lower oil price environment. The impairment charge is an accounting adjustment that relates to the historical book value of the company's assets.

The impairment charge was attributed predominantly to the company's Cooper Basin, GLNG and Gunnedah Basin assets. Although the lower oil price has resulted in a reduction of capital expenditure and the deferral of field development plans, we remain committed to meeting our contractual obligations from the Cooper Basin and the GLNG project, and will continue to progress the evaluation and approvals processes for the Narrabri Gas opportunity.

EBITDAX[1] of $1.9 billion was down 17% on the previous year despite the oil price declining by almost 50%. Underlying net profit after tax was $50 million, 91% lower than the prior year, a result again impacted by the weak oil price. Operating cash flow was strong at $1.1 billion, due in part to the defensive nature of our domestic gas assets.

Over the course of 2015 we reduced capex by 54%, cut 825 employee positions across the company and secured $230 million in savings

1 Earnings before interest, tax, depreciation, depletion, amortisation and exploration

across the supply chain. Unit production costs were down 10% to $14.40 per barrel of oil equivalent. We remain committed to further driving costs out of the business and working closely with our joint venture partners to improve efficiencies.

These savings can only be achieved through the hard work of all of our teams, and are reflective of a new mind-set where producing more for less is expected. We have made a significant start, but we are certainly not done and we must continue to improve our performance.

It is vital that we continue to take costs out of our business. My first priority and absolute focus is to look closely at our operations. I am scrutinising our portfolio of assets and the structure and processes that we have in place to manage them. I am working hard to develop the right management team, the right strategy and the right culture to make Santos self-sustaining in a low oil price environment and well positioned to take full advantage of rising commodity prices in the future.

We must continue to adapt to changing market conditions. Change is required if we are to stay competitive and I will be working quickly to identify further actions that are essential to effectively manage the business.

In a period of significant operational and cultural change, it was pleasing to see in 2015 the company record its best safety performance on record with a Lost Time Injury Frequency Rate (LTIFR) of 0.1 per million hours worked. We must, however, remain vigilant across all of our operations to ensure everyone goes home without injury. In addition, we were recognised for our sustainable operations and placed in the top 10% of the leading 2,500 companies globally by the Dow Jones Sustainability Index. Companies are selected for inclusion in the index based on a comprehensive assessment of long-term economic, environmental and social criteria. For further information I would encourage you to read our 2015 Sustainability Report, available on our website at www.santos.com/sustainability

> I am working hard to develop a clear strategy for the future and am determined to build an organisation with a reputation for delivering what we promise.

I look forward to the challenges ahead and will update you on the progress we make in due course.

This is a great company with a great history. It's an incredible honour for me to lead and serve this company and I have high expectations that Santos will emerge from this period a stronger and more sustainable business.

K. T. Gallagher

KEVIN GALLAGHER
Managing Director and CEO

GLNG

The first cargo of LNG departed Curtis Island bound for South Korea on 16 October 2015.

Loading first cargo aboard the *Seri Bakti* LNG tanker.

SCOPE

GLNG is a pioneering venture which produces natural gas from Queensland's coal seams and converts it into liquefied natural gas (LNG). It involves gas field development in the Surat and Bowen Basins, a 420-kilometre gas transmission pipeline and a two-train[1] LNG plant on Curtis Island, near Gladstone, Queensland. The plant, when fully operational, will have the capacity to produce 7.8 million tonnes of LNG per year. Project revenue is underpinned by binding long-term LNG sales contracts with PETRONAS and KOGAS covering more than 90% of the plant's capacity.

Santos is the operator and has a 30% interest in the project. Other co-venturers include PETRONAS of Malaysia (27.5%), Total of France (27.5%) and KOGAS of South Korea (15%).

FIRST CARGO

The delivery of first LNG in September 2015 and first cargo in October marked the culmination of many years of development, construction and production activity by Santos and its GLNG joint venture partners.

Since the final investment decision on GLNG was made in January 2011, more than 100 million work hours by more than 10,000 people have gone into building and now operating the project.

The departure of that first LNG cargo from Gladstone – aboard the Malaysian-owned Seri Bakti en route to customers in Korea – moved GLNG into the ranks of global LNG producers.

In time, GLNG is expected to export an average of two cargoes per week. It will supply approximately 11% of Korea's domestic gas needs and 9% of Malaysia's.

1 An LNG 'train' refers to the infrastructure that purifies and cools natural gas to a liquid state ready for transport.

Project construction began in 2011 and has employed more than 10,000 people to date.

AT A GLANCE

- **First LNG delivered on schedule. First cargo shipped 16 October 2015**
- **Train 2 commissioning underway. First LNG expected in the second quarter of 2016**
- **Project underpinned by binding 20-year offtake agreements. Contracts to commence during March 2016**

GLNG is the largest project Santos has ever undertaken.

Its successful delivery is testament to our dedicated employees and contractors, the support we have received from governments, local communities, our customers and shareholders, and the strong relationships we enjoy with our joint venture partners.

GLNG's focus has long been on working safely, efficiently, reliably and profitably over the long term.

There is significant work going on upstream and downstream to be more innovative, to use technology and to find ways to work smarter to drive down costs and increase productivity.

As at the end of February 2016, 18 cargoes of LNG had been shipped from the project.

These commissioning cargoes were sold in advance on a blend of oil-linked and spot-based pricing. Sales under our oil-linked long-term contracts with GLNG's foundation customers are scheduled to commence during March 2016.

In February 2016, practical completion of Train 1 was officially signed off, marking the formal handover of Train 1 and associated facilities from Bechtel as the construction contractor to GLNG as the operator. This milestone was an additional signal that the GLNG business had begun its many decades of operation.

At Train 2, commissioning work is continuing to progress well. Train 2 is expected to produce first LNG in the second quarter of 2016.

GLNG Q&A

Why is the sale of LNG linked to the oil price?

The pricing of Australian LNG exports is based on conventions in the Asian LNG market, whereby long-term contracts are linked to the price of oil. Originally, when Japan started importing LNG in 1969 to diversify its energy supply, crude oil was the major competing source of fuel for generating power at the time, thereby providing a deep and liquid market as the basis for LNG pricing. As other Asian economies began importing LNG, long-term oil-linked contracts were already well established, thereby providing the basis for the LNG pricing that prevails in the Asia Pacific region.

LNG prices are denominated in US dollars per million British thermal units (US$/mmBtu), which is a measure of the price per unit of energy content.

Despite recent volatility in oil prices, the underlying fundamentals for long-term global energy growth remain robust. Driven by population growth and the rise of urbanisation, Asia's appetite for cleaner burning natural gas has increased and Santos is well positioned to leverage this demand growth through our infrastructure, abundant gas resources, and LNG know-how.

The start-up of GLNG marks the end of our major investment in the project and will deliver a step-change in production and cash flows.

When was the GLNG project sanctioned?

The GLNG project was sanctioned on 13 January 2011.

Why was the GLNG project sanctioned?

Prior to the sanctioning of GLNG, development options for Santos' eastern Australian gas reserves were limited. The constrained domestic demand environment coupled with low margins led Santos to instigate a strategy that would expose our hydrocarbon molecules to the large and growing markets of Asia.

Opening Santos to Asian markets via the GLNG Project created the scale required to continue to develop our east coast gas reserves.

As a result of creating an export pathway through the GLNG project, Santos has, for example, been able to reinvest in Cooper Basin infrastructure and field development and is now well positioned to unlock technically challenging unconventional resources.

Given our relatively small population, Australia has a rich history of exporting primary products to overseas markets and natural gas is the next export frontier.

What date was first cargo?

The first cargo of LNG departed Curtis Island on Friday 16 October 2015, bound for South Korea.

How many cargoes are expected to be exported per annum?

When both trains are fully ramped-up, GLNG will be producing approximately one cargo per train per week. As such, when both trains are fully ramped-up, GLNG is expected to be exporting more than 100 cargoes per annum.

Our long-term LNG offtake agreements are FOB (free on board) meaning that we sell our LNG at the end of the jetty. Shipping costs are the responsibility of the buyers.

LNG vessels vary in size but standard volumes are between 120,000 m^3 and 180,000 m^3 per cargo.

How are the LNG trains performing?

Following first LNG on 24 September 2015, Train 1 production has regularly exceeded 110% of nameplate capacity.

The commissioning of Train 2 is progressing well with first LNG expected in the second quarter of 2016.

Are the upstream fields now supplying gas to the project?

Both the Fairview and Roma fields are supplying gas to Train 1.

The Fairview field is a mature field with more than 20 years of production history.

Production from the Roma field is building as it is in the early stages of development.

Do you have binding offtake agreements in place for the LNG produced?

The LNG is contracted to be sold to PETRONAS and KOGAS, under 20-year binding offtake agreements comprising ~7.2 million tonnes per annum (mtpa) of LNG in aggregate. This represents more than 90% of the plant's nameplate capacity.

Further, PETRONAS and KOGAS are also Santos' joint venture partners in the GLNG project along with Total.

For more information on the project please visit the GLNG website:

www.santosglng.com

How does GLNG produce LNG?

1. Natural gas (almost pure methane) enters the plant via a 420km pipeline from the Surat and Bowen Basins.
2. The gas is fed into Train 1 and/or Train 2.
3. Small amounts of carbon dioxide and then water are removed.
4. The methane is then progressively cooled in stages, first using a propane refrigerant to cool it to -30°C, then an ethylene refrigerant to cool it to -90°C. Finally, the methane is cooled using changes in pressure to -161°C, at which point it becomes LNG.
5. Six large gas turbine-driven compressors circulate the refrigerant gases.
6. The LNG is pumped into the storage tanks, where it is kept at atmospheric pressure.
7. Small amounts of LNG that boil off in the tanks are returned to the process to be re-liquefied.
8. LNG is pumped through pipes along the 400m jetty to the loading berth.
9. Four loading arms are used to load LNG onto a specially designed LNG ship, which typically carries about 140,000 cubic metres of LNG.


Mooring dolphins help keep the LNG ship steady during loading.
Each tank is 16 storeys high, four cricket pitches wide, with a roof as heavy as four 747s. They have a combined capacity of 280,000m³.
The tanks' outer walls are reinforced concrete and the LNG is contained in a well-insulated inner tank made of a nickel-steel alloy.
100m flare safely burns excess gas in line with air quality regulations.
Santos GLNG has two LNG trains, each of which are designed to produce up to 3.9 million tonnes of LNG per year.
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Eastern Australia

The Eastern Australia Business Unit produced 18.2 mmboe in 2015, 32% of Santos' total production.

We are challenging the status quo to drive productivity and lower costs.

COOPER BASIN

The Cooper Basin's 700 producing gas wells and more than 360 producing oil wells feed into processing facilities at Moomba in South Australia and Ballera in Queensland.

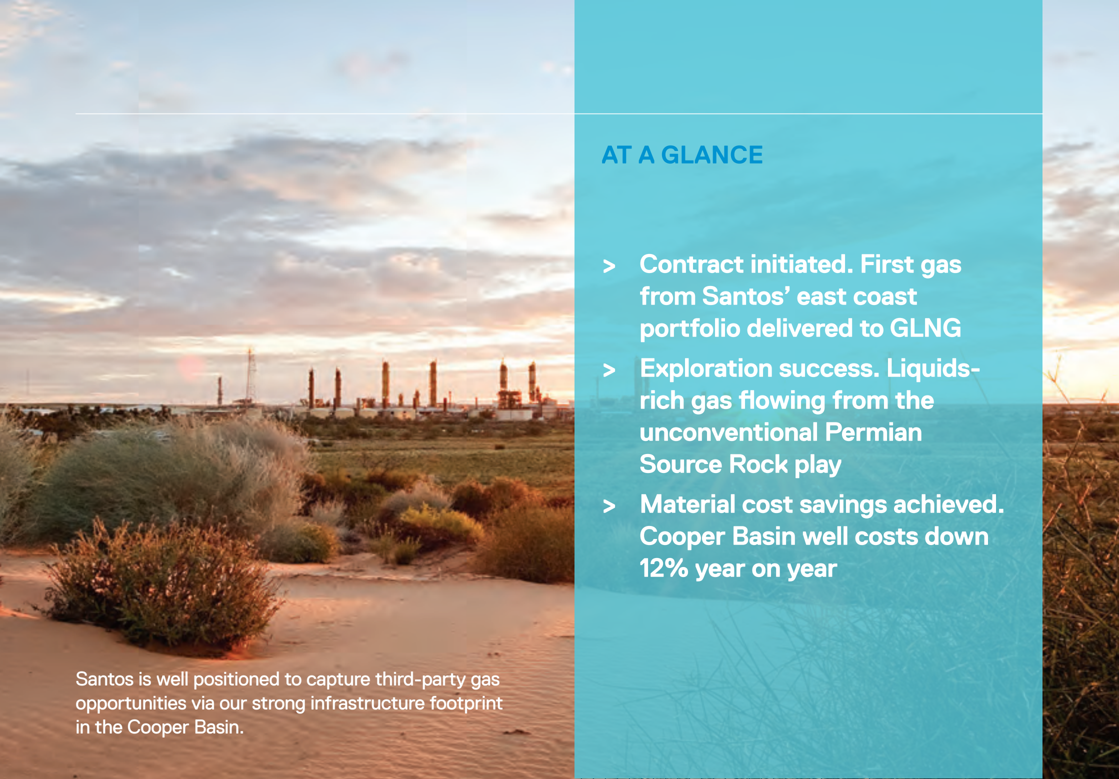
Raw gas is processed at Moomba and sales gas and ethane are sent to customers primarily in Adelaide and Sydney and the GLNG Project in Queensland. Natural gas liquids recovered at the Moomba plant are sent together with stabilised crude oil and condensate via pipeline to Port Bonython, South Australia, for further processing and sale to domestic and export customers.

In response to the challenging oil price environment, we are undertaking a structured and detailed program to both remove costs and increase revenues in the Basin. This process commenced in the second half of 2015 and seeks to deliver material improvement to the economics of our operations.

Development activity, however, has been curtailed in response to the lower oil price environment and will for a period of time result in lower production. The number of rigs in the Basin has been reduced from seven in 2015 to two in 2016. Supply obligations will be met through a combination of production and storage drawdown.

We will continue to leverage our extensive infrastructure position including transport, processing and storage facilities to capture third-party gas as opportunities arise.

Gas: Santos' share of gas production of 63 petajoules in 2015 was in line with the 2014 production result. Strong production was recorded in the first half of the year, reflecting higher drilling activity in 2014. Higher first half production, however, was offset in the second half due to the deferral of field development plans in response to the lower oil price environment.



Santos is well positioned to capture third-party gas opportunities via our strong infrastructure footprint in the Cooper Basin.

AT A GLANCE

- > **Contract initiated. First gas from Santos' east coast portfolio delivered to GLNG**
- > **Exploration success. Liquids-rich gas flowing from the unconventional Permian Source Rock play**
- > **Material cost savings achieved. Cooper Basin well costs down 12% year on year**

In October, the Cooper Basin delivered its inaugural supply of gas to the GLNG project. This follows the agreement signed by Santos in 2010 to supply 750 petajoules of gas over 15 years from the company's east coast portfolio to the GLNG project.

Oil: Crude oil production of 2.8 mmboe in 2015 was down 12% year on year due to reduced development activity on the back of a reduction in capital expenditure in response to lower oil prices as well as natural field decline.

Santos' share of Cooper Basin condensate production of 944,000 barrels was 9% lower than 2014 due to the development of drier gas fields and the deferral of drilling activity.

Volumes of third-party crude oil processed at Moomba was 5.5 mmboe in 2015, 9% lower than 2014 as activity in the Basin declined.

Unconventional gas: Significant success was recorded from two campaigns to unlock the Permian Source Rock Play. For more information, please see the Exploration section on page 22.

GIPPSLAND BASIN

In November, Santos announced that it had reached agreement to sell its 35% interest in the Kipper gas field in offshore Victoria to Mitsui E&P Australia Pty Ltd. Under the terms of the transaction, Mitsui agreed to pay Santos $520 million in cash. The sale was completed in the first quarter of 2016.

NORTHERN TERRITORY

In June, Santos agreed to sell a 50% interest in the Mereenie oil and gas field to Central Petroleum for $45 million. Central Petroleum will also fund Santos' share of a $10 million work program aimed at increasing gas reserves in the field.

Western Australia & Northern Territory

The Western Australia & Northern Territory Business Unit produced 15.9 mmboe in 2015, 28% of Santos' total production.

Darwin LNG produced a record 3.8 million tonnes of LNG in 2015.

BAYU UNDAN/DARWIN LNG

The Bayu Undan production facility is located approximately 500 kilometres north-west of Darwin in the Joint Petroleum Development Area of the Timor Sea. The facility includes a central production and processing complex with an associated FPSO[1] vessel for condensate and LPG products, and an unmanned wellhead platform. Lean gas is compressed to the onshore Darwin LNG plant via a 26-inch subsea pipeline.

In March 2015, the Bayu Undan Phase 3 field development program was delivered ahead of schedule and comprised a subsea production well tied back to the central production and processing complex.

Over the course of 2015, higher utilisation of plant capacity resulted in a record production of 3.8 million tonnes of LNG and a record 58 cargoes shipped to Asian buyers.

BONAPARTE BASIN

In January 2015, a three-well appraisal program successfully concluded in the Barossa gas field approximately 300 kilometres north of Darwin. The well results have strengthened Santos' resource position in the Bonaparte Basin and have highlighted the Barossa gas field as being well placed to supply gas for either back-fill or expansion to Darwin LNG.

CARNARVON BASIN

From the offshore John Brookes, Spar and Reindeer fields in the Carnarvon Basin, Santos is one of the largest suppliers of domestic gas in Western Australia and well placed to leverage its strong position through its uncontracted reserves and high-quality customer base.

Gas and condensate from the John Brookes and Spar fields is sent by pipeline to the Varanus Island processing facility where the condensate is removed and stored and the

The Devil Creek processing plant benefits from the reliance on natural gas in the region.

AT A GLANCE

- **Strong operational performance. A record 58 LNG cargoes sold from Darwin LNG**
- **Appraisal program strengthens resource position. Barossa field well placed to supply gas to Darwin LNG**
- **Significant new contract signed. Gas from the Carnarvon Basin supplying Australia's biggest alumina producer**

raw gas processed. The sales gas is then sent to mainland Western Australia via two 100-kilometre sales gas pipelines, where it is supplied to major mining and industrial customers.

Gas and condensate from the offshore Reindeer field is sent to the onshore Devil Creek Processing Plant via a 105-kilometre pipeline. Sales gas is then compressed and exported to the Western Australian domestic gas market.

In 2015, gas and condensate production of 51.6 petajoules and 0.5 mmbbl were both slightly less than in 2014 due to lower customer nominations and a planned pipeline replacement at the John Brookes field.

In March 2015, Santos signed a significant new contract to supply gas to Alcoa of Australia Ltd, Australia's biggest alumina producer, from the John Brookes field in the offshore Carnarvon Basin. This important contract consolidates our position as one of the biggest suppliers of domestic gas in WA.

Santos is also a major oil producer in the Carnarvon Basin. Santos' share of oil production of 2.3 mmbbl was 26% lower than 2014, primarily due to the Modec Venture II FPSO[1] vessel being offline for extended scheduled dry dock maintenance. The FPSO processes oil from the Mutineer-Exeter and Fletcher Finucane fields for loading to shuttle tankers for export.

BIGHT BASIN

Santos augmented its position in the prospective Bight Basin with the award of the WA-517-P permit in the Eyre sub-basin. In the Ceduna sub-basin, a 3D seismic survey was acquired over the EPP43 permit. Processing and interpretation will take place over the next 12 months.

1 Floating production, storage and offloading

Asia Pacific

The Asia Pacific Business Unit produced 19.2 mmboe in 2015, 33% of Santos' total production.

We continue to leverage our shallow water operating expertise in Indonesia.

PAPUA NEW GUINEA

Santos is a foundation partner in PNG LNG and holds a 13.5% interest in the project. The project incorporates the development of gas production and processing facilities in the Hela, Southern Highlands and Western Provinces of Papua New Guinea, over 700 kilometres of pipelines and a two-train LNG processing and loading facility with a nameplate capacity of 6.9 million tonnes per annum (mtpa).

In 2015 the project operated at more than 7% above its nameplate capacity to produce LNG an annualised rate of approximately 7.4 mtpa. In its first full calendar year of production, the project shipped 101 cargoes. Santos' share of gas and condensate production was 60 petajoules and 1.4 mmbbl respectively.

The joint venture partners continue to focus on maximising production from the existing facilities and continually assess project expansion opportunities either through a potential third LNG train or backfill by incorporating additional value-adding resources.

INDONESIA

In Indonesia, gas from the offshore Oyong and Wortel fields is transported via a 60-kilometre pipeline to an onshore gas processing facility at Grati in East Java, where it is sold for domestic power generation. Oil from the Oyong field is piped to the Surya Putra Jaya FSO[1] for storage and export.

Gas from the Maleo field is processed via a six-well wellhead platform which is connected to the East Java Gas Pipeline for distribution to the Surabaya and Gresik gas grid. Peluang was developed as a tie-back to the existing facilities at Maleo and brought online in March 2014. The facility includes one horizontal gas well, a minimum facility stand-alone wellhead platform and a pipeline to the Maleo platform.

1 Floating storage and offloading vessel

Gas and condensate are treated at the Hides Gas Conditioning Plant located in the Southern Highlands, Papua New Guinea. The gas is then transported to the PNG LNG plant for conversion to liquefied natural gas.

AT A GLANCE

- **PNG LNG operating above expectations. 101 cargoes shipped in 2015**
- **Potential for PNG LNG Project expansion. Opportunities being assessed**
- **Significant oil discovery. Bestari-1 exploration well, offshore Malaysia**

Santos' strong base business in East Java, underpinned by rising domestic gas prices, contributed 24 petajoules of gas to production, 5% lower than 2014, primarily due to Maleo field decline and lower Oyong entitlement. To stem declines in the Maleo field in 2016, Santos will be drilling two near-field exploration targets in offshore East Java. Further details are provided in the Exploration Section on p23 of this Shareholder Review.

Oil production of 162,300 barrels was in line with 2014 production.

In the West Natuna Basin, Santos holds a 50% operated interest in Northwest Natuna PSC which contains the Ande Ande Lumut oil discovery, which is the largest undeveloped oil discovery in Indonesia. The project leverages our operating expertise in offshore, shallow-water developments. FEED[1] on the FPSO[2] was completed in May 2015.

1 Front-end engineering and design

2 Floating production, storage and offloading

VIETNAM

The Chim Sáo oil project includes a single wellhead platform and a FPSO vessel. The Dua project was developed as a three-well subsea tie-back to the existing Chim Sáo facilities. Hydrocarbon processing takes place on the *Lewek Emas* FPSO with the oil exported on crude offtake tankers. The gas is transported via subsea pipelines for power generation to meet domestic demand.

The offshore Chim Sáo and Dua fields in the Nam Con Son Basin delivered strong oil production of 2.6 million barrels, despite the shutdown of the FPSO in the third quarter to allow for repairs to the firewater system on the FPSO swivel.

EXPLORATION

For more information regarding our exploration program in the Asia Pacific, please refer to the Exploration section on p23 of this Shareholder Review.

Exploration

Exploring the region's best basins to deliver material organic growth.

Drilling the Davis-1 exploration well in the Carnarvon Basin.

STRATEGY

Santos' exploration strategy:

- focuses on proven basins in Australia and South-East Asia, and seeks to leverage existing infrastructure in these basins, and
- targets selected frontier basins that offer strategic transformational potential.

AUSTRALIA

South Australia

In the Cooper Basin, a successful five-well exploration campaign was concluded within the Patchawarra wet gas fairway, with all five wells cased and suspended for future production from conventional sands and unconventional deep coal zones. A second five-well program focussed in south-west Queensland also resulted in five discoveries, each of which was cased and suspended for future production.

Elsewhere in the Cooper Basin, significant success was recorded from two wells designed to de-risk the unconventional Permian Source-Rock Play. The Cooper Basin's first stand-alone Permian Source Rock Play producer, Tirrawarra South-1, was successfully brought online in May and is flowing liquids-rich gas in line with forecasts. The Washington-1 well in PEL570 was drilled in the third quarter and was fracture stimulated over five zones in the Deep Coal primary target. The well flowed gas and oil to surface on test in measurable quantities and an on-going well performance monitoring program continues.

Northern Territory

In the McArthur Basin activities were focussed on geological and geophysical studies of the data obtained from the seismic and drilling activities undertaken in 2013 and 2014. A comprehensive core analysis program was conducted to calibrate the rock properties of the unconventional reservoirs at Tanumbirini-1 which has reinforced our view that the McArthur Basin potentially contains a world-class shale resource.

ASIA PACIFIC

Malaysia

In March 2015 Santos announced a significant oil discovery in the Block R PSC[1], offshore Malaysia. The Bestari-1 well 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.

An appraisal well on the Bestari-1 oil discovery was drilled during the fourth quarter and initial results from the well are in line with expectations. Further evaluation will be carried out in 2016.

Two further exploration wells in the Block R PSC (Lawa-1 and Menawan-1) concluded in the second quarter but did not intersect commercial hydrocarbons and were plugged and abandoned.

Papua New Guinea

Drilling concluded in April 2015 on the exploration component of the Hides F1 (Hides Deep) well after reaching a total depth of 4,633 metres. The reservoir quality was poor and the exploration component of the well was plugged and abandoned; the shallower development section was completed as a gas producer for the PNG LNG project.

SEISMIC

In 2015, Santos acquired seismic across our acreage in the Cooper, Carnarvon and Ceduna Basins in Australia, the Bay of Bengal offshore Bangladesh, the Papuan Basin onshore Papua New Guinea, the Phu Khan Basin offshore Vietnam and the Timor Sea in the Joint Petroleum Development Area (JPDA).

Analysis is ongoing, inventory build continues to emerge and forward exploration and appraisal programs continue to be refined.

OUTLOOK

In 2016 Santos will focus on lower risk, near-field exploration wells that target domestic gas markets through existing infrastructure. In the Carnarvon Basin we are evaluating the Davis-1 well results which completed drilling in February. In East Java, Indonesia, we plan to leverage our expertise in shallow water developments and drill the Merem-1 and Meliwis-1 exploration wells in the first quarter. If successful, these will be produced via existing infrastructure.

We will also continue to dedicate investment to potential longer term supply opportunities for our LNG infrastructure and in Papua New Guinea we plan to drill the Strickland-1 exploration well in the first half.

Finally, in the McArthur Basin we intend to implement a stratigraphic drilling program in the third quarter to further calibrate the play models that were developed following the success of the Tanumbirini-1 exploration well and explore for new unconventional plays in the northern permits.

1 Production sharing contract

Board of Directors

PETER COATES AO

Peter has been a member of the Board since March 2008, Chairman from December 2009 to May 2013, reappointed Chairman April 2015 and appointed Executive Chairman from August 2015 to January 2016.

Peter is also a Director of Event Hospitality & Entertainment Limited (formerly Amalgamated Holdings Ltd), Chairman of Sphere Minerals Ltd and a Director of Glencore plc.

He was previously Chair of the Sydney North West Rail Link Advisory Board, Chairman of Xstrata Australia Pty Ltd; Chairman of Minara Resources Ltd; and Chief Executive of Xstrata Coal.

KEVIN GALLAGHER

Kevin was appointed Managing Director and CEO of Santos in February 2016.

Prior to joining Santos Kevin was CEO and Managing Director at Clough Limited. A qualified mechanical engineer, he has more than 25 years' experience in managing oil and gas operations in Australia, the USA and North & West Africa, including responsibility for production on Australia's largest resource project, the North West Shelf.

YASMIN ALLEN

Yasmin has been a member of the Board since October 2014.

With more than 20 years' experience in finance and investment, Yasmin is also a Director of Cochlear Limited and ASX Limited. She is also a Director of the National Portrait Gallery and the George Institute for Global Health.

Yasmin is a former Director of Insurance Australia Group and a former Chairman of Macquarie Specialised Asset Management Limited.

KENNETH DEAN

Ken has been a member of the Board since February 2005.

Ken is a Director of Bluescope Steel Ltd and EnergyAustralia Holdings Ltd.

He was previously CFO and alternate Director of Alumina Ltd; Director of Alcoa of Australia Ltd; Alcoa World Alumina LLC and related companies; Shell Australia Ltd; and Woodside Petroleum Ltd.

ROY FRANKLIN OBE

Roy has been a member of the Board since September 2006. Roy is Chairman of the Keller Group plc, Chairman of Cuadrilla Resources Holdings Ltd, and a Director of Statoil ASA and Amec Foster Wheeler plc. He was previously CEO of Paladin Resources plc, and Group MD of Clyde Petroleum plc.

Full Director biographies are available on the Santos website:

www.santos.com

HOCK GOH

Hock has been a member of the Board since October 2012.

Hock is also Chairman of MEC Resources Ltd and Director of Stora Enso Oyj (Finland), AB SKF (Sweden) and Vesuvius PLC (UK).

Previously at Schlumberger Ltd, Hock was President of Network and Infrastructure Solutions division in London; President of Asia; and Vice President and General Manager of China.

JANE HEMSTRITCH

Jane has been a member of the Board since February 2010.

Jane is also a Director of Lend Lease Corp Ltd and Tabcorp Holdings Ltd.

Jane was a former Director of Commonwealth Bank of Australia, and MD Asia Pacific and Country MD Australia at Accenture until her retirement in 2007.

GREGORY MARTIN

Greg has been a member of the Board since October 2009.

Greg is also Chairman of Iluka Resources Ltd, Chairman and Joint Managing Partner of Prostar Capital, Chairman of Sydney Desalination Plant Pty Ltd and Deputy Chairman of Western Power.

Greg was previously MD and CEO of AGL; Chief Executive Infrastructure at Challenger Financial Services Group; and MD of Murchison Metals.

SCOTT SHEFFIELD

Scott has been a member of the Board since February 2014.

Scott is Chairman and Chief Executive of Pioneer Natural Resources Company.

He also serves on various industry and education-related boards, including the National Petroleum Council and the Maguire Energy Institute of the SMU Cox School of Business. Scott is also a 2013 inductee into the Permian Basin Petroleum Museum Hall of Fame.

COMMITTEES OF THE BOARD

Audit and Risk Committee

Ms J Hemstritch (Chair)
Mr K Dean
Mr G Martin
Mr H Goh
Ms Y Allen

Nomination Committee

Mr P Coates (Chair)
Mr K Dean
Mr R Franklin

People and Remuneration Committee

Mr G Martin (Chair)
Ms J Hemstritch
Mr R Franklin

Environment, Health, Safety and Sustainability Committee

Mr R Franklin (Chair)
Mr H Goh
Ms Y Allen
Mr K Gallagher

Santos Leadership Team

1/KEVIN GALLAGHER

Kevin was appointed Managing Director and CEO of Santos in February 2016.

Prior to joining Santos Kevin was CEO and Managing Director at Clough Limited. A qualified mechanical engineer, he has more than 25 years' experience in managing oil and gas operations in Australia, the USA and North & West Africa, including responsibility for production on Australia's largest resource project, the North West Shelf during his 13 years working with Woodside.

2/ANDREW SEATON

Andrew joined Santos in 2005 and was appointed Chief Financial Officer in 2010.

Andrew is responsible for corporate finance, accounting, taxation, treasury, investor relations, risk, audit, insurance, information systems and procurement functions. He has over 25 years of oil and gas industry experience encompassing a broad range of engineering, project management and investment banking roles.

3/JOHN ANDERSON

John joined Santos in 1996 and is the Vice President Asia Pacific, Western Australia and the Northern Territory. John is responsible for commercial and finance, business development, exploration, development and operated assets. He has more than 20 years of experience in the upstream oil and gas industry across a wide range of roles and locations.

4/JOE ARIYARATNAM

Joe joined Santos in 2012 and is General Manager for the Western Australia and Northern Territory Business Unit. He is responsible for offshore activity including exploration, development, production, finance, commercial, and business development.

Joe has 18 years' industry experience and, prior to Santos, he held subsurface and engineering roles in Australia and internationally.

5/JAMES BAULDERSTONE

James is Vice President Corporate Development and is responsible for corporate development, commercial and marketing, public affairs and sustainability, and the company's New South Wales assets.

James joined Santos in 2007 as General Counsel and Company Secretary after previously holding similar roles at Mayne Group and BlueScope Steel. James has 25 years of legal, commercial and business development experience and was responsible for Santos' East Coast operations for the previous 5 years.

6/TREVOR BROWN

Trevor joined Santos in 2001 and is Vice President Queensland. Trevor is responsible for leading all aspects of the development and operation of the gas fields and gas supply infrastructure of the GLNG project. Trevor is a geologist with over 30 years' international experience in exploration, new ventures, onshore and offshore developments and leadership of major projects.

7/ROD DUKE

Rod joined Santos in 2013 as Vice President Downstream GLNG. Rod is responsible for the successful delivery of the GLNG pipeline and LNG plant & port projects and ongoing plant operations, commercial, LNG marketing and production planning for GLNG. He has over 30 years' international experience in project management, engineering, construction, commissioning, operations, commercial, marketing and business development areas of the upstream natural gas and LNG industry.

8/RICHARD ELLIOTT

Richard joined Santos in 2013 and is Head of Projects and Chief Engineer. Richard is responsible for all drilling and completions activities and the projects, surface engineering, production engineering, safety and environment corporate functions.

He has more than 35 years' experience in the oil and gas industry including major oil, gas, LNG and pipeline projects in the United States, Indonesia, Trinidad and Tobago, and the United Kingdom.

9/JOANNE FOX

Joanne joined Santos in 2003 and is Chief Human Resources Officer. Joanne is responsible for matters relating to people and organisational effectiveness. She has over 25 years' experience working in the area of human resources for ASX listed companies in the health, pharmaceuticals, fast moving consumer goods and oil and gas sectors.

10/DAVID LIM

David joined Santos in 2007 and is the Company Secretary. David is accountable to the Board for the effectiveness of corporate governance processes, ensuring adherence to the Board's principles and procedures and coordinating all Board business, and provides the Santos Board with independent advice and support in relation to these matters.

David has over 20 years of experience in commercial and corporate legal practice. He is an accredited Chartered Secretary.

11/ANDREW NAIRN

Andrew joined Santos in 2008 as Group Executive Investor Relations. Andrew is responsible for Santos' investor relations. He has over 20 years of finance, commercial and investor relations experience in the resources industry, and has held senior management positions in Australia, the US and the UK.

12/BILL OVENDEN

Bill joined Santos in 2002 and is General Manager Exploration & Subsurface. Bill is responsible for the exploration strategy and ensuring excellence in subsurface activities across Santos' upstream programs. He is a geologist with over 30 years of experience and has worked on exploration projects in Australia, Asia, Africa, the Middle East and South America.

13/CHRISTIAN PAECH

Christian joined Santos in 2004 and was appointed General Counsel in 2010. Christian advises the Board and management on legal matters affecting the company and its operations.

He is responsible for Santos' legal function, which supports the corporate team and the business units. He has over 20 years of legal experience having worked in international firms in Australia and overseas.

14/BRETT WOODS

Brett is Vice President Eastern Australia and is responsible for the production, development and commercialisation of the company's oil and gas resources in Central Australia.

Brett joined Santos in February 2013 as the Manager Exploration for the company's Perth-based WA and NT business unit. Brett is a geologist and geophysicist, and has over 20 years of oil and gas industry experience including senior management, technical and business development roles. He is a member of the APPEA Board.

Santos Leadership Team biographies are available on the Santos website:

www.santos.com

Shareholder calendar

2016 INVESTOR CALENDAR

2015 fourth quarter activities report	22 Jan 2016
2015 full-year results announcement	19 Feb 2016
Ex-dividend date for 2015 full-year dividend	24 Feb 2016
Record date for 2015 full-year dividend	26 Feb 2016
Payment date for 2015 full-year dividend	30 Mar 2016
Annual General Meeting	4 May 2016
2016 interim results announcement	19 Aug 2016
Ex-dividend date for 2016 interim dividend	24 Aug 2016
Record date for 2016 interim dividend	25 Aug 2016
Payment date for 2016 interim dividend	30 Sep 2016

2016 QUARTERLY REPORTS

2016 first quarter activities report	22 Apr 2016
2016 second quarter activities report	22 Jul 2016
2016 third quarter activities report	21 Oct 2016
2016 fourth quarter activities report	20 Jan 2017

All dates are indicative and subject to change.

Corporate directory

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ABN 80 007 550 923

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AUSTRALIAN SECURITIES EXCHANGE LISTING

STO

SANTOS WEBSITE

To view Annual Reports, Sustainability Reports, shareholder and company information, news announcements and presentations, quarterly activities reports and historical information, please visit our website at www.santos.com

2015 ANNUAL REPORT

You can review our *Annual Report* online at www.santos.com or request a printed copy from the Share Registrar either by email at web.queries@computershare.com or by telephone on 1300 017 716 (within Australia) or +61 3 9938 4343.

SHAREHOLDING ENQUIRIES

Enquiries about shareholdings should be directed to the Share Registrar:

Computershare Investor Services Pty Ltd
Yarra Falls, 452 Johnson Street
Abbotsford VIC 3067
GPO Box 2975
Melbourne VIC 3001

Online enquiries:
www.investorcentre.com/contact
Website: www.investorcentre.com/sto
Telephone: 1300 017 716 (within Australia)
+ 61 3 9938 4343 (international)

INVESTOR ENQUIRIES

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Email: investor.relations@santos.com
Website: www.santos.com

UPDATE YOUR DETAILS ONLINE

To update your address, payment instructions, dividend reinvestment plan options, Tax File Number, e-communications preferences, email address and more, please visit the Investor Centre at www.investorcentre.com/sto

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Electronic versions of the 2015 *Shareholder Review*, *Annual Report* and *Sustainability Report* are available on our website at **www.santos.com**

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We have the energy.

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