

Santos

Transform Build Grow



Notice of Annual General Meeting

Notice is hereby given that the 2018 Annual General Meeting of members of Santos Limited (“Santos” or “the Company”) will be held in Hall C of the Adelaide Convention Centre, North Terrace, Adelaide, South Australia on Thursday 3 May 2018 at 10.00 am.

Santos Limited ABN 80 007 550 923

Notice of Annual General Meeting

ORDINARY BUSINESS

1. Financial Report

To receive and consider the Financial Report for the year ended 31 December 2017 and the reports of the Directors and the Auditor, as set out in the 2017 Annual Report.

2. To re-elect or elect Directors

- (a) Ms Yasmin Anita Allen retires by rotation in accordance with Rule 34(c) of the Company's Constitution and, being eligible, offers herself for re-election.
- (b) Mr Eugene Shi, who was appointed a Director on 26 June 2017, retires in accordance with Rule 34(b) of the Company's Constitution and, being eligible, offers himself for election.
- (c) Dr Vanessa Ann Guthrie, who was appointed a Director on 1 July 2017, retires in accordance with Rule 34(b) of the Company's Constitution and, being eligible, offers herself for election.
- (d) Mr Keith William Spence, who was appointed a Director on 1 January 2018, 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 2017 be adopted."

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

SPECIAL BUSINESS

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. Reinsertion of the Proportional Takeover Provisions for a Further Three Years

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

"That proportional takeover provisions in the form of Rule 70 of the Constitution of the Company (as last approved by shareholders) be reinserted for a further period of three (3) years, with effect from 3 May 2018."

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

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

6(a) Special Resolution – Amendment to the Constitution

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 a matter of material risk as identified by the company and cannot either advocate action that 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.”

6(b) Ordinary Resolution – Report on Methane Emissions

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 information on the company’s strategy to accurately measure, report and reduce fugitive methane emissions. Such information should be provided in routine annual reporting from 2019.”

The resolutions in Items 6(a) and (b) were proposed by a group of shareholders holding approximately 0.015% of the Company’s ordinary shares. The Board unanimously recommends that shareholders vote against Items 6(a) and 6(b) for the reasons set out on pages 13–15. The Chairman of the meeting intends to vote undirected proxies **AGAINST** Items 6(a) and 6(b).

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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 1 May 2018.

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 pages 16–18. 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

Christian Paech

Company Secretary

Ground Floor

Santos Centre

60 Flinders Street

Adelaide, South Australia, 5000

28 March 2018

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 2017 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. 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, Ms Yasmin Anita Allen will retire and seek re-election.

Following recommendations from the Nomination Committee of the Board, the Board appointed Mr Eugene Shi as a Director on 26 June 2017, Dr Vanessa Ann Guthrie as a Director on 1 July 2017 and Mr Keith William Spence as a Director on 1 January 2018. Mr Shi, Dr Guthrie and Mr Spence 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.



Ms Yasmin Anita Allen

BCom, FAICD

Ms Allen is an independent non-executive Director. She joined the Board on 22 October 2014 and is the Chair of the People and Remuneration Committee and a member of the Audit and Risk Committee and the Nomination Committee.

Ms Allen has extensive experience in finance and investment banking, including senior roles at Deutsche Bank AG, ANZ and HSBC Group Plc, former Chair of Macquarie Global Infrastructure Funds, and former Director of EFIC (Export, Finance and Insurance Corporation). She is a Director of Cochlear Limited (since 2010), chairs its Audit Committee and is a member of the Nomination and Remuneration Committee. Ms Allen is also Director of ASX Limited (since 2015), a Director of the ASX Clearing and Settlement boards and a member of its Audit Committee.

Ms Allen is also a Director of the National Portrait Gallery and is a member of the George Institute for Global Health Board. She is Chair of Advance, was appointed a member of the Australian Government Takeovers Panel in March 2017 and is a member (and former Council member) of Chief Executive Women.

Ms Allen is a former non-executive Director of Insurance Australia Group Limited (2004 to 2015)

and a former national Director (2010 to 2016), and acting Chair (2015 to 2016), of the Australian Institute of Company Directors.

RECOMMENDATION

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



Mr Eugene Shi

MBA in International Business

Mr Shi is a non-executive Director. He joined the Board on 26 June 2017 as a nominee of a substantial shareholder, ENN. Mr Shi is a member of the People and Remuneration Committee and the Audit and Risk Committee.

Mr Shi has more than 20 years of professional experience, including five years in management consultancy and 15 years in senior management roles. His industry experience covers energy, health care, retail and finance in Europe and Asia-Pacific. His specialties include capital operation, M&A and restructuring, strategy, value management, and cost optimisation.

Mr Shi is currently the Vice President of ENN Ecological (since February 2017), and General Manager of Investment Management Dept ENN Group (since 2013). His previous roles include Department Head of Business Performance Service with KPMG China and Transformation Service with KPMG Europe.

RECOMMENDATION

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

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Dr Vanessa Ann Guthrie

Hon DSc, PhD, BSc (Hons)

Dr Guthrie is an independent non-executive Director. She joined the Board on 1 July 2017 and is a member of the Environment, Health, Safety and Sustainability Committee.

Dr Guthrie has more than 30 years' experience in the resources sector in diverse roles such as operations, environment, community and indigenous affairs, corporate development and sustainability. She has qualifications in geology, environment, law and business management including a PhD in Geology. She was awarded an Honorary Doctor of Science from Curtin University in 2017 for her contribution to sustainability, innovation and policy leadership in the resources industry.

Dr Guthrie is the former Managing Director and CEO of Toro Energy Limited (2013 to 2016) and VP Sustainable Development at Woodside Energy, and is currently Chair of the Minerals Council of Australia, Deputy Chair of the WACA, a non-executive Director of the Australian Broadcasting Corporation, Vimy Resources Limited (since 2017), Adelaide Brighton Limited (since 2018) and a Council member of Curtin University.

She is an active member of the Australian Institute of Company Directors and Chief Executive Women, and a Fellow of the Australian Academy of Technological Sciences and Engineering.

RECOMMENDATION

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



Mr Keith William Spence

BSc (First Class Honours in Geophysics), FAIM

Mr Spence is an independent non-executive Director. He joined the Board on 1 January 2018 and became Chairman on 19 February 2018.

Mr Spence has over 40 years' experience in managing and governing oil and gas operations in Australia, Papua New Guinea, the Netherlands and Africa.

A geologist and geophysicist by training, Mr Spence commenced his career as an exploration geologist with Woodside Petroleum Limited in 1977. He subsequently joined Shell (Development) Australia, where he worked for 18 years. In 1994 he was seconded to Woodside to lead the North West Shelf Exploration team. In 1998, he left Shell to join Woodside. He retired from Woodside in 2008 after a 14-year tenure in top executive positions in the company, including Chief Operating Officer and Acting Chief Executive Officer. Upon his retirement he took up several board positions, including Clough Limited, where he served as Chairman from 2010 to 2013, Geodynamics Limited, where he served as a non-executive Director from 2008 to 2016 (including as Chairman from 2010 to 2016) and Oil Search Limited, where he served as a non-executive Director from 2012 to 2017. Mr Spence is also a past Chair of the National Offshore Petroleum Safety and Environmental Management Authority Board and led the

Commonwealth Government's Carbon Storage Taskforce reporting to the Minister for Resources, Energy and Tourism.

Mr Spence is currently Chairman of Base Resources Limited (since 2015) and a non-executive Director of Independence Group NL (since 2014) and Murray and Roberts Holdings Limited (since 2015).

RECOMMENDATION

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

3. REMUNERATION REPORT

Shareholders are asked to adopt the Company's Remuneration Report. The Remuneration Report is set out on pages 34–53 of the 2017 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 2017;
- 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.

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 on page 16.

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.

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TERMS AND CONDITIONS

Performance period Four years commencing on 1 January 2018 and ending on 31 December 2021

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 The Board has determined that the SARs to be granted to Mr Gallagher will be divided into four tranches, each of which will comprise 25% of the SARs. The performance conditions for the vesting of the SARs in each tranche are set out below.

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 2018.

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 2018.

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 on its free cash flow breakeven point (FCFBP).

FCFBP is the US\$ oil price at which cash flows from operating activities equals cash flows from investing activities, as published in the Company's financial statements.

This condition has been chosen in order to drive the underlying business to be an operationally efficient low-cost producer focused on 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 FCFBP for individually material items including asset acquisitions and disposals that may otherwise distort the measurement.

The Company's FCFBP will be calculated each year and will be an average over the four-year performance period, and 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

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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 (EBIT) divided by average capital employed, being shareholders' equity plus net debt, as published in the Company's financial statements. Average capital employed is calculated as the simple average of opening and closing balances.

This condition has been chosen in order to drive the underlying business to be an operationally efficient low-cost producer focused on 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 as an average over 2019, 2020 and 2021 and compared to the Company's weighted average cost of capital (WACC) for the last three 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 \$1,890,000 by \$5.45, being the share price at the start of the performance period (the price on Friday 29 December 2017 was used as 1 January 2018 was not a trading day). This was the same face value methodology that was used to calculate the number of SARs awarded to other executives of the Company as part of the Company's long-term incentive program.

Based on the above formula, it is proposed that Mr Gallagher be granted 520,183 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. Since the last approval at the 2017 Annual General Meeting, 671,641 SARs were issued to Mr Gallagher (at no cost) in accordance with that approval.
- 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 on page 16.

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.

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5. REINSERTION OF THE PROPORTIONAL TAKEOVER PROVISIONS FOR A FURTHER THREE YEARS

The proportional takeover provisions set out in Rule 70 of the Company's Constitution were last renewed by shareholders of the Company at the 2015 Annual General Meeting for a period of three years.

The provisions prohibit the registration of transfers of shares acquired under the proportional takeover bid unless a resolution is passed by shareholders approving the bid. As provided in Rule 70, the provisions cease to have effect after three years unless renewed. Accordingly, it is appropriate to consider renewing the proportional takeover provisions by reinserting Rule 70, in the form last approved by shareholders at the 2015 Annual General Meeting.

The Corporations Act requires that the following information be provided to shareholders when they are considering the renewal of proportional takeover provisions in a constitution.

What is a proportional takeover bid, and why do we need the proportional takeover approval provisions?

A proportional takeover bid involves the bidder offering to buy a proportion only of each shareholder's shares in the Company. This means that control of the Company may pass without members having the chance to sell all their shares to the bidder. It also means the bidder may take control of the Company without paying an adequate amount for gaining control.

In order to deal with this possibility, a company may provide in its constitution that:

- in the event of a proportional takeover bid being made for shares in the Company, members are required to vote by ordinary

resolution and collectively decide whether to accept or reject the offer; and

- the majority decision of the Company's members will be binding on all individual members.

The Directors consider that members should be able to vote on whether a proportional takeover bid ought to proceed given such a bid might otherwise allow control of the Company to change without members being given the opportunity to dispose of all of their shares for a satisfactory control premium. The Directors also believe that the right to vote on a proportional takeover bid may avoid members feeling pressure to accept the bid even if they do not want it to succeed.

What is the effect of the proportional takeover approval provisions?

If a proportional takeover bid is made, the Directors must ensure that members vote on a resolution to approve the bid more than 14 days before the bid period closes.

The vote is decided on a simple majority. Each person who, as at the end of the day on which the first offer under the bid was made, held bid class securities is entitled to vote. However, the bidder and their associates are not allowed to vote.

If the resolution is not passed, transfers which would have resulted from the acceptance of a bid will not be registered and the bid will be taken to have been withdrawn. If the bid is approved (or taken to have been approved), the transfers must be registered if they comply with the Corporations Act and the Company's Constitution.

The bid will be taken to have been approved if the resolution is not voted on within the deadline specified under the Corporations Act.

The proportional takeover approval provisions do not apply to full takeover bids, and only apply for three years after the date they are renewed. The provisions may be refreshed for a further three-year period, but only by a special resolution passed by members.

Potential advantages and disadvantages

While the renewal of Rule 70 will allow the Directors to ascertain members' views on a proportional takeover bid, it does not otherwise offer any advantage or disadvantage to the Directors who remain free to make their own recommendation as to whether the bid should be accepted.

The provisions in Rule 70 ensure that all members have an opportunity to study a proportional bid proposal and vote on the bid at a general meeting. This is likely to ensure a potential bidder structures its offer in a way which is attractive to a majority of members, including appropriate pricing. Similarly, knowing the view of the majority of members may help individual members assess the likely outcome of the proportional takeover when determining whether to accept or reject the offer.

However, it is also possible that the inclusion of such provisions in the Constitution may discourage proportional takeover bids, and may reduce any speculative element in the market price of the Company's shares arising from the possibility of a takeover offer being made. The inclusion of the provisions may also be considered to constitute an unwarranted additional restriction of the ability of members to freely deal with their shares.

The Board considers that the potential advantages for members of the proportional takeover approval provisions outweigh the potential disadvantages.

As at the date on which this statement was prepared, no Director is aware of any proposal by any person to acquire, or to increase the extent of, a substantial interest in the Company.

RECOMMENDATION

The Board recommends that shareholders vote **IN FAVOUR** of the renewal of the proportional takeover provisions by reinserting Rule 70 of the Constitution of Santos Limited in the form last approved by shareholders at the 2015 Annual General Meeting.

6. RESOLUTION PROMOTED BY MARKET FORCES AND REQUISITIONED BY A GROUP OF SHAREHOLDERS

A group of shareholders holding approximately 0.015% of the Company's ordinary shares has proposed the resolutions in Items 6(a) and 6(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 1 to this Notice be provided to shareholders.

Environmental, social and governance issues are an important consideration for the Company and the Board, and critical to maintaining the Company's reputation. Santos has robust environmental, social and governance management processes in place to comply with all laws and ensure that it understands and properly addresses any adverse consequences of its operations and concerns of the communities in which it operates.

Santos adopts an approach of transparent and open disclosure to its shareholders and stakeholders regarding environmental, social and governance issues generally.

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Santos has recently published a Climate Change Report and updated its Climate Change Policy outlining its approach to climate change, including risks, opportunities and targets. This is consistent with the recommendations of the G20's Task Force on Climate-Related Financial Disclosures.

Further information on Santos' approach to managing greenhouse gas emissions, and particularly fugitive methane emissions is provided below:

- The Board and Senior Management oversee all material risks via a robust Risk Management Framework. This framework integrates risk management into its strategic assessment and planning processes which includes the identification of material 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' 2018 Climate Change Report demonstrates that Santos' natural gas-focused portfolio is economically resilient under all of the International Energy Agency's Energy Technology Perspectives 2017 scenarios.

- Santos publicly reports its audited greenhouse gas emissions. This dataset provides disclosures on scope 1, 2, 3 emissions; emissions breakdown by methane, carbon dioxide and nitrous oxide; and emissions breakdown by fuel, flare, vent, carbon dioxide removal and fugitive emissions. The latest dataset was included in Santos' 2018 Climate Change Report.
- Santos reports greenhouse gas emissions (including methane) under the *National Greenhouse and Energy Reporting Act 2007* and associated *National Greenhouse and Energy Reporting (Measurement) Determination 2008*. The Measurement

Determination is updated annually by the Federal Department of Environment and Energy to reflect updates to emission factors and improvements in emissions estimation methods.

- During 2013 and 2014, Santos participated in an 18-month study initiated by the CSIRO and the federal Department of the Environment to measure fugitive emissions associated with leakage from coal seam gas (CSG) facilities and well casings. CSIRO concluded that the range of fugitive emission leakage measured was consistent with the emission factor currently used in the National Greenhouse and Energy Reporting methodology for estimating emissions from equipment leaks.
- Santos has leak detection and repair processes in place across its operations. Santos' inspection and maintenance processes ensure potential hazards are quickly identified and managed. Santos implements and continues to develop effective technologies and practices for monitoring and reducing methane emissions and considers methane emission prevention and minimisation in project engineering and design.
- Santos is constantly looking for ways to reduce energy consumption and its carbon footprint. Every molecule of gas that is not consumed through fuel, flaring, venting or fugitives can potentially be supplied to the market, lowering emissions and providing more natural gas for customers. Santos is currently investing in heat recovery at its Moomba Plant to reduce its own fuel use.
- Santos is playing a critical role in reducing greenhouse gas emissions through its LNG business. Assuming all of Australia's forecast 85 million tonnes of LNG exports in 2020 have

replaced legacy coal-fired power generation in Asia, then Australian LNG reduces 300 million tonnes of global greenhouse gas emissions every year. To put this in context, this emission reduction is three times the size of Australia's 2030 annual emissions reduction target under the Paris Agreement.

- Santos has set an aspirational target to achieve net-zero emissions (including methane) from its operations by 2050 and will set medium-term targets during 2018.

Market Forces is an affiliate project of Friends of the Earth and its website indicates that it seeks to prevent investment in the companies it targets. This intention, being to cause harm to the Company, is clearly contrary to the best interests of the Company and its shareholders.

The Board would urge institutional and other shareholders, when considering how to vote on these resolutions, to take into account the efforts Santos already undertakes in relation to environmental, social and governance issues, including with respect to methane emissions, and the disclosure Santos has already voluntarily and proactively provided through both its Climate Change Report and the National Greenhouse and Energy Reporting Scheme.

While the Board recognises and supports the right of shareholders to make their opinions known (including at the AGM) and to requisition resolutions, the Board can only recommend in favour of resolutions that are in the best interests of the Company and its shareholders.

The Board **recommends against** the requisitioned resolutions for the following reasons:

- Shareholders already have important rights to make their opinions known to the Company and the Board, and to ask questions of and challenge the Board through the AGM.

- The Board must and does take into account the views of shareholders but it has an overriding duty to proceed at all times in what the Board considers to be the best interests of the Company as a whole. The Board is vested with the power of management but must act in accordance with its duties and is always accountable to shareholders.
- Where the Board considers it appropriate, it may put an advisory resolution to shareholders as it did in 2014 in relation to the Narrabri project. However, imposing a constitutionally mandated obligation to do so would increase the scope for requisitioned resolutions to be used by groups whose interests are not aligned with, and may be contrary to, those of the Company.

RECOMMENDATION

For the reasons outlined above, the Board recommends that shareholders vote **AGAINST** resolutions 6(a) and 6(b).

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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 1 May 2018.

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 2017 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 on resolution 4:

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

- that are cast 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 resolutions 2 to 5, and against resolutions 6(a) and 6(b).

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 096 259 (within Australia) or +61 2 8016 2832 (outside Australia) or by sending a fax to +61 2 9290 9655. 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 10.00 am Adelaide time on Tuesday 1 May 2018. You may lodge your proxy form:

- online by visiting www.votingonline.com.au/santosagm2018;
- electronically by email to santos@boardroomlimited.com.au;

Notice of Annual General Meeting

continued

- by fax to: 02 9290 9655 (within Australia) or +61 2 9290 9655 (outside Australia);
- by post to Boardroom Pty Limited, GPO Box 3993, Sydney, NSW 2001; or
- in person to Boardroom Pty Limited, Level 12, 225 George Street, Sydney, NSW 2000.

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 Boardroom Pty Limited by hand or post as set out in section 4 above, by the time referred to in section 4 above.

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.

Appendix

APPENDIX 1

The shareholders who requisitioned the resolution in item 6(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 6(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 or 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 that 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, this 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 to shareholder resolutions as any listed company in the UK, US, Canada or New Zealand.

We encourage shareholders to vote in favour of this resolution.

APPENDIX 2

The shareholders who requisitioned the resolution in item 6(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 6(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.

Appendix continued

The oil and gas sector has been identified as the single largest source of methane globally¹.

Methane (CH₄) is the primary component of natural gas, and “can be directly released to the atmosphere at each stage of gas production and transport either intentionally (via flaring or venting, equipment purging, or incomplete combustion), or unintentionally (e.g. leaks and failures)”². Methane can also enter the atmosphere via the landscape, known as migratory emissions. The emission of methane is more potent and has a higher potential to exacerbate the effects of climate change than carbon dioxide. According to the Climate Council, “the global warming potential of methane is 86 times greater than carbon dioxide over a 20-year timeframe and 28 times greater over a hundred years”³.

Financial risk

Fugitive methane emissions through leaks and failures constitute lost revenue. By minimising fugitive methane emissions, gas producers maximise the volume of gas available for sale, thus improving efficiency.

Regulatory risk

Due to methane’s global warming potential, excessive fugitive emissions jeopardise the efficiency of natural gas over more emissions intensive fuels like coal. It is widely accepted that “the methane-emission threshold at which point using gas for electricity generation provides no benefits over using coal occurs at a methane-emissions level equal to 3.2 per cent of total gas production”⁴. This threshold is further lowered in the case of LNG that is exported, due to the

energy consumed throughout the export and import process.

The Climate Council found that Australia’s coal seam gas (CSG) industry under-reports methane emissions due to⁵:

- a lack of field studies and direct measurement by the industry;
- most reporting of methane emissions uses factors derived from out-dated United States (US) industry metrics which been shown to significantly under-report emissions, particularly from the CSG industry;
- no baseline studies undertaken of methane emissions before development of large CSG deposits took place in the Bowen and Surat Basins;
- minimal studies have been done since of actual emissions over this now very large developed area.

A 2014 CSIRO pilot study into fugitive emissions from equipment and well casings measured emissions at just 43 CSG wells – less than 1 per cent of the existing CSG wells in Australia at the time⁶. The study concluded that “to fully characterise emissions, a larger sample size would be required and measurements would need to be made over an extended period to determine temporal variation”⁷. Furthermore, that “there are many other potential emissions points throughout the gas production and distribution chain that were not examined in this study”⁸. To date, there have been no further studies published on the fugitive methane emissions from Queensland’s CSG fields.

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

2 Pollution and Price: The Cost of Investing in Gas, Climate Council, April 2017

3 *ibid.*

4 A review of current and future methane emissions from Australian unconventional oil and gas production, Melbourne Energy Institute, October 2016

5 Pollution and Price: The Cost of Investing in Gas, Climate Council, April 2017

6 Field Measurements of Fugitive Emissions From Equipment and Well Casings in Australian Coal Seam Gas Production Facilities, CSIRO, June 2014

7 *ibid.*

8 *ibid.*

It is inevitable that in order to better understand and mitigate Australia's national emissions, regulators will question the dependence on emissions factors, and mandate on-site measurement and reporting of methane emissions.

Reputational risk

In November 2017, eight major oil and gas companies including BP, Shell and one of Santos' partners Total, signed a set of Guiding Principles on reducing methane emissions across the natural gas value chain⁹. These principles require the signatories to:

- 1) Continually reduce methane emissions;
- 2) Advance strong performance across gas value chains;
- 3) Improve accuracy of methane emissions data;
- 4) Advocate sound policy and regulations on methane emissions;
- 5) Increase transparency.

The endorsement of these principles by eight major oil and gas companies suggests that the cost of measurement and reporting is not prohibitive, particularly given the rapid development and decline in cost of associated technologies.

As its competitors and project partners take action to measure, disclose and reduce methane emissions, Santos must act accordingly, to maintain its reputation amongst peers and its social license to operate.

Improving disclosure

The Environmental Defense Fund identified five metrics necessary for baseline methane disclosure¹⁰:

- 1) An absolute emissions figure (*which Santos provides*);
- 2) An emissions rate (methane emissions as a percentage of gas produced or throughput);
- 3) Discussion of leak detection and repair (LDAR);
- 4) Discussion of corporate positions on methane regulations;
- 5) A quantitative methane reduction target.

Such disclosures allow investors to compare the efficiency and performance of gas producers, particularly those with unconventional gas operations, like Santos. Such data should be incorporated into mainstream financial reporting.

We encourage shareholders to vote in favour of this resolution.

⁹ <http://ccacoalition.org/en/resources/reducing-methane-emissions-across-natural-gas-value-chain-guidingprinciples>

¹⁰ The Disclosure Divide, Environmental Defense Fund, February 2018

AGM venue location

Adelaide Convention Centre

GETTING TO THE AGM

AGM venue

The Santos AGM will be held in Hall C of the Adelaide Convention Centre, North Terrace, Adelaide. We suggest, for your convenience, entering via the 'Main (East) Entrance'.

Car parking

Car parking is available in the North Terrace Car Park and the Riverbank Car Park.

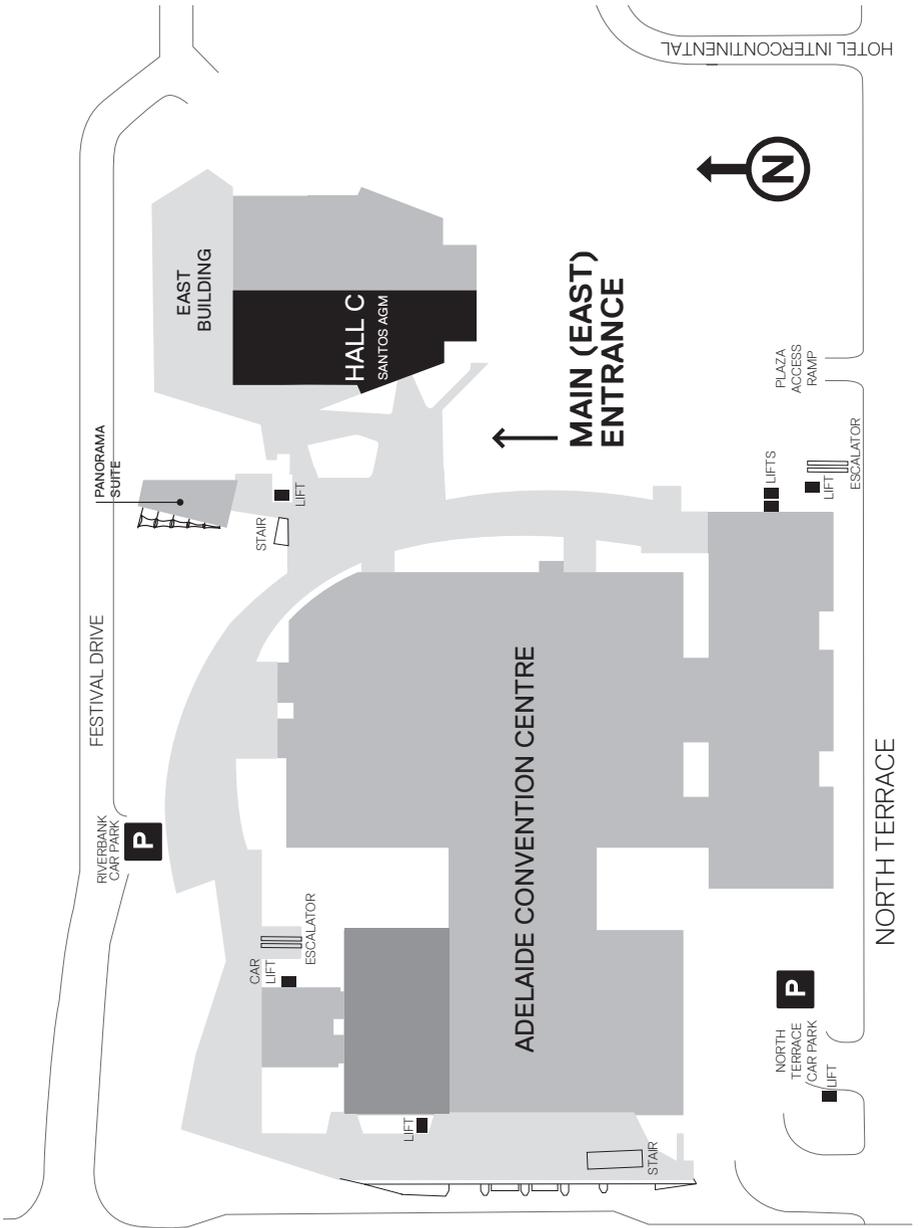
The map on the following page shows access routes to car-parking facilities.

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



All Correspondence to:

- ✉ **By Mail** Boardroom Pty Limited
GPO Box 3993
Sydney NSW 2001 Australia
- 📠 **By Fax:** +61 2 9290 9655
- 💻 **Online:** www.boardroomlimited.com.au
- ☎ **By Phone:** (within Australia) 1300 096 259
(outside Australia) +61 2 8016 2832

YOUR VOTE IS IMPORTANT

For your vote to be effective it must be received by **10:00am (Adelaide time) on Tuesday 1 May 2018.**

🖥 TO VOTE ONLINE

📱 BY SMARTPHONE

- STEP 1: VISIT** <https://www.votingonline.com.au/santosagm2018>
- STEP 2: Enter your Postcode OR Country of Residence (if outside Australia)**
- STEP 3: Enter your Voting Access Code (VAC):**



Scan QR Code using smartphone
QR Reader App

TO VOTE BY COMPLETING THE PROXY FORM

STEP 1 APPOINTMENT OF PROXY

Indicate who you want to appoint as your Proxy.

If you wish to appoint the Chair of the Meeting as your proxy, mark the box. If you wish to appoint someone other than the Chair of the Meeting as your proxy please write the full name of that individual or body corporate. If you leave this section blank, or your named proxy does not attend the meeting or does not vote on a poll in accordance with your directions, the Chair of the Meeting will be your proxy. A proxy need not be a securityholder of Santos Limited. Do not write the name of the issuer or the registered securityholder in the space.

Appointment of a Second Proxy

You are entitled to appoint up to two proxies to attend the meeting and vote. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by contacting Company's securities registry or you may copy this form.

To appoint a second proxy you must:

- complete two Proxy Forms. On each Proxy Form state the percentage of your voting rights or the number of securities applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded.
- return both forms together in the same envelope.

STEP 2 VOTING DIRECTIONS TO YOUR PROXY

To direct your proxy how to vote, mark one of the boxes opposite each item of business. All your securities will be voted in accordance with such a direction unless you indicate only a portion of securities are to be voted on any item by inserting the percentage or number that you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on a given item, your proxy may vote as he or she chooses. If you mark more than one box on an item for all your securities your vote on that item will be invalid.

Proxy which is a Body Corporate

Where a body corporate is appointed as your proxy, the representative of that body corporate attending the meeting must have provided an "Appointment of Corporate Representative" prior to admission. An Appointment of Corporate Representative form can be obtained from the company's securities registry.

STEP 3 SIGN THE FORM

The form **must** be signed as follows:

Individual: This form is to be signed by the securityholder.

Joint Holding: where the holding is in more than one name, all the securityholders should sign.

Power of Attorney: to sign under a Power of Attorney, you must have already lodged it with the registry. Alternatively, attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: this form must be signed by a Director jointly with either another Director or a Company Secretary. Where the company has a Sole Director who is also the Sole Company Secretary, this form should be signed by that person. **Please indicate the office held by signing in the appropriate place.**

STEP 4 LODGEMENT

Proxy forms (and any Power of Attorney under which it is signed) must be received no later than 48 hours before the commencement of the meeting, therefore by **10:00am (Adelaide time) on Tuesday 1 May 2018.** Any Proxy Form received after that time will not be valid for the scheduled meeting.

Proxy forms may be lodged using the enclosed Reply Paid Envelope or:

- 💻 **Online** www.votingonline.com.au/santosagm2018
- 📠 **By Fax** + 61 2 9290 9655
- ✉ **By Mail** Boardroom Pty Limited
GPO Box 3993,
Sydney NSW 2001 Australia
- 👤 **In Person** Boardroom Pty Limited
Level 12, 225 George Street,
Sydney NSW 2000 Australia

Attending the Meeting

If you wish to attend the meeting please bring this form with you to assist registration.

Your Address:

This is your address as it appears on the company's share register. If this is incorrect, please mark the box with an "X" and make the correction in the space to the left. Securityholders sponsored by a broker should advise their broker of any changes.

Please note, you cannot change ownership of your securities using this form.

PROXY FORM

STEP 1 APPOINT A PROXY

I/We being a member/s of **Santos Limited** (Company) and entitled to attend and vote hereby appoint:

the **Chair of the Meeting** (mark box)

OR if you are **NOT** appointing the Chair of the Meeting as your proxy, please write the name of the person or body corporate (excluding the registered securityholder) you are appointing as your proxy below

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chair of the Meeting as my/our proxy at the Annual General Meeting of Santos Limited to be held in **Hall C, Adelaide Convention Centre, North Terrace, Adelaide, SA on Thursday 3 May 2018 at 10:00am (Adelaide time)** and at any adjournment or postponement of that meeting, 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, as the proxy sees fit.

If I/we have appointed the Chair of the Meeting as my/our proxy or the Chair of the Meeting becomes my/our proxy by default and I/we have not directed my/our proxy how to vote in respect of Resolutions 3 or 4, by completing and returning this form I/we expressly authorise the Chair of the Meeting to exercise my/our proxy in respect of these Resolutions even though Resolutions 3 and 4 are connected with the remuneration of the Company's key management personnel.

The Chairman of the Meeting intends to vote all available undirected proxies **in favour** of Resolutions 2(a) to 5 inclusive.

The Chairman of the Meeting intends to vote all available undirected proxies **against** Resolutions 6(a) and 6(b).

If you wish to direct your proxy how to vote, you can provide a direction by marking the 'For', 'Against' or 'Abstain' box opposite that resolution.

STEP 2 VOTING DIRECTIONS

* If you mark the Abstain box for a particular item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your vote will not be counted in calculating the required majority if a poll is called.

Please note: the Chair of the Meeting intends to vote undirected proxies in accordance with the Board recommendation for each resolution:

Board Recommendation			For	Against	Abstain*
BOARD RECOMMENDED RESOLUTIONS					
The Board recommends shareholders vote FOR resolutions 2(a) to 5					
FOR	Resolution 2(a)	To re-elect Ms Yasmin Anita Allen as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
FOR	Resolution 2(b)	To elect Mr Eugene Shi as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
FOR	Resolution 2(c)	To elect Dr Vanessa Ann Guthrie as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
FOR	Resolution 2(d)	To elect Mr Keith William Spence as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
FOR	Resolution 3	Adoption of the Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
FOR	Resolution 4	Grant of Share Acquisition Rights to Mr Kevin Gallagher	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
FOR	Resolution 5	Reinsertion of the Proportional Takeover Provisions for a Further Three Years	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
NON-BOARD ENDORSED RESOLUTIONS					
The Board recommends shareholders vote AGAINST resolutions 6(a) and 6(b)					
AGAINST	Resolution 6(a)	Amendment to the Constitution (special resolution)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
AGAINST	Resolution 6(b)	Report on Methane Emissions	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

STEP 3 SIGNATURE OF SECURITYHOLDERS

This form must be signed to enable your directions to be implemented.

Individual or Securityholder 1

Securityholder 2

Securityholder 3

Sole Director and Sole Company Secretary

Director

Director / Company Secretary

Contact Name.....

Contact Daytime Telephone.....

Date / / 2018