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**Electronic lodgement**

**FOR IMMEDIATE RELEASE**

Market Announcements Office  
ASX Limited  
Exchange Centre  
20 Bridge Street  
Sydney NSW 2000

Dear Sir/Madam

**Harbour Energy proposal to acquire Santos Limited**

On behalf of Harbour Energy, please see attached announcement in relation to Santos Ltd (ASX:STO).

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Peter Cook'.

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A handwritten signature in blue ink, appearing to read 'Rachael Bassil'.

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## **HARBOUR ENERGY PROPOSAL TO ACQUIRE SANTOS LIMITED**

**Houston, Sydney, April 3 2018** – Harbour Energy, Ltd. (“**Harbour**”) today confirmed that Santos Limited (“**Santos**” or the “**Company**”) has agreed to grant Harbour access to due diligence pursuant to Harbour’s non-binding offer to acquire 100% of the fully diluted ordinary shares of Santos by way of scheme of arrangement.

The indicative offer price is US\$4.98 per share, which in Australian dollars is equivalent to A\$6.50<sup>1</sup> and represents a premium of:

- 28% to the last closing price of Santos of A\$5.07 per share on 29 March 2018; and
- 30% to the one month volume weighted average share price of Santos of A\$5.00 per share up to 29 March 2018.

The indicative offer price is comprised of the following components:

- A cash offer price of US\$4.70 per share (equivalent to A\$6.13<sup>1</sup> per share); plus
- A special dividend of US\$0.28 per share (equivalent to A\$0.37<sup>1</sup> per share) which is expected to be fully franked<sup>2</sup>.

For those shareholders able to realize the full value of expected franking credits, the special dividend would represent additional value over and above the indicative offer price of up to A\$0.16<sup>1</sup> per share.

The Harbour proposal also provides for a fixed Australian dollar offer price for the first 10,000 shares held by each individual shareholder. This price would be fixed by reference to the prevailing exchange rate at the time the companies enter into binding transaction documentation.

Harbour is providing for Santos’ existing shareholders to remain invested in Santos, should they so desire, via an option to elect to accept unlisted scrip in the new, private company, subject to a minimum 15% of shareholders electing to do so and a maximum participation of 20%. The condition related to a minimum of 15% of existing Santos shares outstanding electing to receive scrip would be fulfilled should Santos’ largest shareholder (ENN together with Hony Capital) elect to do so. Electing to remain invested in Santos would be consistent with ENN and Hony Capital’s stated intention to be long term investors and their strategic relationship with Santos.

The Santos Board has considered that, based on the indicative offer price of A\$6.50 per share, it is in the interests of shareholders to engage further with Harbour. Accordingly, the companies have entered into a confidentiality agreement and Harbour has been granted the opportunity to undertake confirmatory due diligence. The offer is subject to customary conditions including shareholder and regulatory approvals.

Harbour Energy is an established oil and gas company with a global vision. Harbour’s strategy for Santos is to utilize the Company’s core assets and organizational capabilities as a platform for growth in Australia, throughout Asia, and with respect to the global LNG sector. In support of this strategy, Harbour expects to invest further in Santos’ existing assets and to pursue the acquisition of additional natural gas and LNG-focused assets in Australia and internationally. These plans are expected to contribute to Australian domestic energy security and economic growth. As Harbour is focused on investment and expansion, successful execution of our strategy does not rely on staff reductions. Furthermore, there is no intention to relocate the Santos headquarters from Adelaide.

Chief Executive Officer of Harbour Energy, Linda Z. Cook, said, “Santos has a leading natural gas business in Australia and interests in three operating LNG projects – two in Australia and one in Papua New Guinea – along with an established operating capability and a proven, experienced management team. All of these components

<sup>1</sup> Based on an AUD/USD exchange rate of 0.7662 as referenced in the Harbour Proposal

<sup>2</sup> Subject to receipt of a favourable tax ruling from the Australian Taxation Office

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are valuable assets and important to the execution of our vision and strategy. We are pleased with the decision of the Santos Board to engage further and look forward to progressing this transaction towards completion.”

Harbour’s proposal is fully funded with committed debt and equity capital from leading global financial institutions and institutional investors. Included within this group is a material equity contribution from Mercuria Energy Group (“**Mercuria**”). Headquartered in Europe, Mercuria is one of the world’s largest integrated energy and commodity trading companies. J.P. Morgan and Morgan Stanley have provided an underwritten debt financing package of US\$7.75 billion. These financial institutions are amongst the world’s preeminent providers of debt capital, including specifically to the energy and resources sectors.

Linda Cook said, “With the support of these providers of capital, Harbour stands ready to move expeditiously towards entering into a Scheme Implementation Agreement and to commencing all necessary government and regulatory review processes.”

R. Blair Thomas, Chairman of Harbour and CEO of EIG added, “Global energy markets are changing rapidly as we move to a lower carbon energy mix and we believe natural gas is one of the primary sources of energy for the future. Harbour has a vision to be a leading global player in natural gas and LNG and the action we are announcing today is an important step in realizing that vision. If successful, we and our investors will be focused on further growth.”

#### **Advisers**

Harbour’s financial advisors are J.P. Morgan, Highbury Partnership, Morgan Stanley and EIG Capital Markets; legal advisors are Gilbert + Tobin and Davis Polk & Wardwell.

#### **About Harbour Energy**

Harbour is a global oil & gas company founded by EIG Global Energy Partners (“EIG”). Different from typical private equity backed companies, Harbour is funded with permanent capital and has the objective to build a global portfolio of successful, growing, long term oil & gas businesses. Harbour’s first transaction – the acquisition of a US\$3.0 billion package of producing assets in the U.K. North Sea – was completed in 2017. EIG specialises in private investments in energy and energy-related infrastructure. EIG has invested over US\$25.3 billion in more than 320 portfolio investments across 36 countries on six continents.

Harbour has a world class executive team led by Linda Z. Cook, one of the most experienced and highly credentialed executives in the global energy industry. Prior to joining Harbour as Managing Director and Chief Executive Officer, Ms Cook was a 29-year veteran of Royal Dutch Shell plc where in her last role she was a member of the Board of Directors and Executive Committee. During her time at Shell, Ms Cook was for many years responsible for its global natural gas and LNG businesses and had oversight for all activities in the Asia Pacific region and Australasia.

Further information on Harbour can be found at [www.harbourenergy.com](http://www.harbourenergy.com).

Further information on EIG can be found at [www.eigpartners.com](http://www.eigpartners.com)

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*no obligation to update or supplement forward-looking statements that become untrue because of subsequent events or circumstances. As a result, investors should not rely on such forward-looking statements.*

*This press release is not an offer of securities for sale in the United States. Any securities referenced herein may not be offered or sold in the United States absent registration or an exemption from registration. No public offering of the securities is intended to be made into the United States, but any public offering of the securities in the United States would be made via a prospectus that may be obtained from the issuer and will contain detailed information about the Company and management, as well as financial statements.*

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