

3 April 2017

Notice of Annual General Meeting 2017

The Notice of Meeting and Proxy Form have been mailed to shareholders today. Copies of these documents follow this announcement and are available on Santos' website at <https://www.santos.com/investors/>.

The 2016 Annual Report and 2016 Shareholder Review have previously been mailed to shareholders who have elected to receive printed copies of these documents. Copies of the documents have been lodged with the ASX and are available on Santos' website at <https://www.santos.com/investors/>.

As announced to the ASX on 17 February 2017 with the Santos 2016 Full Year Results Announcement, the 2017 Annual General Meeting will be held on Thursday, 4 May 2017 at 10am (ACST) at the Adelaide Convention Centre.

Ends.

Media enquiries

Rob Malinauskas
+61 8 8116 5918/ +61 (0) 438 862 132
robert.malinauskas@santos.com

Investor enquiries

Andrew Nairn
+61 8 8116 5314 / +61 (0) 437 166 497
andrew.nairn@santos.com

Santos Limited

ABN 80 007 550 923
GPO Box 2455, Adelaide SA 5001
T +61 8 8116 5000 F +61 8 8116 5131
www.santos.com

For personal use only

Notice of Annual General Meeting

Notice is hereby given that the 2017 Annual General Meeting of members of Santos Limited (“Santos” or “the Company”) will be held in Halls J & K, Adelaide Convention Centre, North Terrace Adelaide, South Australia on Thursday 4 May 2017 at 10.00 am.



Notice of Annual General Meeting

BUSINESS

1. Financial Report

To receive and consider the Financial Report for the year ended 31 December 2016 and the reports of the Directors and the Auditor, as set out in the 2016 Annual Report.

2. To re-elect or elect Directors

- (a) Mr Peter Roland Coates retires by rotation in accordance with Rule 34(c) of the Company's Constitution and, being eligible, offers himself for re-election.
- (b) Mr Guy Michael Cowan, who was appointed a Director on 10 May 2016, retires in accordance with Rule 34(b) of the Company's Constitution and, being eligible, offers himself for election.
- (c) Mr Peter Roland Hearl, who was appointed a Director on 10 May 2016, retires in accordance with Rule 34(b) of the Company's Constitution and, being eligible, offers himself for election.

3. Remuneration Report

To consider, and if thought fit, pass the following non-binding resolution as an ordinary resolution:

"That the Remuneration Report for the year ended 31 December 2016 be adopted."

Note: The vote on this resolution is advisory only and does not bind the Directors or the Company.

4. Grant of Share Acquisition Rights to Mr Kevin Gallagher

To consider, and if thought fit, pass the following resolution as an ordinary resolution:

"That approval is given for the Company to grant to the Company's Managing Director and Chief Executive Officer, Mr Kevin Gallagher, Share Acquisition Rights under the Santos Employee Equity Incentive Plan on the terms set out in the Explanatory Notes to this Notice of Meeting."

5. Resolutions Promoted by Market Forces and Requisitioned by a Group of Shareholders

The following resolutions are **NOT SUPPORTED** by the Board:

- (a) To consider, and if thought fit, pass the following resolution as a special resolution:

"To amend the constitution to insert at the end of clause 25 'Notice of general meetings' the following new sub-clause 25(e) 'The company in general meeting may by ordinary resolution express an opinion or request information about the way in which a power of the company

partially or exclusively vested in the directors has been or should be exercised. However such a resolution must relate to an issue of material relevance to the company or the company's business and cannot either advocate action which would violate any law or relate to any personal claim or grievance. Such a resolution is advisory only and does not bind the directors or the company."

- (b) To consider, and if thought fit, pass the following resolution as an ordinary resolution:

"That in order to address our interest in the longer term success of the company, given the recognised risks and opportunities associated with climate change, we as shareholders of the company request that routine annual reporting includes further information describing: (a) Governance: the roles of the board and management in the oversight, assessment and management of climate-related risks; (b) Strategy: the climate-related risks and opportunities and asset portfolio resilience of the company's businesses, operational strategy and financial planning to various climate scenarios, including both 1.5°C and 2°C pathways; (c) Risk Management: how climate-related risks are incorporated into the

company's risk management framework; (d) Metrics and Targets: the targets used by the company to manage climate-related risks and performance against those targets; (e) Public Policy: the company's public policy positions related to climate change, including those of industry bodies of which it is a member."

Note: Item 5(b) is an "advisory resolution" and may be properly considered at the meeting only if item 5(a) is passed by special resolution. If item 5(a) is not passed, this item will not be put to the meeting.

The resolutions in Items 5(a) and 5(b) were proposed by a group of shareholders holding approximately 0.018% of the Company's ordinary shares. The Board unanimously recommends that shareholders vote against Items 5(a) and 5(b) for the reasons set out on pages 12–14. The Chairman of the meeting intends to vote undirected proxies **AGAINST** Items 5(a) and 5(b).

VOTING ENTITLEMENT

The Board has determined in accordance with the Company's Constitution and the Corporations Regulations that a person's entitlement to vote at the Annual General Meeting will be taken to be the entitlement of that person shown in the Register of Members at 6.30 pm (Adelaide time) on Tuesday 2 May 2017.

Notice of Annual General Meeting

continued

Voting restrictions apply to the Company's key management personnel and their closely related parties, which also affect proxy voting. Full details are included in the Notes Relating to Voting commencing on page 15. In particular, please note that if the Chairman of the meeting is appointed as your proxy, and you have not directed him how to vote, then by completing and returning the proxy form you will be expressly authorising the Chairman of the meeting to exercise your undirected proxy on resolutions 3 and 4 even though the resolutions are connected with the remuneration of the Company's key management personnel.

The Explanatory Notes and Notes Relating to Voting form part of this Notice of Meeting.

By Order of the Board

DAVID LIM

Company Secretary

Ground Floor
Santos Centre
60 Flinders Street
Adelaide, South Australia, 5000
24 March 2017

EXPLANATORY NOTES

1. FINANCIAL AND STATUTORY REPORTS

As required by section 317 of the *Corporations Act 2001* (Cth) ("Corporations Act"), the Financial Report and the reports of the Directors and the Auditor for the financial year ended 31 December 2016 will be laid before the meeting.

During this item of business, shareholders will be given a reasonable opportunity to ask questions and make comments about the reports and the business and management of the Company. Shareholders will also be given a reasonable opportunity to ask a representative of the Company's Auditor, Ernst & Young, questions in relation to the conduct of the audit (including the independence of the Auditor), and the accounting policies adopted by the Company.

2. RE-ELECTION AND ELECTION OF DIRECTORS

Rule 34 of the Company's Constitution specifies that at every Annual General Meeting of the Company, one third of the Directors (disregarding any fractions) who have been longest in office since the date of their last election or appointment (excluding the Managing Director and any Director not yet elected) must retire and may seek re-election. In addition, no Director may hold office without re-election beyond the third Annual General Meeting following the meeting at which the Director was last elected or re-elected.

Accordingly, Mr Peter Roland Coates and Mr Scott Douglas Sheffield will retire and may seek re-election. Mr Coates has advised the Board that he will seek re-election. Mr Sheffield will not be seeking re-election.

Mr Coates was first appointed to the Board in 2008 and has been Chairman for approximately 6 of those 9 years. As part of the ongoing Board renewal process, which has seen 4 new directors appointed since 2014, a key focus for the Board and Mr Coates is the appointment of, and smooth transition to, a Chairman successor.

The Board supports the re-election of Mr Coates for a 4th term. As the process of identifying a successor is already underway, Mr Coates does not intend to serve out the full 3 year term and intends to step down from the Board as soon as the Chairman succession process is complete.

Following a recommendation from the Nomination Committee of the Board, the Board appointed Mr Guy Michael Cowan and Mr Peter Roland Hearl as Directors on 10 May 2016. Mr Cowan and Mr Hearl are now standing for election at the first Annual General Meeting since they were appointed, in accordance with Rule 34 of the Company's Constitution.

Brief biographical details of each Director standing for re-election and election follow.



Mr Peter Roland Coates

BSc (Mining Engineering), FAICD, FAusIMM

Independent non-executive Director.
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. Chairman of Santos

Finance Limited and Chair of the Nomination Committee.

Non-executive Director of Glencore plc since its float in April 2011 until its merger with Xstrata plc in May 2013. Joined the Board of the merged company in June 2013 and worked as an Executive Director assisting with the integration of Glencore and Xstrata before resuming the position as a non-executive Director from 1 January 2014.

Non-executive Director of Event Hospitality & Entertainment Limited (formerly Amalgamated Holdings Limited) since July 2009.

Former non-executive Chairman of Xstrata Australia Pty Limited from January 2008 to August 2009, former Chairman and non-executive Director of Minara Resources Limited from May 2008 to April 2011, and former Chairman of Sphere Minerals from May 2013 to June 2016. Previously Chief Executive of Xstrata Coal, Xstrata plc's global coal business. Past Chairman of the Minerals Council of Australia, the NSW Minerals Council and the Australian Coal Association.

Made an Officer of the Order of Australia in June 2009 and was awarded the 2010 Australasian Institute of Mining and Metallurgy Medal.

RECOMMENDATION

The Board (with Mr Coates abstaining) recommends that shareholders vote **IN FAVOUR** of the re-election of Mr Coates.

Notice of Annual General Meeting

continued



Mr Guy Michael Cowan

BSc (Hons) Engineering

Independent non-executive Director since 10 May 2016. Chair of the Audit and Risk Committee and a Director of Santos Finance Limited.

Currently Chairman of Queensland Sugar Limited. Formerly a Director of UGL Limited, where he chaired the Health and Safety Committee, and Coffey International and Ludowici Limited, where he chaired the Audit and Risk Committees for both companies. Shell appointed alternative director of Woodside between 1992 and 1995.

Mr Cowan had a 23 year career with Shell International in various senior commercial and financial roles. His last two roles were as CFO and Director of Shell Oil US and CFO of Shell Nigeria. He was CFO of Fonterra Co-operative Ltd between 2005 and 2009.

RECOMMENDATION

The Board (with Mr Cowan abstaining) recommends that shareholders vote **IN FAVOUR** of the election of Mr Cowan.



Mr Peter Roland Hearl

Independent non-executive Director since 10 May 2016. Member of the Audit and Risk Committee.

Non-executive Director of Australia's largest telecommunications company, Telstra Ltd since August 2014, and serves on that company's Remuneration Committee. Also a non-executive Director of the Australian listed, global wine company, Treasury Wine Estates since 2012, where he serves on the Audit and Risk Committee.

Former non-executive Director on the board of Goodman Fielder Ltd from 2010 until that company was sold to overseas interests in 2015.

During an 18 year career in the oil industry with Esso Australia Ltd, a subsidiary of oil giant Exxon, Mr Hearl held a variety of senior marketing, operations, logistics and strategic planning positions. Mr Hearl joined PepsiCo as KFC Australia's Director of Operations in 1991 and held several Regional Vice President (Managing Director) roles before assuming the role of YUM Brands' global Chief Operating & Development Officer in 2006, based in Dallas, Texas and Louisville, Kentucky.

RECOMMENDATION

The Board (with Mr Hearl abstaining) recommends that shareholders vote **IN FAVOUR** of the election of Mr Hearl.

3. REMUNERATION REPORT

Shareholders are asked to adopt the Company's Remuneration Report. The Remuneration Report is set out on pages 31 to 49 of the 2016 Annual Report and is also available from the Company's website (www.santos.com).

The Remuneration Report:

- outlines the key developments that impacted on Santos' remuneration strategy during 2016;
- explains the Board's policies in relation to the objectives and structure of remuneration;
- highlights the links between the Company's performance and the remuneration received by Directors and key management personnel ("KMP");
- explains the components of remuneration for Directors and KMP, including relevant performance conditions; and
- sets out the remuneration details for the Directors and other KMP of the Group.

TERMS AND CONDITIONS

Performance period	4 years commencing on 1 January 2017 and ending on 31 December 2020
Date of grant	If approval is obtained, the SARs will be granted to Mr Gallagher as soon as practicable after the Annual General Meeting. In any event, they will not be granted more than 12 months after the date of the Annual General Meeting.
Performance conditions	<p>The Board has determined that the SARs to be granted to Mr Gallagher will be divided into 4 tranches, each of which will comprise 25% of the SARs.</p> <p>The performance conditions for the vesting of the SARs in each tranche are set out below.</p>

A reasonable opportunity for discussion of the Remuneration Report will be provided at the Annual General Meeting.

The shareholder vote on the Remuneration Report is advisory only and does not bind the Directors or the Company, in accordance with section 250R of the Corporations Act. Voting restrictions apply in relation to this resolution and are described in the Notes Relating to Voting commencing on page 15.

RECOMMENDATION

The Board recommends that shareholders vote **IN FAVOUR** of adopting the Remuneration Report.

4. GRANT OF SHARE ACQUISITION RIGHTS TO MR KEVIN GALLAGHER

The Company is seeking the approval of shareholders for the grant of Share Acquisition Rights ("SARs") to the Managing Director and Chief Executive Officer, Mr Kevin Gallagher, under the Santos Employee Equity Incentive Plan ("SEEIP")¹ on the terms set out below.

¹ Formerly known as the Santos Employee Share Purchase Plan which was approved by shareholders at the Annual General Meeting held on 5 May 2000.

Notice of Annual General Meeting

continued

Tranche 1: Relative TSR against ASX 100

25% of the SARs will be subject to the Company's Total Shareholder Return ("TSR") performance relative to the TSR performance of the companies comprising the ASX 100 index as at 1 January 2017.

At the end of the performance period, the TSR of the Company and the other companies in the ASX 100 will be calculated and the Company's relative TSR ranking determined.

Once the Company's relative TSR ranking is determined, the SARs will vest according to the following vesting scale.

TSR percentile ranking	% of tranche vesting
Below 51st percentile	0%
51st percentile	50%
straight line pro rata vesting in between	
76th percentile and above	100%

Tranche 2: Relative TSR against S&P GEI

25% of the SARs will be subject to the Company's TSR performance relative to the TSR performance of the companies comprising the S&P Global Energy Index as at 1 January 2017.

At the end of the performance period, the TSR of the Company and the other companies in the S&P Global Energy Index will be calculated and the Company's relative TSR ranking determined.

Once the Company's relative TSR ranking is determined, the SARs will vest according to the following vesting scale:

TSR percentile ranking	% of tranche vesting
Below 51st percentile	0%
51st percentile	50%
straight line pro rata vesting in between	
76th percentile and above	100% vesting

**Tranche 3:
Free Cash Flow
Breakeven Point**

25% of the SARs will be subject to the Company's performance in relation to the Free Cash Flow Breakeven Point ("FCFBP").

The FCFBP metric has been chosen in order to drive an operationally efficient, low cost underlying business and a disciplined approach to capital allocation. The US\$35/bbl - US\$40/bbl target, which corresponds with the historical long term average oil price, has been chosen in order to transform the underlying business into one that sustainably delivers shareholder value throughout the oil price cycle. Santos' business requires significant re-investment of capital to maintain production, and with natural field decline and the portfolio rationalisation achieved in 2016, maintaining the Company's FCFBP within the US\$35/bbl – US\$40/bbl range while ensuring sufficient capital is spent will remain a challenging target.

The metric is not impacted by movements in the oil price, rather it represents the average US\$ Brent Crude oil price over the relevant performance period at which cash inflows from operating activities would equal cash flows from investing activities.

As the aim of the condition is to measure the performance of the underlying business, the Board will have discretion to adjust the FCFBP for individually material items that may otherwise distort the measurement.

The Company's FCFBP will be calculated at the end of each year of the four year performance period and the simple average of the four annual calculations will be used as the measurement to determine whether the SARs will vest, in accordance with the following vesting scale.

FCFBP	% of tranche vesting
Above US\$40/bbl	0%
Equal to US\$40/bbl	50%
straight line pro rata vesting in between	
Equal to or below US\$35/bbl	100% vesting

Notice of Annual General Meeting

continued

Tranche 4: Return on Average Capital Employed

25% of the SARs will be subject to the Company's performance in relation to Return on Average Capital Employed ("ROACE").

ROACE is measured as underlying earnings before interest and tax divided by the simple average of the opening and closing balances of capital employed. Capital employed is represented by shareholders' equity plus net debt, as published in the Company's financial statements.

This condition has been chosen in order to drive improved returns from the business in a capital efficient manner, thereby delivering shareholder value throughout the oil price cycle. As the aim of the condition is to measure the performance of the underlying business, the Board will have discretion to adjust the ROACE for individually material items that may otherwise distort the measurement.

The Company's ROACE will be calculated in the last two years of the performance period. The simple average of the two annual calculations will be used to compare to the Company's weighted average cost of capital ("WACC") for the last two years of the performance period, in order to determine whether the SARs will vest, in accordance with the following vesting scale.

ROACE	% of tranche vesting
Below 100% of WACC	0%
Equal to 100% of WACC	50%
straight line pro rata vesting in between	
Equal to or above 120% of WACC	100% vesting

Number of SARs

The number of SARs to be granted to Mr Gallagher has been determined using the 'face value' methodology, that is, by dividing an amount equivalent to 150% of Mr Gallagher's total fixed remuneration of \$1,800,000 by the share price at the start of the performance period of 1 January 2017, being \$4.02. This is the same methodology used to calculate the number of SARs awarded to other executives of the Company as part of the Company's long-term incentive program (as 1 January 2017 was not a trading day, the closing share price on Friday 30 December 2016 will be used).

Based on the above formula, it is proposed that Mr Gallagher be granted 671,641 SARs.

The SARs will be granted at no cost to Mr Gallagher, and no amount is payable on vesting of the SARs if the performance conditions are met. Each SAR entitles Mr Gallagher to one fully paid ordinary share in the Company which, when allocated, will rank equally with shares in the same class. At Santos' election, cash to the same value can be paid as an alternative to providing shares.

SARs granted under the SEEIP do not carry any dividend or voting rights until they vest. The SARs lapse if the performance conditions are not met. There is no re-testing.

Other information

- Mr Gallagher is the only Director entitled to participate in SEEIP.
- There is no loan in relation to the SARs.
- The ASX Listing Rules require this Notice of Meeting to state the number and price of securities received by Mr Gallagher since the last shareholder approval. In accordance with the approval obtained at the 2016 Annual General Meeting, 901,321 SARs were issued to Mr Gallagher (at no cost).
- If this grant is approved, some or all of the SARs granted to Mr Gallagher may vest or lapse on cessation of employment, subject to the Board's discretion. Under the SEEIP, the Board also has discretion to vest or lapse the CEO's SARs if there is a change of control.
- If approval is given by shareholders under ASX Listing Rule 10.14, approval will not be required under ASX Listing Rule 7.1.

Voting restrictions apply in relation to this resolution and are described in the Notes Relating to Voting commencing on page 15.

Notice of Annual General Meeting

continued

RECOMMENDATION

The non-executive Directors consider the grant of SARs to Mr Gallagher to be reasonable and appropriate in all the circumstances. The non-executive Directors recommend that shareholders vote **IN FAVOUR** of resolution 4.

5. RESOLUTIONS PROMOTED BY MARKET FORCES AND REQUISITIONED BY A GROUP OF SHAREHOLDERS

5(a) Special Resolution – Amendment to Constitution

A group of shareholders holding approximately 0.018% of the Company's ordinary shares has proposed the resolution in Item 5(a) under section 249N of the Corporations Act and requested pursuant to section 249P of the Corporations Act that the statement set out in Appendix 1 to this notice be provided to shareholders.

The Board's response

The Board respects the right of shareholders to requisition the resolution. However, the Board believes the proposed resolution is not in the interests of the Company and shareholders as a whole and **recommends against** it for the following reasons:

- The power to manage the business of the Company is conferred upon the Board by the Constitution. It is important that the Board is able to make decisions as it sees fit about the business of the Company in the interests of shareholders as a whole, and be solely accountable for doing so, subject to the existing legal and governance framework. Shareholders exercising the power to “express an opinion” about how or what decisions should be made will lead to confusion

and impede the ability of Directors to manage the business of the Company in the interests of shareholders as a whole.

- The power to “express an opinion” would be capable of abuse. It would allow disparate groups of shareholders, minority or otherwise, to express opinions or request information related to their philosophical or ideological positions which may have nothing to do with advancing the interests of the Company.
- Santos already has a comprehensive investor relations engagement program which encourages and facilitates communication with and feedback from institutional and retail shareholders. The views expressed by shareholders through these channels are treated seriously and taken into account by the Board and Management.
- Santos has shown in the past that it is prepared to put a serious issue to the AGM for discussion and shareholders' views. The Narrabri resolution in 2014 was an “advisory resolution” and the Company was not obliged to put it to the AGM. However, as the issue was one of concern to shareholders and the community, it was put to the 2014 AGM.
- Shareholders already have the right to ask questions and make comments in relation to all aspects of the business of the Company under item 1 of the agenda for the meeting.
- In Santos' view, the resolution has not been proposed with an objective of promoting the best interests of shareholders, rather it is promoted by Market Forces as part of its anti-fossil fuels activist campaign. Market Forces' website clearly states that Market Forces

is an affiliate project of Friends of the Earth Australia, and that it “exists to work with others to shift finance and investment out of” companies like Santos.

RECOMMENDATION: For the reasons outlined above, the Board recommends that shareholders vote **AGAINST** resolution 5(a).

5(b) Advisory Resolution – Strategic Resilience for 2035 and Beyond

The same group of shareholders holding approximately 0.018% of the Company’s ordinary shares has proposed the resolution in item 5(b) under section 249N of the Corporations Act and requested pursuant to section 249P of the Corporations Act that the statement set out in Appendix 2 to this notice be provided to shareholders.

The Board’s response

The resolution is an “advisory resolution” and may be properly considered at the meeting only if item 5(a) is passed by special resolution. If item 5(a) is not passed, this item will not be put to the meeting.

In any event, the Board believes the proposed resolution is unnecessary and not in the interests of the Company and shareholders as a whole and **recommends against** it for the following reasons.

The Company is well placed to take advantage of the opportunities presented by the transition to a lower carbon world. It already factors in climate change related risks and opportunities into its strategic and planning processes, and reports comprehensively on relevant climate change metrics. Much of the information sought in the resolution is already available to shareholders through the Company’s website, Annual Report, Corporate Governance Statement and ASX lodged

investor materials and communications. The Company supports transparent, clear, concise, factual and balanced disclosure of all material information to shareholders and regularly reviews its reporting practices to ensure that this is achieved. Further detail is provided below.

- The Board and Senior Management oversee all material risks via a robust Risk Management Framework. The Risk Management Framework integrates risk management into its strategic assessment and planning processes and material risk identification considers all relevant risks, including climate related risks
- Santos considers a range of climate change scenarios in its strategic assessment and planning processes and factors in a carbon price in all its economic modelling
- Santos already reports annually and comprehensively on relevant climate related metrics. The Company’s sustainability reporting can be found on its website www.santos.com/sustainability/
- Santos is already playing a critical role in reducing greenhouse gas emissions through its LNG business.
 - Australia’s LNG exports are forecast to reach 85 million tonnes per year by 2020.
 - If this LNG were used to replace coal-fired power generation, it could reduce global greenhouse gas emissions by 300 million tonnes annually. That’s more than three times the total emissions reduction required to meet Australia’s commitments

Notice of Annual General Meeting

continued

under the Paris Climate Change Agreement.

- ♦ To put this in context, the carbon emission reductions from Australian LNG exports will be equivalent to 20 times those achieved through Australia's current solar and wind projects.

♦ Santos invests primarily in gas, which has a critical role to play in the future global energy mix as we seek to lower carbon emissions. Natural gas has a key role to play in the transition to a lower carbon world.

- ♦ The International Energy Agency ("IEA") released its World Energy Outlook ("WEO") 2016 in November. The goals set out in the Paris Climate Change Agreement, significantly influenced the projections in the 2016 WEO.
- ♦ According to the WEO (New Policies Scenario) global gas demand is forecast to grow by 50%. Even under the IEA 450 Scenario global gas demand grows 14% by 2040 compared to 2014.
- ♦ The WEO 2016 (New Policies Scenario) forecasts that 60% of all new power generation to 2040 will come from renewables, predominately from wind and solar, resulting in 37% of global power generation from renewables, up from 23% today

- ♦ This increase in intermittent renewable generation will require adequate availability of power plants able to dispatch electricity at short notice. The IEA notes that natural gas *"is especially advantageous to the transition if it can help smooth the integration of renewables into power systems along the way"*

- ♦ In 2015 Santos entered a Coalition promoted by the Climate Institute with other major Australian businesses (BHP Billiton, AGL, Mirvac, Wesfarmers, Westpac, Unilever and GE) supporting the Australian government's commitment to limit global warming to less than 2°C above pre-industrial levels.
- ♦ Santos is actively looking at innovative technological and business initiatives to reduce the Company's greenhouse gas emissions and increase the availability of gas in the market. Santos has entered into a partnership with Zen Energy with a view to rolling out large scale solar and battery powered plants, including at gas processing sites.

RECOMMENDATION: For the reasons outlined above, the Board recommends that shareholders vote **AGAINST** resolution 5(b).

NOTES RELATING TO VOTING

1. ENTITLEMENT TIME

The Board has determined in accordance with the Rules of the Company's Constitution and the Corporations Regulations that a person's entitlement to vote at the Annual General Meeting will be taken to be the entitlement of that person shown in the Register of Members as at 6.30 pm Adelaide time on Tuesday 2 May 2017.

2. VOTING EXCLUSIONS

Resolution 3

The Company will disregard any votes cast on resolution 3:

- by or on behalf of a member of the Company's KMP named in the Company's Remuneration Report for the year ended 31 December 2016 or their closely related parties, regardless of the capacity in which the vote is cast; or
- as a proxy by a person who is a member of the Company's KMP at the date of the meeting or their closely related parties, unless the vote is cast as proxy for a person entitled to vote on resolution 3;
- in accordance with a direction in the proxy form; or
- by the Chairman of the meeting pursuant to an express authorisation to exercise the proxy.

Resolution 4

The Company will disregard any votes cast on resolution 4:

- by or on behalf of Mr Gallagher and any of his associates, regardless of the capacity in which the vote is cast; or

- as a proxy by a person who is a member of the Company's KMP at the date of the meeting or their closely related parties,

unless the vote is cast as proxy for a person entitled to vote on resolution 4:

- in accordance with a direction in the proxy form; or
- by the Chairman of the meeting pursuant to an express authorisation to exercise the proxy.

3. VOTING ENTITLEMENT ON A POLL

On a poll, every member has one vote for every fully paid ordinary share held.

4. PROXIES

The following information is relevant if you wish to appoint a proxy to vote on your behalf on resolutions at the Annual General Meeting.

The Chairman of the Annual General Meeting acting as proxy

You may appoint the Chairman of the Annual General Meeting as your proxy. In addition, the Chairman of the meeting is deemed to be appointed where a signed proxy form is returned which does not contain the name of the proxy or where the person appointed on the form is absent.

If a member directs the Chairman how to vote on an item of business, the Chairman must vote in accordance with the direction.

For proxies without voting instructions that are exercisable by the Chairman, the Chairman intends to vote all available proxies in favour of the resolutions in items 2, 3 and 4 and against the resolutions in item 5(a) and 5(b).

Notice of Annual General Meeting

continued

In relation to each of the remuneration-related resolutions (being resolutions 3 and 4), if the Chairman of the meeting is appointed as your proxy, and you have not directed your proxy how to vote on the relevant resolution, please note that by completing and returning the proxy form accompanying this Notice you will be expressly authorising the Chairman of the meeting to exercise your undirected proxy on these resolutions even though they are connected with the remuneration of the Company's key management personnel.

Directing your proxy how to vote

If you wish to indicate how your proxy should vote, please mark the appropriate boxes on the proxy form.

If you mark the abstain box for a particular item you are directing your proxy not to vote on your behalf and your shares will not be counted in computing the required majority on a poll.

If you do not mark a voting instructions box in respect of a resolution your proxy can vote as he or she decides, subject to any voting exclusions that apply to the proxy.

Does the proxy you appoint need to be a member?

A proxy may be an individual or a body corporate, and need not be a member of the Company.

Appointing two proxies

A member entitled to attend and vote is entitled to appoint not more than two proxies. If you wish to appoint two proxies please obtain a second proxy form by telephoning the Share Registry on 1300 017 716 (within Australia) or +61 3 9938 4343 (outside Australia) or by sending a fax to 1800 783 447 (within Australia) or +61 3 9473 2555 (outside Australia). Both forms should be completed specifying the nominated percentage or number of your votes given to each proxy. Please return both proxy forms together. If the proxy forms do not specify the proportion or number of your votes, each proxy may exercise half of the votes. Where more than one proxy is appointed and both attend the meeting, neither proxy is entitled to vote on a show of hands.

Appointment of a body corporate representative as a proxy

Where a member appoints a body corporate as proxy, that body corporate will need to ensure that:

- it appoints an individual as its corporate representative to exercise its powers at the meeting, in accordance with section 250D of the Corporations Act (the "Certificate of Appointment of Corporate Representative" that can be obtained from the Share Registry can be used for this purpose); and
- the instrument appointing the corporate representative is received by the Company at its registered office by the time referred to below.

Completing the proxy form

A proxy form must be signed by the member or his/her attorney or, in the case of a corporation, executed in accordance with section 127 of the Corporations Act or signed by an authorised officer or attorney. If the proxy form is signed by an attorney or by the authorised officer of a corporation, the power of attorney or other authority (or a notarially certified copy) must accompany the form unless it has previously been provided to the Company. If the proxy form is sent electronically or by fax, any accompanying power of attorney or other authority must be certified.

Lodgement of proxy forms

Proxy forms must be received by the Company by 10.00am Adelaide time on Tuesday 2 May 2017. You may lodge your proxy form:

- electronically via www.investorvote.com.au;
- by hand delivery to Computershare Investor Services Pty Ltd, 452 Johnston Street, Abbotsford, Victoria 3067;
- by post to Computershare Investor Services Pty Ltd, GPO Box 242, Melbourne, Victoria 8060; or
- by fax to 1800 783 447 (within Australia) or +61 3 9473 2555 (outside Australia).

5. APPOINTING AN ATTORNEY TO VOTE ON YOUR BEHALF

Where a member appoints an attorney to act on his/her behalf at the meeting, such appointment must be made by a duly executed power of attorney. The power of attorney must be received by the Company at Computershare Investor Services by hand or post as set out in section 4, by the time referred to in section 4.

6. APPOINTING A CORPORATE REPRESENTATIVE

Where a member is a corporation and appoints a representative under section 250D of the Corporations Act, appropriate evidence of the appointment must be produced. A "Certificate of Appointment of Corporate Representative" can be obtained from the Share Registry. It should be completed prior to the Annual General Meeting and presented at the registration desk on the day of the meeting.

7. CUSTODIAN VOTING

For intermediary online subscribers only (custodians) please visit www.intermediaryonline.com to submit your voting intentions.

Appendix

APPENDIX 1

The shareholders who requisitioned the resolution in item 5(a) have requested, pursuant to section 249P of the Corporations Act, that the following statement accompany the resolution.

Santos is legally required to circulate the statement to shareholders. However, the Board and Company do not endorse and are not responsible for the contents of the statement or for any inaccurate or misleading statements contained in it.

Statement pursuant to Section 249P of the Corporations Act in relation to Item 5(a)

Shareholder resolutions are a healthy part of corporate democracy in many jurisdictions other than Australia. For example, in the UK shareholders can consider resolutions seeking to explicitly direct the conduct of the board. In the US, New Zealand and Canada shareholders can consider resolutions seeking to advise their board as to how it should act. As a matter of practice, typically, unless the board permits it, Australian shareholders can follow the example of none of their UK, US, New Zealand nor Canadian cousins in this respect.

A board of Directors is a steward for shareholders and accountability for the discharge of that stewardship is essential to long-term corporate prosperity.

In rare situations the appropriate course of action for shareholders dissatisfied with the conduct of board members is to seek to remove them. But in many situations such a personality-focused approach is unproductive and unwarranted. In those situations a better course of action is to formally and publicly allow shareholders the opportunity at shareholder meetings such as the AGM

to alert board members they seek more information or favour a particular approach to corporate policy.

The Constitution of Santos is not conducive to the right of shareholders to place resolutions on the agenda of a shareholder meeting.

In our view, whilst this may be to the short-term 'scrutiny avoidance' benefit of the Santos board members; it is contrary to the long-term interests of Santos, the Santos board and all Santos shareholders.

Passage of this resolution – to amend the Santos constitution – will simply put Santos in a similar position in regard shareholder resolutions as any listed company in the UK, US, Canada or New Zealand.

APPENDIX 2

The shareholders who requisitioned the resolution in item 5(b) have requested, pursuant to section 249P of the Corporations Act, that the following statement accompany the resolution.

Santos is legally required to circulate the statement to shareholders. However, the Board and Company do not endorse and are not responsible for the contents of the statement or for any inaccurate or misleading statements contained in it.

Statement pursuant to Section 249P of the Corporations Act in relation to Item 5(b)

We move this resolution with the intention to increase our company's resilience to regulatory and market changes that can be foreseen as international action is taken to limit global warming in accordance with the climate goals established by the Paris Agreement. In November 2016, the Paris Agreement entered into force, thereby

committing 195 countries to holding the increase in the global average temperature to well below 2°C above pre-industrial levels, with an ambition to pursue efforts to limit warming to 1.5°C¹.

This resolution seeks to incorporate the recommendations of the Financial Stability Board's Task Force on Climate-related Financial Disclosures ("TCFD"). In describing the transition risks posed by the Paris Agreement, the TCFD stated, "rapidly declining costs and increased deployment of clean and energy-efficient technologies could have significant, near-term financial implications for organisations dependent on extracting, producing, and using coal, oil and natural gas"².

Shareholders are concerned whether or not Santos is adequately managing the risks posed to its long-term viability by the ongoing transition in the energy sector. Capital allocation decisions made today will determine the company's long-term strategic position; hence new capital expenditure should take into account the complete spectrum of climate-related risks.

Although Santos has acknowledged the validity of climate change science, and that "globally we must reduce greenhouse gas emissions to limit the temperature rise to no more than two degrees"³, the company ignores that, according to BHP Billiton, "in the long run, emissions from the use of natural gas will also need to decline in the 2°C world"⁴.

This shareholder resolution is modelled on the recommendations of the TCFD, which have already been adopted in some way by several large institutional investors, including Aviva Investors⁵ and Swiss Re⁶. Institutional investors will soon demand further disclosure from the companies in which they are invested, and in the case of Aviva Investors, will vote against resolutions at companies where disclosure is not forthcoming. Furthermore, the impetus for greater disclosure will only develop further should financial regulators make the TCFD recommendations mandatory.

This resolution incorporates the four key issues of the TCFD recommendations, in addition to further disclosure around public policy.

(a) Governance

The company should report on the board's oversight of climate-related risks and opportunities. Governance responsibility for climate change issues currently rests with the Environment, Health, Safety and Sustainability Committee ("EHSS") yet its charter does not mention climate change. By demoting climate-related risks to simply an environmental issue, the company ignores the systemic threat that regulatory and technology risks pose to the energy sector.

The company should report on management's role in assessing and managing climate-related risks and opportunities. The company should consider whether executives are appropriately incentivised to manage

1 The Paris Agreement, UN Framework Convention on Climate Change

2 Recommendations of the Task Force on Climate-related Financial Disclosures, December 2016

3 Sustainability Report 2015, Santos Ltd

4 Climate Change: Portfolio Analysis, BHP Billiton Ltd, 2015

5 www.businessgreen.com/bg/news/3001276/aviva-aims-to-use-shareholder-power-to-drive-climate-risk-disclosure

6 www.swissre.com/media/news_releases/Swiss_Re_adopts_climate_related_financial_disclosure_recommendations.html

Appendix continued

climate-related risks. Senior executives are currently remunerated for “reserve replacement and resource add”⁷. Shareholders must be assured that such remuneration structures are tenable under various climate and policy pathways.

(b) Strategy

The company should report on the climate-related risks and opportunities the organization has identified over the short, medium and long term. The risks and opportunities identified by the company in its submission to the CDP⁸ do not sufficiently address long-term changes in policy and technology.

The company should report on the impact of climate-related risks and opportunities on its businesses, operational strategy and financial planning. The company discloses limited analysis of international climate policies, despite the export of much of its production to Asia. The Company should report on the impacts of regulatory and technology change globally.

The company should report on the potential impact of different scenarios – including both 1.5°C and 2°C scenarios – on its businesses, strategy, and financial planning. The company refers to the IEA’s World Energy Mix Scenario 2040, which will “put the world on a path consistent with a global temperature increase of over 4°C”⁹. The company should conduct multiple scenario analyses, including those based on the most aggressive policy frameworks, in addition to business as usual.

(c) Risk Management

The company should report on its processes for identifying and assessing climate-related risks.

The company should report on its processes for managing climate-related risks.

The company should report how on its processes for identifying, assessing and managing climate-related risks are integrated into its overall risk management.

Further information should be provided on how the company’s risk management processes influence capital investment decisions. In addition, such disclosures should be included in mainstream financial reporting, as per TCFD guidance¹⁰.

(d) Metrics and Targets

The company should report on the metrics used to assess climate-related risks and opportunities in line with its strategy and risk management processes. The company currently discloses no information in this regard.

The company should disclose their Scope 1, Scope 2 and Scope 3 greenhouse gas (“GHG”) emissions and the related risks. All emissions data should be incorporated into mainstream financial reporting. All GHG emissions should be reported on both aggregate and ownership basis; Scope 3 emissions should include those from sold products. Finally, as the oil and gas sector has been identified as the single largest source of methane¹¹, it should be explicitly addressed.

7 2015 Annual Report, Santos Ltd

8 CDP Climate Change 2016 Information Request, Santos Ltd

9 2015 Sustainability Report, Santos Ltd

10 Recommendations of the Task Force on Climate-related Financial Disclosures, December 2016

11 Global Methane Emissions and Mitigation Opportunities, Global Methane Initiative, December 2015

The company should report on the targets used to manage climate-related risks and opportunities, and performance against those targets. Other than its flaring intensity target, the company currently discloses no information in this regard.

(e) Public Policy

The company should report on its approach to climate-related public policies, including those of industry bodies, of which it is a member. Investors are interested in the company's public policy programme, including positions on key climate-related policy measures, especially for the next five years.

For personal use only

AGM venue location

Adelaide Convention Centre

GETTING TO THE AGM

AGM Venue

The Santos AGM will be held in Hall J & K of the Adelaide Convention Centre, North Terrace, Adelaide. We suggest, for your convenience, entering via the 'Main Entrance'.

Car Parking

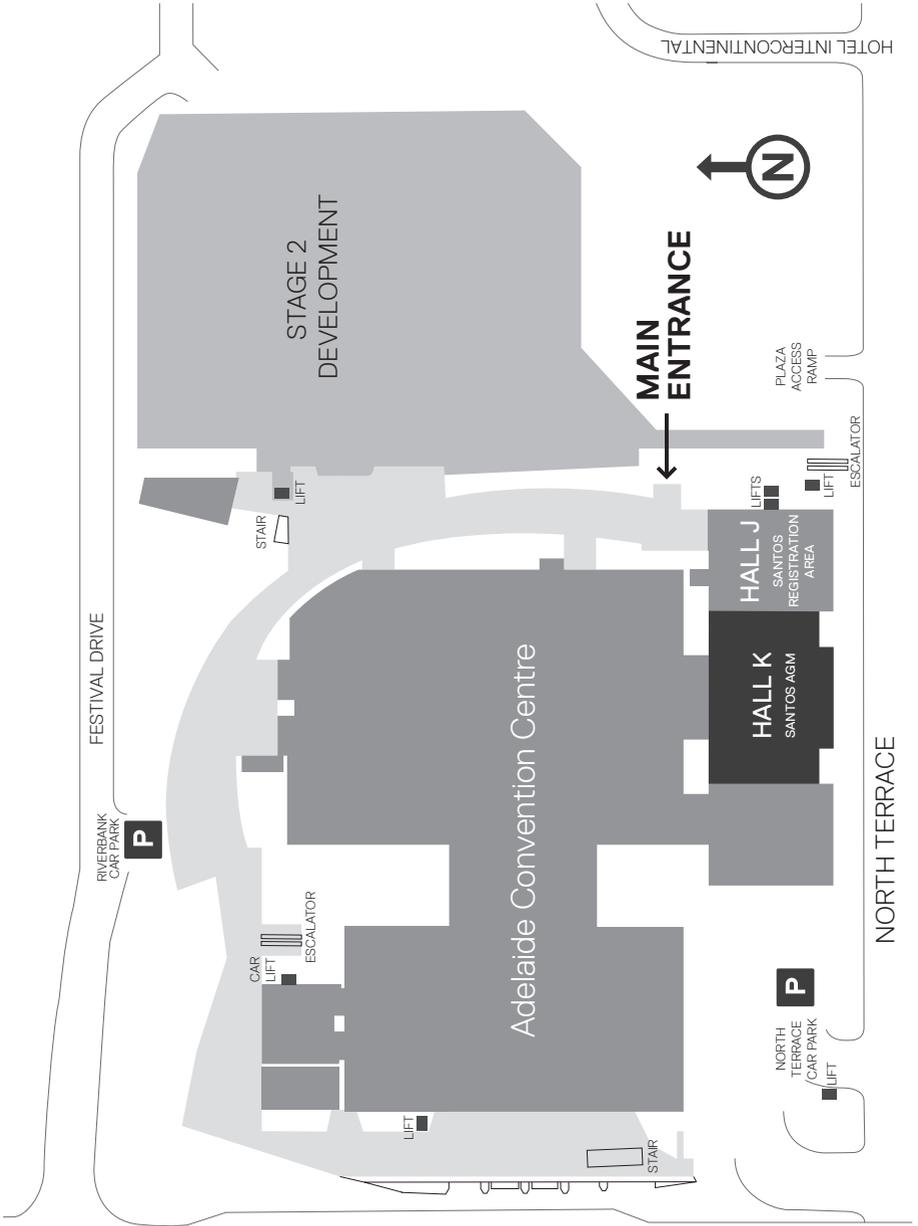
Car parking is available in the North Terrace Car Park and the Riverbank Car Park. The map on the following page shows access routes to car-parking facilities.

Public transport

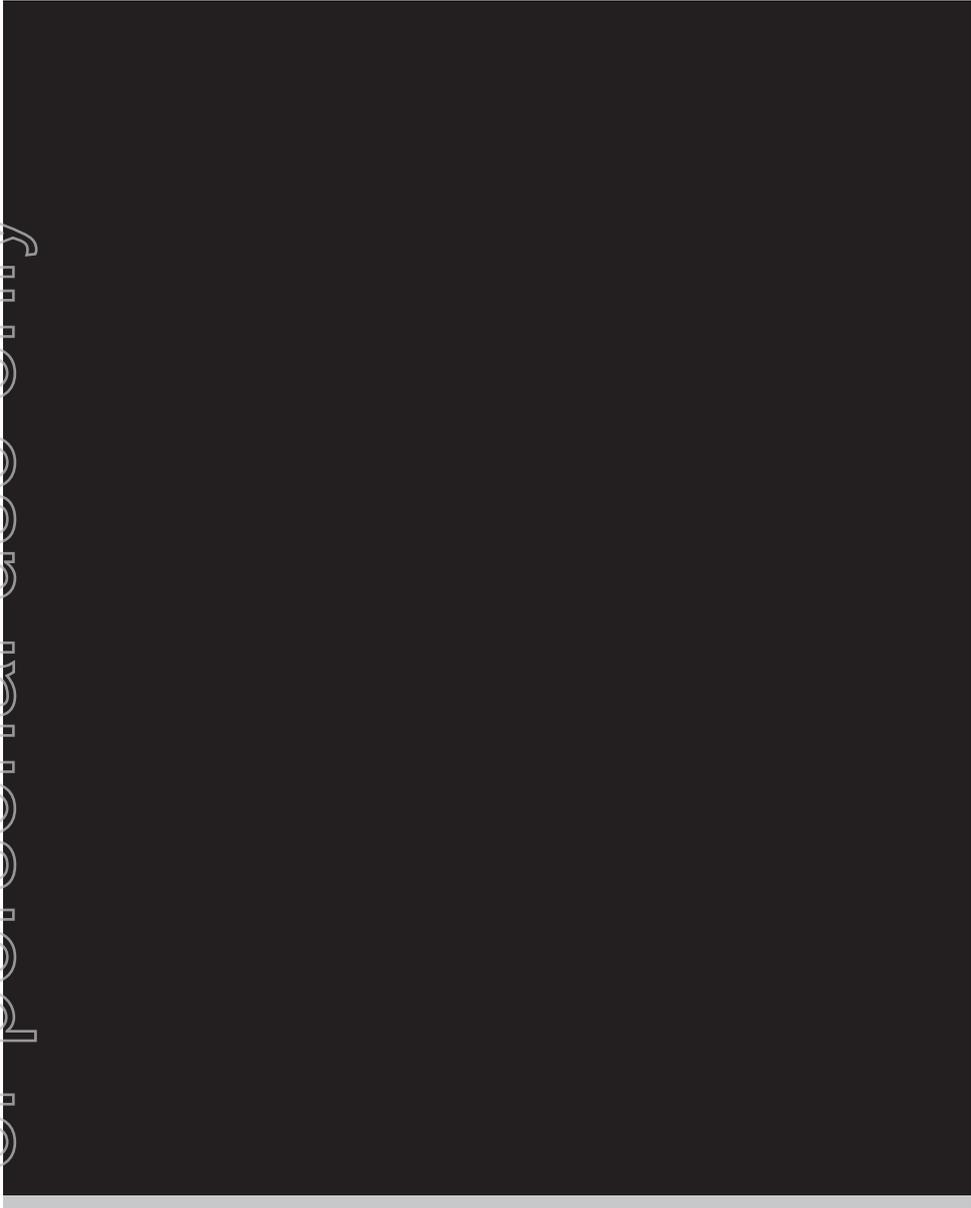
- Taxi ranks are located on Morphett Bridge and North Terrace
- The Adelaide Railway Station is located a short walk from the Adelaide Convention Centre
- Buses and Trams are available on North Terrace

For personal use only

GROUND LEVEL



For personal use only



Santos



Lodge your vote:

 **Online:**
www.investorvote.com.au

 **By Mail:**
Computershare Investor Services Pty Limited
GPO Box 242 Melbourne
Victoria 3001 Australia

Alternatively you can fax your form to
(within Australia) 1800 783 447
(outside Australia) +61 3 9473 2555

For Intermediary Online subscribers only
(custodians) www.intermediaryonline.com

For all enquiries call:

(within Australia) 1300 017 716
(outside Australia) +61 3 9938 4343

Proxy Form



Vote and view the annual report online

- Go to www.investorvote.com.au or scan the QR Code with your mobile device.
- Follow the instructions on the secure website to vote.

Your access information that you will need to vote:

PLEASE NOTE: For security reasons it is important that you keep your SRN/HIN confidential.

 **For your vote to be effective it must be received by 10:00am (Adelaide time) on Tuesday 2 May 2017**

Appointment of Proxy

Appointing the Chairman as proxy: If you wish to appoint the Chairman of the Meeting as your proxy, mark the box in Step 1. If you leave Step 1 blank, or your named proxy does not attend the meeting or does not vote on a poll in accordance with your instructions, the Chairman of the Meeting will be your proxy.

Voting 100% of your holding: Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote as they choose, subject to any voting restrictions that apply to the proxy. If you mark more than one box on an item your vote will be invalid on that item.

Voting a portion of your holding: Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

Appointing a second proxy: You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must complete two proxy forms and return them together. On each form you should specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. A second proxy form can be obtained from Computershare.

Voting restrictions for KMP: Please note that if you appoint a member of the key management personnel (KMP) of the Company or one of their closely related parties as your proxy, they cannot vote on Items 3 and 4 unless you direct them how to vote or the Chairman of the Meeting is your proxy. If the Chairman of the Meeting is your proxy and you do not mark a voting box for Items 3 and 4, then by completing and returning the proxy form you will be expressly authorising the Chairman of the Meeting to exercise your proxy in respect of the relevant Item even though the Item is connected with the remuneration of the Company's KMP.

A proxy need not be a securityholder of the Company.

The Annual General Meeting of Santos Limited will be held in Halls 'J & K', Adelaide Convention Centre, North Terrace, Adelaide, South Australia on Thursday 4 May 2017 at 10:00am (Adelaide time).

Signing Instructions for Postal Forms

Individual: Where the holding is in one name, the securityholder must sign.

Joint Holding: Where the holding is in more than one name, all of the securityholders must sign.

Power of Attorney: To sign under Power of Attorney, you must lodge the Power of Attorney with the registry by 10:00am (Adelaide time) on Tuesday 2 May 2017. If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held.

Attending the Meeting - bring this form with you to assist with registration

If a representative of a corporate securityholder or proxy is to attend the meeting you will need to provide the appropriate "Certificate of Appointment of Corporate Representative" prior to admission. A form of the certificate may be obtained from Computershare or online at www.investorcentre.com under the help tab, "Printable Forms".

Shareholders visit to Moomba

Please refer to the separate "Shareholders visit to Moomba" form included with this proxy form.

**GO ONLINE TO VOTE,
or turn over to complete the form →**

This Document is printed on Greenhouse Friendly™ ENVI Laser Carbon Neutral Paper

Change of address. If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with 'X') should advise your broker of any changes.

Proxy Form

Please mark to indicate your directions

STEP 1 Appoint a Proxy to Vote on Your Behalf

I/We being a securityholder/s of Santos Limited and entitled to vote and attend hereby appoint

the Chairman of the Meeting **OR**

PLEASE NOTE: Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the Meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, and to the extent permitted by law, as the proxy sees fit) at the Annual General Meeting of Santos Limited to be held in Halls 'J & K', Adelaide Convention Centre, North Terrace, Adelaide, South Australia on Thursday 4 May 2017 at 10:00am (Adelaide time) and at any adjournment or postponement of that Meeting.

Chairman authorised to exercise undirected proxies on remuneration related resolutions: Where I/we have appointed the Chairman of the Meeting as my/our proxy (or the Chairman becomes my/our proxy by default), by completing and returning this form I/we expressly authorise the Chairman to exercise my/our proxy on items 3 and 4 (except where I/we have indicated a different voting intention below) even though items 3 and 4 are connected directly or indirectly with the remuneration of a member of key management personnel, which includes the Chairman.

The Chairman of the Meeting intends to vote undirected proxies in favour of each Item of business with the exception of items 5(a) and 5(b) where the Chairman of the Meeting intends to vote against. If the Chairman of the Meeting is (or becomes) your proxy you can direct the Chairman of the Meeting to vote for or against or abstain from voting by marking the appropriate box in Step 2 below.

STEP 2 Items of Business

PLEASE NOTE: If you mark the **Abstain** box for an item, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

Board recommended resolutions.

The Board recommends shareholders vote **FOR** items 2(a), 2(b), 2(c), 3 and 4.

	Board Recommendation	For	Against	Abstain
Item 2(a) To re-elect Mr Peter Roland Coates as a Director	For	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 2(b) To elect Mr Guy Michael Cowan as a Director	For	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 2(c) To elect Mr Peter Roland Hearl as a Director	For	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 3 To adopt the Remuneration Report (non-binding vote)	For	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 4 Grant of Share Acquisition Rights to Mr Kevin Gallagher	For	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Non-endorsed resolutions.

The Board recommends shareholders vote **AGAINST** items 5(a) and 5(b).

	Board Recommendation	For	Against	Abstain
Item 5(a) Special Resolution - Amendment to the Constitution	Against	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 5(b) Ordinary Resolution - Strategic Resilience for 2035 and beyond	Against	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business with the exception of items 5(a) and 5(b) where the Chairman of the Meeting intends to vote against. In exceptional circumstances, the Chairman of the Meeting may change his/her voting intention on any resolution, in which case an ASX announcement will be made.

SIGN Signature of Securityholder(s) *This section must be completed.*

Individual or Securityholder 1

Sole Director and Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director/Company Secretary

Contact Name _____

Contact Daytime Telephone _____ Date ____/____/____