

12 March 2020

Santos agrees to sell a 25% interest in Darwin LNG and Bayu-Undan to SK E&S

Santos today announced it had agreed to sell a 25% interest in Darwin LNG and Bayu-Undan to SK E&S for US\$390 million with effect from 1 October 2019 with customary adjustments on completion.¹ Santos also receives the benefit of approximately US\$120 million of cash flow relating to the interests from 1 January 2019 to 1 October 2019.

The sale is conditional on completion by Santos of the acquisition of ConocoPhillips' northern Australia and Timor-Leste portfolio as announced on 14 October 2019, third-party consents, regulatory approvals and a final investment decision on Barossa.

SK E&S already has a 37.5% interest in the Barossa project to backfill Darwin LNG. Santos' sale of interests in Darwin LNG and Bayu-Undan to SK E&S advances partner alignment for the development of Barossa, which remains a key priority for both companies.

Santos Managing Director and Chief Executive Officer Kevin Gallagher said the agreement with SK E&S builds partner alignment and is another significant step towards bringing Barossa gas into production through the Darwin LNG facilities.

"We are delighted to have agreed terms with SK E&S to acquire interests in Darwin LNG and Bayu-Undan and look forward to continuing and building on the long-term relationship between our two companies."

"Santos continues to build alignment between the Darwin LNG and Barossa joint ventures through discussions with Darwin LNG participants and others to acquire equity in Barossa. We are in advanced discussions to sell-down equity in Barossa to a target ownership of around 40% to achieve increased partner alignment."

"Santos expects to take a final investment decision for the development of Barossa following completion of the ConocoPhillips acquisition and once all necessary technical, engineering and commercial contracts are in place, including the processing agreement with Darwin LNG, to allow the project to proceed subject to market conditions," Mr Gallagher said.

As announced on 14 October 2019, Santos' net funding requirement for the ConocoPhillips acquisition is expected to be approximately US\$775-825 million, net of the proceeds realised from the sell-down to SK E&S and post the benefit of cash flows generated from the acquired business from the ConocoPhillips acquisition effective date of 1 January 2019 to completion with customary adjustments.

¹ Santos will acquire the 25% interest in Darwin LNG and Bayu-Undan to be sold to SK E&S under the ConocoPhillips acquisition which has an effective date of 1 January 2019. Santos will have the benefit of cashflows from the 25% interests until 1 October 2019 being the effective date for the sale to SK E&S.

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Santos' pro-forma gearing on completion of both the ConocoPhillips acquisition and SK E&S sell-down is expected to be approximately 33.5% (approximately 31% pre-AASB 16 lease liabilities) before any cash generated from the sell-down of equity in Barossa.

Credit Suisse (Australia) Limited and J.B. North & Co. are acting as financial advisers to Santos and Allens is acting as legal adviser to Santos.

Ends.

This ASX announcement was approved and authorised for release by Kevin Gallagher, Managing Director and Chief Executive Officer.