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TO: ASX Market Announcements
FROM: Company Secretary
SUBJECT: **2019 Annual General Meeting**

Please find attached the Chairman's and Managing Director and Chief Executive Officer's addresses to the 2019 Annual General Meeting held in Adelaide today.

Christian Paech
Company Secretary

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Chairman's Address

Good morning ladies and gentlemen, fellow shareholders.

Welcome to the 2019 Annual General Meeting of Santos Limited.

My name is Keith Spence.

Before we commence the business of the meeting, please familiarise yourselves with the evacuation procedures shown on the screen above.

I confirm that a quorum is present and now formally declare the meeting open.

I begin by acknowledging that we are meeting on the traditional country of the Kurna people of the Adelaide Plains and I pay my respects to elders past, present and emerging. Santos operates across the ancestral lands of many different Aboriginal peoples and I also acknowledge those many Aboriginal groups and their involvement in our industry.

I hope you enjoyed our video, which shows just how important Santos – and the clean energy we supply – is to the lives of so many Australian businesses and workers.

While we are always working to advance the financial interest of shareholders, our business depends on our relationships with our customers and our communities.

The long-term sustainability of our company is vitally important and a key focus of the Board – whether in the context of reducing our carbon emissions, our coexistence with other land and marine users, our care for the environment and our communities, or our service to our customers.

This ensures we maintain access to the resources we need to achieve our purpose: that is, to provide sustainable returns to shareholders by supplying affordable, reliable and cleaner energy to improve the lives of people in Australia and Asia.

Let me commence our business for today with some introductions.

I'm delighted to be attending my second Santos AGM after a year in which the value of our company has grown significantly and we've been able to start paying sustainable dividends to shareholders.

Members of the Santos Board joining us here today are, from my far right, non-executive directors Vanessa Guthrie and Hock Goh.

Next to me is Christian Paech, our Company Secretary.

From my far left are non-executive directors, Guy Cowan, Peter Hearl and Yasmin Allen.

Eugene Shi is not in attendance today and, as previously advised, will retire from the Board at the conclusion of the AGM.

The Board has benefited from Eugene's contribution since his appointment in June 2017 and we have appreciated his insights.

Mr Guan Yu will be appointed as a new Director of the company, effective 3 May 2019, to replace Eugene as ENN's nominee on the Santos Board.

Mr Yu will seek election by shareholders at the 2020 AGM.

I note that Guan is present today, and on behalf of the Board, I welcome him to our 2019 AGM.

Seated immediately to my left is our Managing Director and Chief Executive Officer, Kevin Gallagher.

Also present today is Russell Curtin, representing our auditor Ernst & Young.

The Notice of Meeting has been distributed to shareholders.

I will commence our business today with my report to you, covering our results in 2018 and our priorities for 2019.

Please note that the values referred to are US dollars unless otherwise stated.

On behalf of the Board, I would like to acknowledge the tremendous work of all Santos' people, led by our Managing Director and CEO Kevin Gallagher, to achieve 2018's record financial results.

In just a few short years Santos' balance sheet has not only been repaired but strengthened, allowing the Board to restore sustainable dividends to you.

In February the Board declared a final dividend of 6.2 US cents per share fully franked, which, together with the interim, means we returned a full year dividend of 9.7 US cents – or around 13 Australian cents – per share, to our shareholders.

This is consistent with the sustainable dividend policy we announced last year to pay in the range of 10 to 30 per cent of free cash flow generated per annum.

2018 was an excellent year for Santos with records across the board.

Kevin will go into this in detail, talking about the operational performance and financial results, but the headlines are worthy of emphasis:

- Record free cash flow
- Record underlying net profit
- Record EBITDAX
- Record sales revenue
- And importantly, proven and probable reserves grew by 20 per cent to more than one billion barrels of oil equivalent.

Contingent resources also grew by 13 per cent to just under two billion barrels of oil equivalent.

Our generation of more than a billion dollars in free cash flow puts us in an excellent position to pay down debt and to fund sustaining capital, growth and exploration projects, and to pay dividends to shareholders.

The significant increase in our reserves base means that Santos is now well positioned to meet its target of producing more than 100 million barrels of oil equivalent per year by 2025.

These results demonstrate the turnaround of Santos, started just over three years ago, has been delivered as promised.

We've been able to achieve these results because we haven't deviated from our strategy to transform, build and grow our business around five core, long life natural gas assets in Australia and Papua New Guinea.

The significant progress made so far to transform the business has put us in a strong position to now build and grow, and we took giant steps in that direction in 2018.

The most significant step was the acquisition of Quadrant Energy with its high quality offshore oil and gas producing assets in the prolific Carnarvon Basin in Western Australia.

This acquisition has also given us a leading position in the highly prospective Bedout Basin offshore northwestern Australia, including the recent significant Dorado oil discovery, which we are now appraising with two wells.

Kevin will have more to say about the Quadrant acquisition in his address.

When I addressed you this time last year, our Barossa project offshore northern Australia had just entered Front End Engineering and Design.

This year we're on track for an early 2020 Final Investment Decision, with Barossa clearly in the lead position to backfill Darwin LNG. Santos is currently marketing its Barossa equity gas in Asia where there is a great deal of interest in these volumes.

Last year, I reported that discussions were under way to farm-in to P'nyang to increase upstream alignment in PNG and participate in PNG LNG expansion.

These agreements are expected to be completed this year.

GLNG production was ramping up to deliver 6 million tonnes of LNG sales by the end of 2019.

Last year we drilled a record 305 GLNG wells and we will drill another 350-400 GLNG wells in 2019. We remain on track to achieve our target of 6 million tonnes of LNG sales by year end.

I reported last year that production in the Cooper Basin had started to grow again.

In 2018 we drilled 85 wells – the most since 2014. Twenty-five of these were exploration wells. This year we expect to drill around 100 wells. We're focusing on exploration and appraisal to grow resources and reserves, and we've had recent success at Moomba South with seven new production wells now on line.

I reported to you that we were at an advanced stage of our Narrabri Gas Project approvals process.

Following our Response to Submissions on the Narrabri EIS in April last year, the Department made a further information request in July, to which Santos has now responded, using the best science available. We anticipate a decision of the NSW Independent Planning Commission on development consent later this year.

Narrabri is a domestic gas project that would add much-needed supply into the east coast market.

In 2018, we released our inaugural Climate Change Report, aspiring to net zero emissions by 2050.

This year our second Climate Change Report has set medium term targets.

The first target is to increase our LNG exports to 4.5 million tonnes by 2025. Increasing LNG exports is the best thing we can do to reduce global emissions by displacing coal and dirty fuels in Asia. For every tonne of carbon dioxide emitted during LNG production in Australia, it saves between 3 and 10 tonnes of emissions when it is used for power generation in Asia.

We also set a target to reduce our own production emissions in the Cooper Basin and Queensland by 5 per cent by 2025. And importantly, we are investing A\$10 million this year to test the potential for carbon capture, utilisation and storage in the Cooper Basin – Kevin will say more about this later.

Last year, we were looking forward to getting back to exploration and appraisal of the Northern Territory's onshore shale gas province in 2019.

I'm very pleased to say that the Northern Territory Government, in accordance with the recommendations of their Scientific Inquiry into Hydraulic Fracturing, has implemented a new regulatory regime for exploration to ensure there will be no harm to the environment or water resources. The approvals process is currently on track to enable the drilling of two exploration wells in the McArthur Basin this year.

The unrelenting focus of Kevin and his team on our strategy to transform, build and grow around our core assets, together with our disciplined low cost operating model has positioned the company well to take advantage of exciting future growth opportunities ahead of us, and to breathe new life into assets such as the Cooper Basin.

Our priority is to continue to pursue this strategy in a way that ensures the long-term sustainability of the business.

Our free cash flow position is strong, oil prices are strong and LNG demand in Asia is strong, driven by the desire to improve both living standards and the environment.

We continue to face external challenges, none greater than the need for us to address the long-term sustainability of our industry in the context of global climate change.

Kevin and I will have more to say about this later in the meeting.

Here in Australia, the east coast domestic gas market continues to be a challenge with tight supply arising from restricted access to gas resources in some states. Prices are also higher than customers have faced in the past, reflecting increased cost of supply as new, more expensive production areas are developed.

As Australia's lowest cost onshore gas developer, Santos has been at the forefront of driving the cost of supply down, which is important to place downward pressure on gas prices.

The Australian Domestic Gas Security Mechanism has been extended for a further two years, but Santos is not relying on governments to solve this problem.

Last year, Santos supplied 13 per cent of total domestic gas demand on the east coast, up from eight per cent in 2017. Our vision is to be the leading domestic gas supplier in Australia.

We've worked very hard with our customers – some of whom you saw in our opening video – to build stronger relationships and a shared understanding of the challenges we all face as we

strive to remain competitive in the international market and play our part in building a better future for Australia.

As demonstrated in our opening video, the natural gas produced around Australia sustains hundreds of thousands of secure, skilled, well paid jobs.

Direct jobs, jobs with service providers, suppliers, manufacturers, small businesses in regional towns, jobs for Indigenous people and our young people.

All of these jobs and business opportunities depend on a thriving natural gas industry and the success of companies like ours.

So I'm pleased to report that Santos is in great shape, with an investment grade balance sheet and strong cash flow to not only pay down debt, but to focus more on returning value to shareholders, and building and growing the business in a responsible and sustainable way.

I'd like to thank you, our loyal shareholders, who I hope can see their patience being rewarded by a company that truly lives its purpose: that is, to provide sustainable returns to shareholders by supplying affordable, reliable and cleaner energy to improve the lives of people in Australia and Asia.

I'll now hand over to Kevin to give you his review of operations and more details about our financial results and plans for the coming year.

Thank you.

Managing Director and CEO's Address

Thank you Keith and good morning everyone.

This is my fourth AGM as Managing Director and CEO of Santos and I am delighted to report on our strong operational performance and record 2018 financial results.

The Santos team has done an outstanding job transforming Santos into a high performance business with a disciplined, low cost operating model.

I am pleased that operating performance is driving record financial results and is now delivering shareholder value in the form of sustainable dividends.

Today we've a very different business from the one I presented to you three years ago.

Back then, we were losing two million dollars every day.

Last year we generated over one billion US dollars in free cash flow for the year – more than \$2.7 million each and every day.

We are using our cash:

- To build and grow our assets.
- To maintain capital discipline and repay debt ahead of schedule.
- And to pay sustainable dividends to you, our shareholders.

Before taking you through our financial and operational highlights, I want to say a few things about safety.

Santos is now established as a safe, low cost operator.

And I am pleased to see our safety performance improving back in line with 2014 levels but with significantly higher activity levels.

The Executive team is focussed on continuing to improve safety and environmental performance across the board – with personal improvement targets built into all of management's scorecards.

Our focus on process safety – preventing loss of containment – continues to deliver excellent results and remains a key element of our safety strategy.

I am very pleased that the focus on our strategy – to transform, build and grow Santos around our five core, long-life natural gas assets in Australia and Papua New Guinea – has delivered excellent results.

Behind the records Keith mentioned are some very impressive numbers:

- A 129 per cent increase in underlying net profit after tax to a record \$727 million.
- A 51 per cent rise in EBITDAX to a record \$2.2 billion.
- And an 18 per cent increase in sales revenue to a record \$3.7 billion.
- Underlying production costs down 6 per cent to \$7.62 per barrel of oil equivalent, confirming Santos as Australia's lowest cost onshore developer.
- And my favourite, a 63 per cent increase in free cash flow to a record of more than \$1 billion.

As you have heard me say many times – cash is king.

Having made the difficult decision to suspend dividends in 2016, I am exceptionally pleased that our strong free cash flow generation has allowed us to fix our balance sheet and the Board to recommence the payment of sustainable dividends to shareholders.

In our business, long-term sustainability also depends on a robust reserves and resource pipeline for future production growth.

Santos' proven and probable reserves increased by 20 per cent to over one billion barrels of oil equivalent after production.

That's a reserves replacement ratio of 395 per cent, including the Quadrant acquisition.

We also ended the year with 1.8 billion barrels of contingent resources.

This is very important to help achieve our production target of more than 100 million barrels of oil equivalent by 2025, almost double our 2018 production level.

We also concluded the sale of our non-core Asian assets, allowing us to focus on cash flow generation from our five core long life natural gas assets in Australia and PNG.

Assets that are also opportunity rich and poised for growth.

All of our core assets generate free cash flow at an oil price below \$40 per barrel.

Our forecast free cash flow breakeven for 2019 is below \$35 per barrel.

Generating free cash at \$35 oil price allows us to sustain our assets, pay down debt, explore exciting new growth opportunities that leverage our existing infrastructure, replace reserves and resources, and return sustainable dividends to shareholders throughout the oil price cycle.

By maintaining our discipline, Santos can take advantage of higher oil prices – when they come – to generate very significant cash flows.

For every \$10 that the oil price is above our free cash flow breakeven, Santos will generate free cash of around \$300 to \$350 million per annum.

Our focus on cost and efficiency to drive free cash meant that we reached our net debt reduction target of \$2 billion more than a year ahead of plan.

By prioritising debt repayment we have strengthened the balance sheet and provided flexibility for Santos to use its balance sheet for growth, when capital is required.

Growth like buying Quadrant Energy – an acquisition which could not have been more aligned with our strategy and was a highlight of 2018.

Quadrant materially strengthens and balances our portfolio by adding high margin, conventional natural gas assets in Western Australia, backed by inflation-linked offtake contracts.

These contracts provide strong and stable cash flows that balance Santos' existing oil-linked revenue streams and mitigate the impact of oil price volatility.

The acquisition of Quadrant significantly increases the scale of Santos' Western Australian business with production up by 168 per cent to almost 29 million barrels of oil equivalent.

It adds operatorship, 100 per cent ownership of Varanus Island and Devil Creek domestic gas hubs and, importantly, adds significant growth opportunities to our Western Australian business.

We now have a leading position in the highly prospective Bedout Basin offshore northwestern Australia – as well as significant near term development opportunities in the Carnarvon Basin.

In January we completed the successful Van Gogh infill program which will increase production from the field through the Ningaloo Vision, and we have just completed the successful appraisal of the Corvus field.

Corvus-2 intersected one of the largest hydrocarbon columns ever discovered across the North West Shelf, realising a higher liquids content and significantly bigger resource volume than expected.

Corvus could be tied back to either our Devil Creek or Varanus Island gas plants, where it has the potential to increase the utilisation of our existing facilities as well as provide backfill and extend production well into the 2030s.

With the rig now on location at Dorado-2, drilling has commenced on the first of two appraisal wells to evaluate last year's significant Dorado oil discovery in the Bedout Basin ahead of a front end engineering and design decision next year.

Dorado is a key part of our plan to increase production to over 100 million barrels of oil equivalent by 2025.

With high equity interests in these fields, we have the opportunity to create value through strategic partnering and ongoing portfolio optimisation.

In northern Australia, Darwin LNG plant performance was again strong with LNG production up on 2017 despite a planned shutdown.

The three-well Bayu Undan infill program was delivered 40 per cent under budget and the final well was brought online more than three months ahead of schedule, with higher liquids production.

We continue to make good progress on Barossa as the lead candidate to backfill Darwin LNG and expect to award the EPC contract for the subsea production system in the near future.

A Production Licence application for the project has been made ahead of a final investment decision next year and successful development would extend the operating life of Darwin LNG for more than 20 years.

This would more than double Santos' production in northern Australia.

In PNG, despite the extended outage caused by the earthquake last year, LNG production was restored earlier than expected.

Plant upgrades resulted in record daily production rates equivalent to 9.2 million tonnes per annum in the second half last year and this strong performance continued in the first quarter this year.

PNG LNG expansion opportunities continue to be progressed with a proposal for Santos to farm-in to P'nyang under negotiation.

We continue to work with our operator and joint venture partners to achieve alignment on LNG expansion plans.

Following the success of the Barikewa-3 appraisal well, the Muruk-2 result this year confirmed the field is a significant gas discovery with the potential to support PNG LNG backfill or expansion.

Moving to Queensland, we are on track to meet our GLNG sales target as we ramp up to 6 million tonnes of LNG sales per annum by the end of this year.

We made excellent progress with the upstream:

- Delivering the Scotia project a year ahead of schedule and 16 per cent under budget.
- Sanctioning the 480-well Roma East field development where first gas has already been delivered.
- Sanctioning the 148-well Arcadia development with the first wells coming on line in the first quarter of this year.

Pleasingly, our Roma field achieved a production milestone of 100 TJ per day earlier this week.

I am also pleased to say that our eastern Queensland fields are increasingly freeing up more Cooper Basin gas for the domestic market.

GLNG still has a lot of potential and we are working with our partners to access and utilise spare capacity as supply volumes become available.

Importantly we are also focused on serving the domestic gas market, securing domestic-gas-only acreage near Roma in our first joint venture with Shell.

Exploration will target deep, conventional sandstone reservoirs and I am very pleased that Santos will be the operator to develop these blocks exclusively for the domestic market because low cost supply is the best way to deliver competitive gas prices for customers.

Moving to the Cooper Basin, we have another great story to tell.

Production costs per barrel were down 12 per cent.

Production growth was up 8 per cent.

And completed wells costs are now down 54 per cent since 2015.

Being able to drill more wells for less money allowed us to put a fourth rig in the Cooper Basin and focus on growing reserves and resources – and of course, growing production in 2019.

Back in 2016, we drilled just 40 wells for reserves replacement of only 5 per cent.

Compare this to last year, when 85 wells delivered 72 per cent reserves replacement.

The successful Moomba South appraisal program also proved deeper exploration plays and is the first of several project appraisal programs focused on converting resources to reserves.

In the Cooper, we have resources of almost 300 million barrels of oil equivalent, more than double our booked proven and probable reserves.

Assuming even a conservative conversion rate, we have more than 20 years of field life ahead of us, and this is before our significant prospective resource position is taken into account.

As I have stated repeatedly, Australia has no shortage of natural gas resources.

Unlocking the wealth of those resources for future generations of Australians – is our challenge.

Throughout 2018, Santos participated in the Northern Territory Government's process to implement the recommendations of its Scientific Inquiry into Hydraulic Fracturing.

With the new regulatory regime for exploration now in place, applications to enable the drilling of two new exploration wells in the McArthur Basin later this year have been submitted.

The McArthur Basin is the largest and most promising shale gas opportunity in Australia – and the Northern Territory desperately needs the economic opportunity that would come with its development.

With no less than 14 scientific inquiries confirming this can happen safely and without harm to the environment or water resources, the imperative of unlocking economic opportunity for Territorians, combined with growing demand for cleaner, reliable and affordable energy in both Australia and Asia – speaks for itself.

As you heard in the video, manufacturers on the east coast are also crying out for more gas supply.

In Sydney and throughout regional NSW customers understand the benefits of a local, reliable, competitively-priced natural gas source just a few hundred kilometres away in Narrabri.

The Narrabri Gas Project could supply up to half NSW gas needs and underpin nearly 300,000 existing jobs in New South Wales that rely on natural gas.

Let me be clear – we have committed 100 percent of Narrabri gas to the domestic market – gas that will be very competitively-priced because we will bring to Narrabri our safe, low cost operating model that we have successfully implemented in Queensland.

In February this year we signed a non-binding gas supply agreement with Perdaman for a proposed new fertiliser plant at Narrabri, creating a new local industry.

This week we signed two further non-binding agreements with NSW customers for Narrabri gas, which will always be cheaper than gas imported from other states or from overseas.

Santos has spent more than \$500 million on the Narrabri Gas Project since acquiring Eastern Star in 2011; we've applied the best science to our environmental impact assessment; we have a proven record of developing coal seam gas resources safely and without harm to the environment or water resources; and a decision on the project is now a matter for the NSW Independent Planning Commission.

Across Australia, from Varanus Island to Curtis Island, each molecule of Santos natural gas supports hundreds of thousands of secure, skilled, well paid jobs for Australian workers – as well as providing many opportunities for small businesses and local communities.

This is also true of our participation in Papua New Guinea.

On the west coast and the east coast of Australia, as well as in Papua New Guinea, natural gas resources have been unlocked through large-scale LNG projects, without which those resources would never have been developed.

Demand for LNG is strong, with gas growing twice as fast as global energy demand for at least two more decades.

With Asia accounting for half of the world's 50 billion tonnes of annual greenhouse gas emissions, the shift to natural gas away from coal and dirty fuels will have a significant impact on global greenhouse emissions.

Santos' natural gas-focused portfolio is resilient under all International Energy Agency scenarios, including the goal of limiting global temperature rise to well below 2 degrees.

We have a dedicated Environment, Health, Safety and Sustainability Board Committee overseeing climate change risk.

The Santos Executive team has climate-related key performance indicators linked to their remuneration.

We report our greenhouse gas emissions publicly each year through the National Greenhouse and Energy Reporting Scheme.

And for two years now we have produced an industry-leading Climate Change Report in line with the G20 recommendations for corporate disclosure.

In this year's Climate Change Report, we set medium-term targets towards net-zero emissions by 2050, which centre on the crucial role of natural gas in reducing global emissions.

We have made commitments to reduce our own production emissions and commenced a ten-year program to measure and monitor fugitive emissions across our onshore operations, a program being undertaken by the CSIRO.

This year Santos is investing A\$50 million in projects in the Cooper Basin to reduce our carbon footprint, including deployment of solar energy, waste heat recovery at Moomba and appraisal of carbon capture, utilisation and storage potential.

Our project to convert beam pumps on 56 oil wells to solar and batteries, which won the support of the Australian Renewable Energy Agency last year, is a great demonstration of Santos' innovation towards achieving a lower carbon future.

I am also very excited about our appraisal of CCUS, where we have drilled two wells to test the potential to capture and reinject CO₂ that would otherwise be emitted, at the same time driving increased oil recovery.

Carbon capture and storage projects are not currently eligible to generate Australian Carbon Credit Units, however Santos wants CCUS included as an eligible technology to generate offsets or credits in any future carbon scheme.

So I hope you can see that we are not only focused on continuing to deliver strong operating performance and financial results, we are also focused on the long-term sustainability of our business.

Santos is now in great shape, with a high quality portfolio of natural gas-focused assets and growth opportunities, a disciplined low cost operating model, a strong balance sheet and cash flows that will deliver superior value to shareholders over time.

Thank you.

I will now hand back to Keith.

The formal business of the meeting was then conducted.