

Shareholder Review 2014

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Delivering the strategy

Global demand for energy set to surge



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GLNG progress

On track for first LNG in the second half of 2015

LNG projects

A	Darwin LNG	●
B	PNG LNG	●
C	GLNG	●

Australian basins

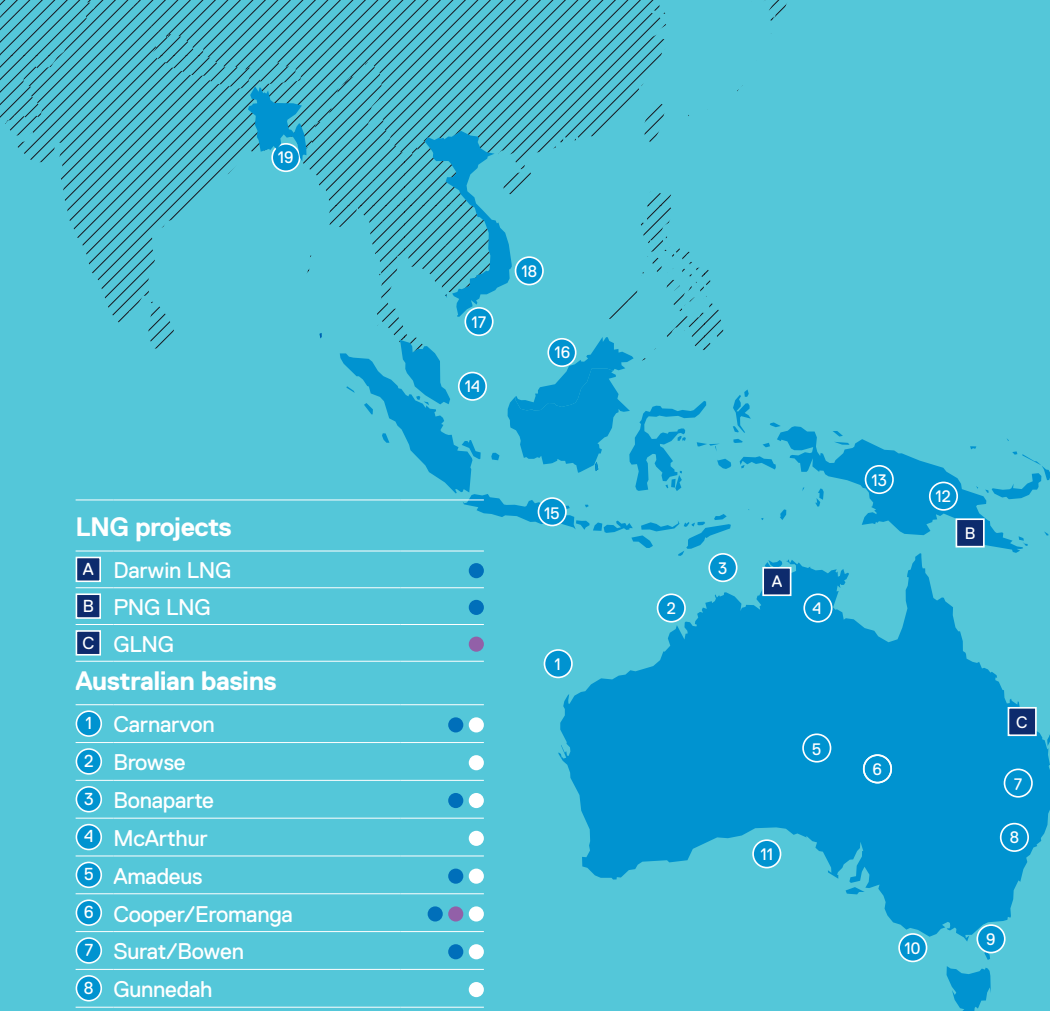
1	Carnarvon	● ●
2	Browse	●
3	Bonaparte	● ●
4	McArthur	●
5	Amadeus	● ●
6	Cooper/Eromanga	● ● ●
7	Surat/Bowen	● ●
8	Gunnedah	●
9	Gippsland	● ●
10	Otway	●
11	Bight	●

Asian basins

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



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 will 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.



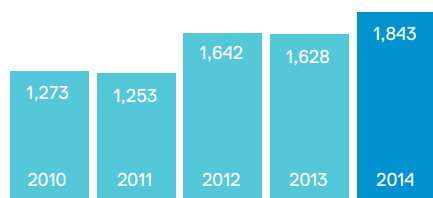
Asia

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

Financial overview

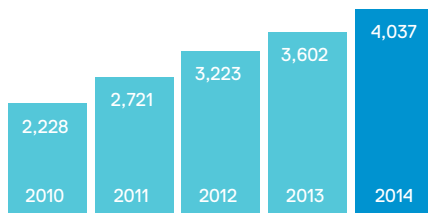
Operating cash flow

\$1,843 million



Sales revenue

\$4,037 million



		2010	2011	2012	2013	2014
Production volume	mmboe	49.9	47.2	52.1	51.0	54.1
Sales volume	mmboe	59.2	58.7	61.3	58.5	63.7
Sales revenue	\$million	2,228	2,721	3,223	3,602	4,037
EBITDAX ¹	\$million	1,672	2,126	1,861	1,992	2,153
EBITDAX (excluding asset sales) ¹	\$million	1,359	1,597	1,850	1,978	2,149
Net profit after tax	\$million	500	753	519	516	(935)
Underlying net profit after tax ¹	\$million	376	453	606	504	533
Operating cash flow	\$million	1,273	1,253	1,642	1,628	1,843
Earnings per share	cents	59.8	84.8	54.4	53.3	(95.6)
Total assets	\$million	13,769	15,814	16,988	20,609	22,345
Dividends declared per ordinary share	cents	37	30	30	30	35
Number of employees		2,367	2,847	3,289	3,502	3,636²

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.
2. Includes 187 part time employees.

Message from the Chairman



Santos' vision is to be a leading energy company in Australia and Asia. We will continue to drive value and performance in our Australian base business, leverage our existing LNG infrastructure and capabilities, and build a focused, high-value position in South-East Asia.

Dear Shareholder,

Five years ago Santos approved the first of two transformational liquefied natural gas (LNG) projects to open more of our resources to the large and growing markets of Asia. In May 2014, PNG LNG exported its first cargo ahead of schedule and shipped 55 cargoes during the course of the year. Our GLNG project also made substantial progress and ended the year more than 90% complete, on track for first LNG in the second half of 2015. Once GLNG is fully ramped up, Santos will be exporting over 3 million tonnes of LNG per annum to customers throughout Asia, realising our vision to be a leading oil and gas producer in the region. These projects are underpinned by 20 year offtake agreements which will see shareholders benefit from strong cash flows for decades to come.

In 2014, the Board announced a progressive dividend policy that would strike a balance between higher dividends, debt repayment and ongoing investment for growth. With the start-up of PNG LNG in the first-half of 2014 and receipt

of first cash from the project, we were pleased to announce a 33% increase in the interim dividend from 15 cents per share to 20 cents per share, fully franked.

In light of the current oil price environment, the Board elected to maintain a cautious approach and set the final dividend at 15 cents per share, fully franked. This brings the full-year 2014 dividend to 35 cents per share, up 17% on the prior year. We will again review the level of the dividend around the start-up of GLNG in the second half of 2015.

The Brent crude oil price fell by almost 50% in the fourth quarter of 2014, closing the year at US\$56 per barrel, its lowest level in more than five years. The speed and degree of this decline was unexpected, impacting oil and gas stocks around the world, including Santos. We acknowledge the effect this has had on shareholder value and have moved to implement a range of initiatives to manage the company through this lower oil price environment.

Message from the Chairman

continued

In 2014, despite the volatile oil price environment, Santos recorded its highest production in five years of 54.1 million barrels of oil equivalent (mmbœ), record sales revenue of \$4 billion and a strong operating cash flow of \$1.8 billion, up 13% on the prior year. The business also recorded an underlying net profit after tax of \$533 million, an increase of 6% year on year, reflecting the strong operating performance of the business.

The sharp fall in oil prices in the second half of the year led us to recognise significant asset impairments in our 2014 results of \$1.6 billion after tax. The impairment charge is a non-cash accounting adjustment that relates only to the book value of the company's assets. Taking into account the after tax impairments of \$1.6 billion, the financial result for the year was a net loss after tax of \$935 million.

The long term characteristics of the world's energy markets should continue to support the growth in global LNG demand. The world's population is expected to grow by 1.1 billion people over the next 15 years, and the secure and reliable supply of energy remains fundamental to a strong, cohesive and prosperous society¹. As a result, the demand for food is projected to increase by 35%, water by 40% and energy by 50%².

Australia, with over 920 trillion cubic feet (Tcf) of natural gas resources and local demand of only 1 Tcf per annum, is well placed to meet the energy demands of the domestic Australian market and contribute supply to our Asian neighbours³. And Santos' vision to be a leading energy company in Australia and Asia remains

unchanged. We are committed to providing the energy needs of schools, hospitals, homes, transport networks as well as business and industry. We will continue to drive value and performance in our base business, leverage our existing LNG infrastructure and capabilities, and build a focused, high-value position in South-East Asia.

Santos' technical and highly credentialed work-force is committed not only to safe and sustainable operations but also recognising that we operate in communities, and as such, must work hard to gain their trust and support.

Santos prides itself on the reputation it has earned through transparent and proactive engagement in the communities in which we operate. Our project life cycles are often over many decades and as such, we are in a position to benefit local communities and landholders over the long-term. Santos has helped fund road improvements and communications infrastructure, and contributes millions of dollars each year in rates to shire councils. Our policy to support local service providers and product suppliers also boosts local businesses and our in-kind support also helps community groups to organise and run events and provide emergency services support.

For societies to continue to prosper, we must create a diverse, reliable and affordable energy mix that will underpin our standard of living as well as our children's future. The natural gas industry will have an important role in achieving this, and Santos is already playing its part. For further information regarding

1. United Nations, July 2014
2. US National Intelligence Council, Global Trends 2030, December 2012
3. BREE, Gas Market Report, November 2014

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our commitment to environmental and social reporting, I would encourage you to read our *2014 Sustainability Report*, available on our website at **www.santos.com/sustainability**

In 2014 we took the opportunity to strengthen the Board, appointing two new independent non-executive Directors.

Scott Sheffield was appointed in February and brings strong leadership, technical and operational skills to the Board and a deep understanding of the US energy industry and markets. The company he leads in the US, Pioneer Natural Resources, is at the forefront of the US shale oil and gas industry.

Yasmin Allen was appointed in October and has more than 20 years' experience in finance and investment banking and brings extensive governance, leadership and risk management skills to the table. Yasmin is also a Director of Insurance Australia Group Limited, Cochlear Limited and ASX Limited.

On behalf of the Board, I would like to thank all our employees and contractors. The professionalism and hard work exhibited is evident in the delivery of production growth, new projects and exploration success. During this period of intense construction, we maintained a strong safety track record. Our lost time injury frequency rate (LTIFR) of 0.67 reflects our commitment that no business objective will take priority over health and safety, and that no task is so important or urgent that it cannot be done safely.

The Board and management would also like to thank you, our shareholders, for your ongoing support. We remain focused on driving operational efficiency, reducing costs, prudently managing capital and ensuring our balance sheet remains strong. Our strategy is clear; we will continue to focus on the long-term drivers of shareholder value that reinforce Santos' position as a leading energy company in Australia and Asia.

Finally, in March 2015 it was announced that I will retire as Chairman and member of the Board at the Annual General Meeting on 30 April. Mr Peter Coates, AO, currently a non-executive Director, will resume the role of Chairman. It has been a great privilege to serve on the Board of Santos and I would like to thank all of the Santos team for their dedication and hard work. I leave in the knowledge that the company has an experienced Chairman, a strong Board and an executive team well led by Managing Director and Chief Executive Officer David Knox.



Ken Borda
Chairman

Q&A

With David Knox, Managing Director
and Chief Executive Officer



In 2014, Santos achieved record sales revenue, strong operating cash flow, the highest production level in five years and added to future production potential through successful exploration and appraisal activities. In December we responded to the fall in oil price by cutting capital spend in 2015 by 44% compared to 2014.

How did Santos deliver against its vision to be a leading energy company in Australia and Asia in 2014?

As I reflect on 2014, I am proud to say the underlying business performed well.

PNG LNG commenced production ahead of schedule in April and was producing at full capacity by late July. Construction on this project commenced in 2010, and with over 55,000 workers involved and 200 million work hours expended on the project's construction, it was indeed a remarkable feat of logistics, engineering and design.

We also made considerable headway during the year on our Gladstone LNG project. The US\$18.5 billion project is now more than 90% complete and we remain on track for first LNG in the second half of 2015, on time and on budget.

Importantly, despite the volatile external environment, the long-term fundamentals that underpin our vision to be a leading energy company in Australia and Asia have not changed.

The world's population is forecast to grow by 1.1 billion over the next 15 years¹. The majority of this growth will be in Asia where the local population is expected to increase at double the rate of the rest of the world combined. This, coinciding with the rapid migration of people from rural areas to cities, will see Asia's energy demand increase by nearly 50%².

Natural gas, with its lower carbon footprint, will be a key beneficiary of this growth. Exposing Santos' gas reserves to these large and growing export markets has created the scale and pricing necessary to justify the continued development of our resources to meet demand growth, both

here in Australia and in Asia, and ultimately, deliver greater returns to shareholders.

In Australia, where we seek to drive value and performance in our base business and unlock resources to meet demand, we delivered strongly in 2014.

The Eastern Australia Business Unit recorded a 7% rise in sales revenue to more than \$2 billion primarily on the back of increased drilling activity, infrastructure upgrades and higher third-party processing in the Cooper Basin. This increase in production and upgrades to infrastructure have set the company up to meet its commitments to supply Santos gas to the GLNG project, and also to take advantage of new opportunities as existing east coast contracts roll off in the coming years.

An impairment to the value of our NSW gas assets was recorded on the back of a 30% reduction in reserves combined with a later start-up date for the Narrabri Gas Project. This action does not change our view about the project and the importance for NSW to develop its own natural gas supplies. This is a strategic asset and we remain focused on supplying natural gas to the 1 million families in NSW that use our product and the thousands of people who rely on the energy provided by gas for their employment.

The Western Australia and Northern Territory Business Unit recorded a significant

gas-condensate discovery with the Lasseter-1 well in the Browse Basin, offshore Western Australia, reinforcing our material resource position following our Crown discovery in 2012.

The Barossa-3 appraisal well in the Bonaparte Basin, offshore Northern Territory, also recorded a strong result, thereby strengthening the position of the field to potentially supply gas for either back-fill or expansion at Darwin LNG.

The Asia Pacific Business Unit underwent a significant transformation with the early start-up of PNG LNG in April of 2014. By year-end over 55 cargoes of LNG had been shipped to customers throughout Asia. The early start-up of PNG LNG resulted in a 134% lift in EBITDAX³ to \$743 million.

The Business Unit also recorded new project delivery in Indonesia and Vietnam, and made a new country entry, farming in to high impact exploration acreage in the Sabah Basin, offshore Malaysia.

Santos has been providing natural gas safely and securely in Australia for more than 50 years and because of the global need for energy – especially in the Asia-Pacific – Santos has now grown into a regional energy company. At 2014 year-end we were delivering 160,000 barrels of oil equivalent a day, which is an outstanding result and certainly the highest daily production since I joined the company.

3. EBITDAX (Earnings before interest, tax, depreciation, depletion, exploration and evaluation and impairment)

Q&A

continued

Through diversification we have built a more robust and sustainable business, enabling us to be resilient throughout the energy price cycle.

What initiatives have you taken to address the fall in oil price?

We are meeting the challenge of a volatile oil price head on. In December 2014 we announced a reduction in forecast 2015 capital expenditure to \$2 billion, 44% lower than 2014. In doing so, we led the industry by responding in a clear and significant way. We also announced at that time that asset divestments were under consideration as part of the company's ongoing portfolio management, provided fair long-term value is realised.

Cost pressures will continue to abate as we review contracts and optimise procurement, logistics and construction strategies across the business. In fact, production costs per barrel are expected to reduce by 10% in 2015. We are implementing innovative technologies to drive down costs and increase efficiencies in line with the current operating environment.

We also sought to maintain a robust liquidity profile, and to that end we announced a \$1 billion bi-lateral debt facility in the second half of December. This is effectively a buffer should it ever be needed. The money is not drawn down, but is kept for unexpected events and supports our liquidity profile. At the end of 2014, Santos had approximately \$2.9 billion in cash and undrawn debt facilities available.

In a lower oil price environment we will continue to drive efficiencies and cost out measures. Across the business we are eliminating all distractions, simplifying and challenging ourselves. We strive to be as efficient as we can while ensuring we maintain the integrity of our operations and keep everyone safe.

Nobody can predict the future direction of the oil price, but what we can do is ensure that, as a firm, we remain robust through the lower oil price environment.

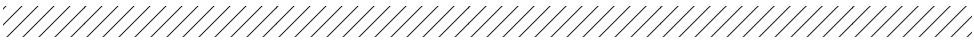
How do you think about Santos as an environmentally and socially responsible energy company?

There was much debate during the year about what defines a company's credibility with respect to operating in an environmental, sustainable and socially responsible manner. The debate around the environment and climate change is an important one and, as such, it needs to be based on science and facts rather than fiction.

As a region blessed with a large endowment of natural resources, we have a responsibility to help our neighbouring countries and economies grow to improve their standard of living. I am glad to say that Santos is a company that has the capacity and responsibility to promote progress to a more sustainable future.

Santos is committed to taking a seat at the table to better understand the challenges, concerns and

Exposing Santos' gas reserves to global markets has created the scale and pricing necessary to justify the continued development of our resources and ultimately, deliver greater returns to shareholders.



genuine needs of our local communities and key stakeholders. Working with local landholders and communities is central to what we do and we simply could not operate without building these strong and enduring relationships.

Ultimately, it is true engagement on both sides that will bring communities, employees, and the wider public onboard. And it is the Santos way of genuinely committing to engagement, and taking the time to do it properly, that has ensured we have a positive reputation in the communities in which we operate.

Energy after all can be the source of progress and prosperity – not only does it power our homes and underpin our manufacturing industry, but access to energy lifts living standards for families and provides opportunities for businesses in Australia, Asia and around the globe.

During the year we were recognised by the National Trust as a corporate icon in recognition of our outstanding contribution to South Australia. The National Trust recognised the high degree of integrity, social responsibility and leadership shown by Santos since 1954, and this would not be possible without our people - from the tenacity of our early pioneers to the committed staff of today.

Our consistent and enduring approach to lightening our footprint and working closely with our communities has paved the way for our success. We have received awards both

internationally and in Australia for our track record, and have been recognised by the Dow Jones Sustainability Indices World Leaders Index, and as a sustainability leader in Australia and in the Asia-Pacific region.

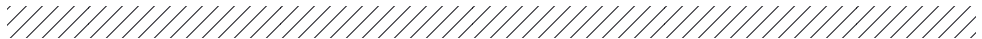
The safety of our employees, contractors and the communities in which we work, will underpin our operations each and every day. Our objective, is to ensure that everyone goes home from work without injury. We remain focused on this objective, and in 2014 we recorded another good year in terms of lost time injury performance. This was particularly pleasing during a period in which two major contractors completed work and demobilised from the GLNG project.

Santos is passionate about paving the way for brighter futures. We are built on strong foundations of environmental, sustainable and social responsibilities, and have the right mechanisms in place to prepare for the next phase of gas supply to Australia and our Asian neighbours.

For me, it remains a privilege to be your CEO. I am proud of the hard work and commitment that Santos employees and contractors demonstrated during 2014. We remain focused on maximising returns for shareholders.

Global demand for energy set to surge

Santos well positioned to benefit



Energy demand growth

Despite recent volatility in the oil price, the long term growth in global demand for energy remains robust. Over the next 15 years, the world's population is forecast to grow by 1.1 billion people to 8.4 billion people, which is a growth rate of 73 million people per annum¹. A growing population translates into a growing demand for food, water and especially energy.

Asia's demand for energy grows faster than any other region driven by their pace of urbanisation, seeing people migrate from rural areas into cities centres. Asia's urban population is growing at a rate of 43 million people each year, which is equivalent to nearly two times Australia's population today².

Over the next 15 years, Asia's demand for gas is expected to grow twice as fast compared with the rest of the world, as it looks to diversify its source of energy supply towards cleaner burning gas³. Within the Asian gas market, liquefied natural gas (LNG) is expected to become increasingly important as a flexible and reliable energy solution, facilitating trade between regions.

Australia is blessed with abundant gas resources of ~920 trillion cubic feet (Tcf) with a relatively small domestic gas demand of around 1Tcf per year⁴ and is therefore well positioned to meet Asia's energy needs, fuelling economic growth and improving quality of life.

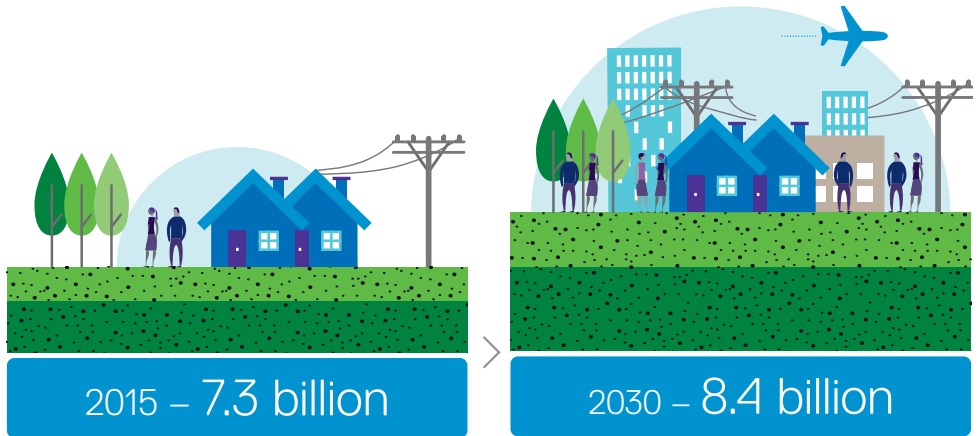
Asia's growing demand for gas and LNG creates a significant opportunity for Santos as an Australian energy company with one of the largest exploration and production acreages of any company.

Delivering LNG to Asia

Located in close proximity to Asian markets, Santos has a competitive advantage in delivering gas and LNG. Our Asian growth strategy and LNG investment now means that Santos has the infrastructure, abundant gas resources and LNG know-how to supply these large and growing Asian markets.

Through the operations of Darwin LNG, PNG LNG and the imminent start-up of GLNG, Santos has positioned itself with assets of volume and geographic advantage to meet the growth in Asian

Forecast global population growth



energy demand. Darwin LNG offtake is contracted to Japanese buyers to 2022. PNG LNG offtake is contracted to Chinese, Taiwanese and Japanese buyers to 2034. GLNG will deliver to Malaysian and South Korean buyers to 2035. These long term contracts provide secure cash flows whilst our LNG assets provide further growth opportunities for the company including backfill and/or expansion in current projects.

The imminent start-up of GLNG marks the end of Santos' large LNG investment cycle. Our operational LNG plants have a proven track record for reliable delivery. Darwin LNG, for example, has delivered over 450 cargoes and produced above the contract quantity since 2006, which has provided buyers with flexibility to take on more supply during peak energy seasons to meet demand.

Fast forward to 2016 and Santos will have undergone a massive transformation whereby more than 50% of production will either be LNG sold into Asian markets, or oil or gas produced from Asian assets. Santos will benefit from the growth in Asia's energy demand, whilst continuing to drive our base business operations in Australia

as a leading domestic oil and gas producer. Asia's growing energy demand has provided Santos the opportunity to grow cash flows and margins in the long term and build a more robust business for the benefit of shareholders.

Gas – the natural stepping stone

In November 2014, the Intergovernmental Panel on Climate Change released its Synthesis Report. The report provided not only a reminder of the need for global action to address climate change but also of the important role that natural gas will play in the transition to a low carbon economy.

The report states that there is robust evidence and high agreement that "Greenhouse gas emissions from energy supply can be reduced significantly by replacing current world average coal-fired power plants with modern, highly efficient natural gas combined-cycle power plants or combined heat and power plants."

To meet future energy demand, the global energy mix will be diverse. Renewable energy sources, such as solar and wind power, are intermittent and cannot provide continuous power generation. Energy supplies need to be continuous, reliable

Global demand for energy set to surge

continued

Every tonne of LNG that replaces coal in electricity production is the equivalent of taking one car off the road in Australia. Santos' GLNG plant can produce up to 7.8 million tonnes of LNG per year – that is the equivalent of taking more than 7.8 million cars off the road every year. To put this in perspective this is more than half of all Australian cars.

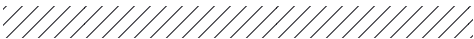


and stable. Coal and oil are expected to remain a significant part of the global energy mix for some time. But the energy bridging all of these other sources to a lower carbon emissions future is natural gas and it can have an impact right now.

Gas-fired power generation produces up to 50% less greenhouse gas emissions compared to coal. The environmental benefits of gas are not limited to lower carbon emissions. Gas also creates significantly less air pollution (nitrogen oxides, sulphur dioxide and particulates) and uses a fraction of the water needed by coal-fired or nuclear generators.

Natural gas is already having an impact in cutting global carbon emissions, particularly in the US. At the end of 2012 US carbon emissions were the lowest they had been since 1994. That's during a period in which its population has grown by 60 million people. They have achieved this primarily because electricity production in the US has become cleaner with fuel switching to natural gas.

Fuel switching to natural gas in the US is saving 200 million tonnes of carbon dioxide per year, which is equivalent to the entire greenhouse gas emissions from Australia's electricity sector.



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 imminent start-up of GLNG will mark the end of our LNG investment cycle and deliver a further step change in production and cash flows, which will ultimately mean a greater return for shareholders.



GLNG

The start-up of GLNG in the second half of 2015 will provide strong cash flows and underpin greater shareholder returns for decades to come.

- > GLNG is now more than 90% complete.
- > The project remains on track for first LNG in the second half of 2015, on time and on budget.
- > 20-year binding offtake agreements are in place to blue-chip Asian buyers, Petronas and Kogas.



Drilling the Fairview field, north of Injune, Queensland.

Overview

GLNG delivered a year of strong progress in 2014, achieving many important milestones. GLNG is now more than 90% complete and on track to deliver first LNG in the second half of 2015, within budget.

Sanctioned in January 2011, GLNG involves the long-term development of natural gas resources in the Bowen and Surat Basins in Queensland, a 420-kilometre underground gas transmission pipeline to Gladstone, and two LNG trains with a combined nameplate capacity of 7.8 million tonnes per annum (mtpa) on Curtis Island.

The joint venture is led by Santos (operator, 30% interest) in partnership with three of the world's largest energy companies, PETRONAS (27.5%), Total (27.5%) and KOGAS (15%). LNG will be sold to PETRONAS and KOGAS under 20-year binding oil-linked contracts comprising 7.2 mtpa in aggregate.

Gas field development

GLNG achieved important milestones in its gas fields development in 2014, completing major processing infrastructure and achieving excellent results from its wells.

**“2015 is all about delivery.
We will deliver LNG safely
and reliably to our customers.
We will deliver value to our
shareholders and billions of
dollars in taxes and royalties
to Australia and Queensland
over many years.”**

Rod Duke

Vice President

Downstream GLNG

GLNG plant,
Curtis Island, Queensland.



Construction of GLNG's three major upstream gas processing hubs is complete, with commissioning activities complete at one hub and well underway at the other two.

GLNG drilled 119 wells across its acreage in 2014, in line with development plans and bringing the total number of wells drilled, since project sanction, to more than 600. Importantly, wells are performing strongly, providing confidence in GLNG's ability to meet the production requirements of the liquefaction plant during both the ramp-up and long-term operational phases.

In addition, GLNG is optimising supplies via underground gas storage, production from Santos' own portfolio, and third-party gas purchases.

Looking ahead, GLNG is continuing to build a team that will work safely and efficiently, with the best technology and a requirement to continuously drive down operational costs to deliver long-term value to shareholders.

Pipeline

The 420-kilometre underground gas transmission pipeline has been safely completed and tested, and is now supplying gas to the liquefaction plant on Curtis Island.

The two pipeline interconnections between the GLNG and Queensland Curtis LNG pipelines have been completed and pre-commissioned.

LNG plant and port

Construction of the LNG plant on Curtis Island continues to progress well, with commissioning gas delivered into the LNG plant in March 2015.

All 111 train 1 and train 2 modules are set on their foundations, and piping installation and cable pulling is progressing. The train 1 utilities area is complete and work continues on train 2 utilities.

Both LNG storage tanks were successfully hydrotested in 2014 and the 400-metre LNG loading jetty is complete.

Outlook

2015 is the year of delivery for GLNG, and the project remains on track for first LNG in the second half of this year, within budget.

Eastern Australia

The Eastern Australia Business Unit produced 21.3 mmboe in 2014, 39% of Santos' total production.

- > In 2014 Santos responded to the anticipated tripling of east coast gas demand by lifting capacity in the Cooper Basin and progressing appraisal activity for the proposed Narrabri Gas Project.
- > Our unconventional program is focused on unlocking both liquids and gas production in the Cooper and McArthur Basins.
- > An extensive infrastructure position and large resource base underpins Santos' strong competitive advantage.



Santos recognises and respects a landholder's connection to their property.

Cooper Basin

Gas: Gas production in 2014 was 63.3 petajoules, 4% higher than 2013 production of 61.0 petajoules.

With the expected tripling in east coast demand for gas, following the start-up of the LNG plants on Curtis Island in Queensland, Santos has been undertaking significant infrastructure and field development works to meet our new LNG and domestic contracts. The Cooper Infrastructure and Expansion Program (CIEP) progressed on schedule and on budget in 2014, with new fuel gas lines and compression installed to meet this increasing demand profile.

Oil: In 2014, crude oil production of 3.2 mmboe was 4% higher than 2013, due to lower downtime and new wells online, more than offsetting natural field decline.

Third-party crude oil sales of 6.1 mmboe were 14% higher than in 2013, underscoring the significant role our strong infrastructure position in the Cooper Basin plays in maximising returns from our Moomba facilities.

Unconventional: Santos' program to assess the commercial viability of the Cooper Basin's

“The long-term investment in the gas export industry is providing the scale necessary to unlock more of Santos’ east coast gas resources to meet the growth in demand from Australian and Asian markets.”

James Baulderstone

Vice President

Eastern Australia

Drilling the Tanumbirini-1 exploration well, McArthur Basin, Northern Territory.



significant unconventional potential continued with the successful execution of a 1,000-metre, 10-fracture stage horizontal well with Moomba-193. This well was connected into existing infrastructure and is the first horizontal REM shale well to be connected in the Cooper Basin. This is our third successful unconventional well to be connected after the Moomba-191 and Moomba-194 wells.

Northern Territory

In the onshore McArthur Basin, the Tanumbirini-1 exploration well intersected multiple thick intervals of organic-rich shale and encountered significant gas shows across an extensive target interval.

In the southern Amadeus Basin, the drilling and evaluation of Mt Kitty-1 within EP 125 was completed with gas flows recorded from fractured granitic basement indicating the presence of a working petroleum system.

For more information, please refer to the Exploration section on p24 of this *Shareholder Review*.

Narrabri Gas Project

Construction of the double-lined ponds at the Leewood water facility outside the Pilliga was

completed during the year, and all water transferred from legacy ponds and water-handling facilities. The Wilga Park power station was brought back on line, as was the Bibblewindi East pilot. The Dewhurst 22-25 pilot was also commissioned and analysis of the 9-well appraisal program continues in the context of developing the work program for the project.

Our Environmental Impact Statement is close to finalisation. We will take the necessary time to ensure this document is of the highest standard.

The Narrabri Gas Project field development plan is being updated with new data from the 2014 appraisal program. The plan will be carried out with comprehensive community consultation and will provide significant benefits to both regional communities and the state’s economy.

Outlook

Santos’ Eastern Australia operations will benefit not only from the strong growth in demand for natural gas, but also from our significant infrastructure network, third-party processing, storage and our ability to trade and transport gas.

Western Australia and Northern Territory

The Western Australia & Northern Territory Business Unit produced 16.7 mmbob in 2014, 31% of Santos' total production.

- > Major discoveries in the Browse Basin and successful appraisal activity in the Bonaparte Basin provide momentum to drive development concepts and expansion opportunities.
- > Western Australia domestic gas assets are supportive of volume growth and higher margins.
- > The reservoir performance of the Fletcher Finucane oil field in the Carnarvon Basin has delivered above expectations.



Significant gas-condensate discovery at the Lasseter-1 exploration well in the Browse Basin.

Northern LNG

In January 2014, Darwin LNG achieved a milestone with the shipping of its 400th cargo of LNG since production began in 2006. Santos holds an 11.5% interest in the project and is the only Australian shareholder. The LNG produced is sold under long-term binding contracts to high-quality Japanese buyers. A 35-day planned statutory shutdown of the onshore plant, Bayu-Undan gas fields and associated offshore facilities was successfully completed during the third quarter, and a total of 51 cargoes were shipped during the year.

The Bayu-Undan Phase 3 project, which is a subsea tieback into the existing production platform, is now more than 70% complete. This project will deliver incremental gas and liquids recovery and higher offshore well capacity, with start-up targeted for 2Q 2015.

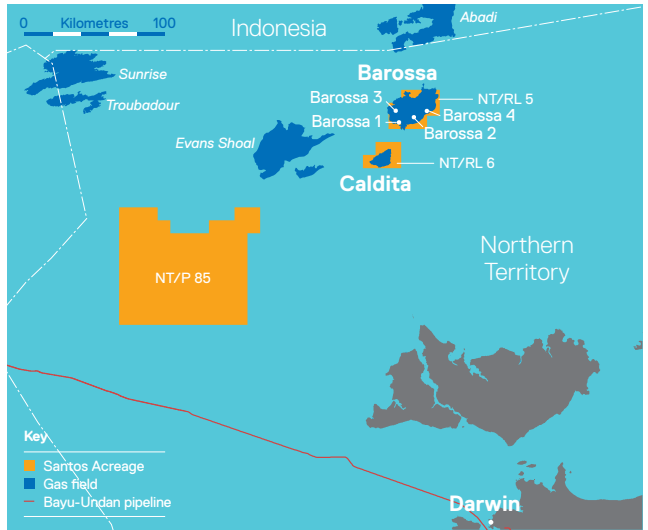
Along with its joint venture partners, Santos is exploring multiple gas supply options to back-fill and expand the Darwin LNG project.

In the Barossa field, approximately 300 kilometres north of Darwin, a three-well appraisal drilling

“Santos’ strong infrastructure position, long-life assets and discovered resource base will continue to drive higher margin outcomes, volume growth and development opportunities through partnerships and collaboration.”

Brett Woods
General Manager
Western Australia
& Northern Territory

The Barossa-3 appraisal well strengthens Santos’ resource position in the Bonaparte Basin



program is currently underway. In January 2015, Santos announced a strong result from the Barossa-3 well, strengthening our resource position in the Bonaparte Basin and ensuring the field is well-positioned to potentially supply gas for either back-fill or expansion at Darwin LNG. Santos holds a 25% interest in the joint venture.

Oil and domestic gas

Santos remains one of the largest producers of domestic gas in Western Australia, with 54.2 PJ of production in 2014. Santos produces gas through the Varanus Island and Devil Creek hubs, which are well-positioned to support future development and benefit from the increasing reliance on natural gas in the region.

In the oil business, the Business Unit produced 3.1 mmmboe in 2014, and undertook a successful well work-over campaign at the Mutineer Exeter field that came in under budget and ahead of schedule.

Browse Basin

In August 2014, Santos announced a significant gas-condensate discovery at the Lasseter-1 exploration well in the Browse Basin offshore

Western Australia. Located approximately 35 kilometres east-southeast of Santos’ Crown discovery, Lasseter and Crown are Santos’ largest operated discoveries, and have materially increased the company’s resource position in the Basin.

Outlook

In the Bonaparte Basin, drilling of the final Barossa field appraisal well commenced in early 2015, and concept and pre-Front End Engineering and Design (FEED) studies will continue to evaluate development options.

Appraisal planning and concept evaluation will continue in the Browse Basin to position the company’s discovered resource for stand alone or aggregated developments and potential synergies with adjacent discoveries to progress development.

In the Carnarvon Basin, the Mutineer Exeter oil FPSO will undergo scheduled maintenance in dry-dock during the first quarter. In the medium-term, unmet domestic demand will support development of our discovered resource base and prospectivity.

Asia Pacific

The Asia Pacific Business Unit produced 14.7 mmboe in 2014, 27% of Santos' total production.

- > PNG LNG started up ahead of schedule in April and shipped 55 LNG cargoes during the year.
- > The Peluang gas project, Indonesia and Dua oil project, Vietnam were brought online.
- > New country entry: farmed in to high impact exploration acreage offshore Malaysia.



First gas from the Peluang project, East Java, delivered ahead of schedule and under budget.

Papua New Guinea

PNG LNG production commenced ahead of schedule in April. The project was producing at full capacity by late-July and is underpinned by 20-year off-take agreements with high-quality Asian buyers.

Sanctioned in December 2009, project construction began in 2010, and took 194 million work hours to complete. The PNG LNG project includes the development of gas production and processing facilities in the Hela, Southern Highlands and Western Provinces of Papua New Guinea, with over 700 kilometres of pipelines and a two-train LNG processing and loading facility with a capacity of 6.9 million tonnes per annum located near Port Moresby.

Also in Papua New Guinea, we participated in four exploration wells including NW Koko-1 and Manta-1 in the Forelands which successfully flowed gas at 48 mmscf/d and 42 mmscf/d respectively. Interpretation of the results is ongoing.

“In 2014 the Asia Pacific Business Unit increased production by 75% year on year, successfully delivered key projects and grew through the focused addition of high impact exploration acreage.”

John Anderson

*Vice President Asia Pacific,
Western Australia
& Northern Territory*

LNG cargo loading at the PNG LNG plant, 25 kilometres north-west of Port Moresby.



Vietnam

Oil production commenced from the Dua oil project, offshore Vietnam, in July 2014. Sanctioned in August 2012, Dua is a three-well subsea tie-back to the existing Chim São facilities located in Block 12W in the Nam Con Son Basin.

Indonesia

Gas production from the Peluang gas project, offshore East Java commenced in March. Sanctioned in February 2013, Peluang is a tie-back to the existing facilities at the Maleo gas field and is located in the Madura Offshore Production Sharing Contract (PSC). The project is expected to have gross peak production of 25 million standard cubic feet per day.

The Ande Ande Lumut oil project in the north-west Natuna Basin leverages our operating experience in offshore, shallow-water developments. The platform Front End Engineering and Design (FEED) process was completed and the Floating Production Storage and Offloading (FPSO) FEED was substantially completed during the course of the year.

Malaysia

In the third quarter of 2014, Santos made a new country entry through the acquisition of a 25% interest in the Deepwater Block S PSC offshore Malaysia.

In the first quarter of 2015, we strengthened our exploration footprint in Malaysia with the acquisition of a 20% interest in the Deepwater Block R PSC.

For more information, please refer to the Exploration section on p25 of this *Shareholder Review*.

Outlook

Santos' focused Asia Pacific portfolio is underpinned by high margin, long-life projects. We seek to leverage our operational and technical expertise in the region to expand our existing country footprints and undertake select high impact exploration.

In 2015, Santos will benefit from a full year of production from PNG LNG.

Exploration

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



Strategy

Santos' exploration strategy focuses on proven basins in Australia and South-East Asia and, where possible, seeks to leverage our existing infrastructure in these basins. The strategy also targets selected frontier basins that offer low-cost entry and transformational potential.

Western Australia

Santos announced a significant gas-condensate discovery at the Lasseter-1 exploration well located in the Browse Basin. Lasseter is a material discovery that adds to our strong position in the Browse, following success at the Crown discovery in 2012. Crown and Lasseter are now our two largest operated discoveries and are located in close proximity to two LNG projects under development, as well as other material Santos exploration prospects.

Northern Territory

In the onshore McArthur Basin, the Tanumbirini-1 exploration well intersected multiple thick intervals of organic-rich shale and encountered significant gas shows across an extensive target interval. A comprehensive core acquisition program was successfully acquired with core analysis in progress. These preliminary results confirm our view that the McArthur Basin offers Santos exposure to a world-class shale resource with multiple long-term commercialisation options. The well has been cased and suspended for

future re-entry works. Santos has more than 25,000 square kilometres of acreage in the Basin.

In the southern Amadeus Basin, the drilling and evaluation of Mt Kitty-1 within EP 125 was completed with gas flows recorded from fractured granitic basement, indicating the presence of a working petroleum system. The well is currently plugged and suspended. Following acquisition and processing of regional seismic data, Santos elected to acquire an additional 1300 kilometres seismic to further delineate exploration leads.

Eastern Australia

The Cooper Basin unconventional gas exploration and commercialisation program continued as planned with several milestones and project objectives met during the year. Successful flows were recorded across tight sand, shale and coal intervals. A 1,000-metre horizontal well with 10-fracture stages was also successfully executed and two further unconventional wells were tied into the Moomba gathering network. Santos also extended its unconventional acreage position by acquiring an interest and Operatorship of PEL 570 located in a high-graded wet-gas unconventional fairway.

Conventional gas exploration drilling commenced within PEL 513 and PRL 133, targeting a wet-gas fairway in the southwest of the South Australian Cooper Basin. Three wells have been gas discoveries and four additional wells are targeting this play in 2015.

Asia

Vietnam

In early October, Santos was awarded a 40% interest in the Block 124 PSC in the Phu Khanh Basin. Block 124 covers an area of 6,006 square kilometres, and is located immediately to the south of Block 123, where Santos holds a 50% equity position and is Operator. Block 124 has a total contract term of 30 years, with an initial exploration phase commitment of 4 years with a work program of seismic and one well.

In the Block 123 PSC, a 1,200 kilometre² 3D seismic survey was acquired by the Santos-led joint venture in early 2014. Processing of the survey is currently underway.

Papua New Guinea

A three-well campaign was successfully completed in the Papua New Guinea Foreland. The NW Koko-1 and Manta-1 exploration wells flowed gas at 48 mmscf/d and 42 mmscf/d respectively. Interpretation of the results is ongoing. This program has materially increased the extent of the prospective exploration potential of the foreland.

Malaysia

In the third quarter, Santos acquired a 25% interest in the Deepwater Block S PSC, offshore Malaysia. The first of a two-well program was drilled during the fourth quarter, but failed to discover commercial quantities of hydrocarbons. The second well was spudded on 31 December and is drilling ahead.

Santos entered a second Malaysian block, acquiring a 20% interest in Deepwater Block R PSC, alongside partners JX Nippon (operator) and INPEX. The first well in this block spudded in Q1 2015 and is targeting a material oil prospect.

Outlook

Santos' exploration strategy will continue to focus on providing material organic growth options to underpin the company's ability to continue to develop hydrocarbons to market.

In 2015 we plan to drill a further two prospects offshore Malaysia and acquire select seismic to continue to build our portfolio of opportunities.



Exploration drilling in
Papua New Guinea.

Board of Directors



Kenneth Borda*

Ken has been a member of the Board since February 2007 and Chairman since May 2013.

Ken is a director of Fullerton Funds Management Company Ltd and Chairman of Aviva Ltd (Singapore) and Navigator Investment Service Ltd (Singapore).

He was Regional CEO Asia Pacific; Regional CEO Middle East and North Africa; and CEO Australia and New Zealand at Deutsche Bank until his retirement in May 2007.

Roy Franklin OBE

Roy has been a member of the Board since September 2006.

Roy is Chairman of the Keller Group plc, director of Cuadrilla Resources Holdings Ltd and a member of the Supervisory Board of OMV AG.

He was CEO of Paladin Resources plc; Group MD of Clyde Petroleum plc; and a director of Statoil ASA.



David Knox

David was appointed MD and CEO of Santos in July 2008, having been appointed Acting CEO in March 2008. He joined Santos in September 2007 as Executive Vice President Growth Businesses.

David has over 30 years' experience in the global oil and gas industry, including MD for BP Developments in Australasia from 2003 to 2007. He previously held senior positions with BP and management and engineering roles at ARCO and Shell.

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) and AB SKF (Sweden).

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.



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 Insurance Australia Group Limited, Cochlear Limited and ASX Limited.

Yasmin is a national director of the Australian Institute of Company Directors and former chair of Macquarie Specialised Asset Management Limited.

Jane Hemstrich

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

Jane is also a director of the Commonwealth Bank of Australia, Lend Lease Corp Ltd and Tabcorp Holdings Ltd.

Jane was MD Asia Pacific; and Country MD Australia at Accenture until her retirement in 2007.



Peter Coates AO*

Peter has been a member of the Board since March 2008 and was previously Chairman from December 2009 to May 2013.

Peter is also a director of Amalgamated Holdings Ltd, Chair of the Sydney North West Rail Link Advisory Board, Chairman of Sphere Minerals Ltd and a director of Glencore International plc.

He was previously Chairman of Xstrata Australia Pty Ltd; Chairman of Minara Resources Ltd; and Chief Executive of Xstrata Coal.

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 and Chairman of Sydney Desalination Plant Pty Ltd.

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



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.

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.

Full Director biographies are available on the Santos website:



www.santos.com

Committees of the Board

Audit and Risk Committee

Ms JS Hemstritch (Chair)
Mr KA Dean
Mr GJW Martin
Mr H Goh

Finance Committee

Mr GJW Martin (Chair)
Mr KC Borda
Mr KA Dean
Mr SD Sheffield

Environment, Health, Safety & Sustainability Committee

Mr RA Franklin (Chair)
Mr DJW Knox
Mr H Goh
Mr PR Coates
Ms YA Allen

People & Remuneration Committee

Mr GJW Martin (Chair)
Mr KC Borda
Mr RA Franklin
Ms JS Hemstritch

Nomination Committee

Mr KC Borda (Chair)
Mr PR Coates
Mr KA Dean

* Ken Borda will be stepping down as Chairman and resigning as a Santos Board member following our Annual General Meeting on the 30 April 2015. Peter Coates has been elected by the Board to replace Ken Borda.

Santos Leadership Team



01 David Knox

David was appointed MD and CEO of Santos in July 2008, having been appointed Acting CEO in March 2008. He joined Santos in September 2007 as Executive Vice President Growth Businesses.

David has over 30 years' experience in the global oil and gas industry, including MD for BP Developments in Australasia from 2003 to 2007. He previously held senior positions with BP and management and engineering roles at ARCO and Shell.

04 James Baulderstone

As Vice President Eastern Australia, James is responsible for Santos' exploration, production, development and commercial operations in central Australia, NSW and offshore Victoria. James joined Santos in 2007 as General Counsel and Company Secretary and has 23 years of extensive legal, commercial and business development experience. James also oversees Santos' Public Affairs team, leading the company's engagement with communities and governments.



02 Andrew Seaton

Andrew joined Santos in 2005 and was appointed Chief Financial Officer in 2010. Andrew is responsible for Santos' finance, treasury, risk, corporate development, strategy, planning, 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.

05 Trevor Brown

Trevor joined Santos in 2001 and is Vice President Queensland. Trevor is responsible for safe and efficient gas field development and delivery of optimal gas supply for the GLNG project. Trevor has over 29 years' experience in the oil and gas industry including exploration and development in the USA and South America, as well as managing onshore and offshore exploration programs in South-East Asia.



03 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 and development and operated assets. He has over 25 years of legal, commercial and business development experience in the oil and gas industry.

06 Peter Cleary

Peter joined Santos in September 2010 and is Vice President, LNG Markets and Eastern Australia Commercial. Prior to joining Santos, he was President of North West Shelf Australia LNG, the LNG marketing company for the North West Shelf Venture, and held senior management positions in Australia, Indonesia, Korea, Hong Kong, Abu Dhabi and the UK over his 30 years within the oil and gas industry.



Shareholder calendar

2015 investor calendar

2014 fourth quarter activities report	23 Jan 2015
2014 full-year results announcement	20 Feb 2015
Ex-dividend date for 2014 full-year dividend	25 Feb 2015
Record date for 2014 full-year dividend	27 Feb 2015
Payment date for 2014 full-year dividend	25 Mar 2015
Annual General Meeting	30 Apr 2015
2015 interim results announcement	21 Aug 2015
Ex-dividend date for 2015 interim dividend	26 Aug 2015
Record date for 2015 interim dividend	28 Aug 2015
Payment date for 2015 interim dividend	30 Sep 2015

2015 quarterly reports

2015 first quarter activities report	17 Apr 2015
2015 second quarter activities report	17 Jul 2015
2015 third quarter activities report	23 Oct 2015
2015 fourth quarter activities report	22 Jan 2016

*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

2014 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

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+61 3 9938 4343 (international)

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Telephone: +61 8 8116 5000

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

Electronic versions of the 2014 *Shareholder Review*, *Annual Report* and *Sustainability Report* are available on our website at **www.santos.com**

To elect to receive electronic versions of the *Shareholder Review*, *Annual Report* and *Sustainability Report*, please follow the prompts at **www.investorcentre.com/sto**